THE UNIVERSITY OF NORTH CAROLINA SYSTEM

FY 2024 UNC System Debt Capacity Study

May 14, 2025

Approved by the University of North Carolina Board of Governors on May 15, 2025

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FY 2023-24 Debt Capacity Study

Purpose of the Study

S.L. 2015-97 added a new Article 5 to Chapter 116D of the General Statutes of North Carolina (the "***Act***"), requiring each constituent institution (collectively, the "***Institutions***") of The University of North Carolina (the "***University***") to provide the University of North Carolina Board of Governors (the "***Board***") with an annual report on its current and anticipated debt levels. The Act requires that the University, in turn, submit to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the State Treasurer, and The University of North Carolina System (the "***UNC System Office***") an annual study incorporating each Institution Report.

This report (the "***Study***") has been developed to address the Act's mandate to advise stakeholders "on the estimated debt capacity of The University of North Carolina for the upcoming five fiscal years" and establish "guidelines for evaluating the University's debt burden."

The Act also requires the Board to submit a uniform report from each institution regarding its debt burden and anticipated debt levels, in addition to other data and information related to each institution's fiscal management. Those Institution Reports are attached to the Study as **Appendix D**.

Methodology Used

Since the Act defines "debt" for the purposes of the Study to exclude debt serviced with "funds appropriated from the General Fund of the State," the Study primarily focuses on special obligation bonds issued under Article 3 of Chapter 116D ("***special obligation bonds***" or "***general revenue bonds***"), millennial campus bonds issued under Article 21B of Chapter 116, and other long-term debt issued on behalf of each institution to finance various capital facilities, including housing and other enterprise projects.

N.C. General Statute §116D-26(a) prohibits using the obligated resources of one institution to secure the debt of another institution, meaning the University has no debt capacity independent of its constituent institutions' individual ability to issue debt. The Study does not, therefore, aggregate each institution's individual debt levels and obligated resources to derive a Systemwide debt capacity metric. Instead, the Study offers a comprehensive review of each institution's debt capacity using the guidelines presented in the Act, which the UNC System Office has presented in detail in the Institution Reports included as part of **Appendix D**.

The Act expressly requires the University to establish guidelines for two ratios — **debt to obligated resources** and a **five-year payout ratio**. The Study also includes a ratio that is more widely used to measure a public university's debt burden — **debt service to operating expenses**. For more details on the ratios, see the information under the caption "Description of Ratios" on the following page.

The Study is based on a financial model that has been developed to measure three ratios on a pro forma basis over the next five years (the "***Study Period***"). Recognizing the wide diversity in enrollment, funding sources, and missions across each institution, the UNC System has worked with each institution to establish tailored and meaningful target policies for its respective ratios.

While an institution's ultimate debt capacity is affected by numerous quantitative and qualitative factors, for the purposes of the Study, "*estimated debt capacity*" is defined as the maximum amount of debt each institution could issue without exceeding its ceiling ratio for debt to obligated resources in any single year of the study period.

Description of Ratios

The model considers the following three ratios:

Statutory Ratios

Ratio	Explanation	Commentary
Debt to Obligated Resources	Compares each institution's outstanding debt to the funds legally available to service its debt	• Provides a general indication of an institution's ability to repay debt from wealth that can be accessed over time • Tied to the statutory framework for institution debt, so ratio is not used outside the State
Five-Year Payout	Measures the percentage of each institution's debt to be retired within the subsequent five year period	• Indicates how rapidly an institution's debt is amortizing and how much additional debt capacity may be created in the near term • Five year horizon is not widely used

Supplementary Ratio

Ratio	Explanation	Commentary
Debt Service to Operations	Measures debt service burden as a percentage of each institution's total operating expenses	• Indicates an institution's operating flexibility to finance existing requirements and new initiatives • Uses expenses rather than revenues because expenses tend to be more stable year-over-year • Permits comparison to peers outside the State

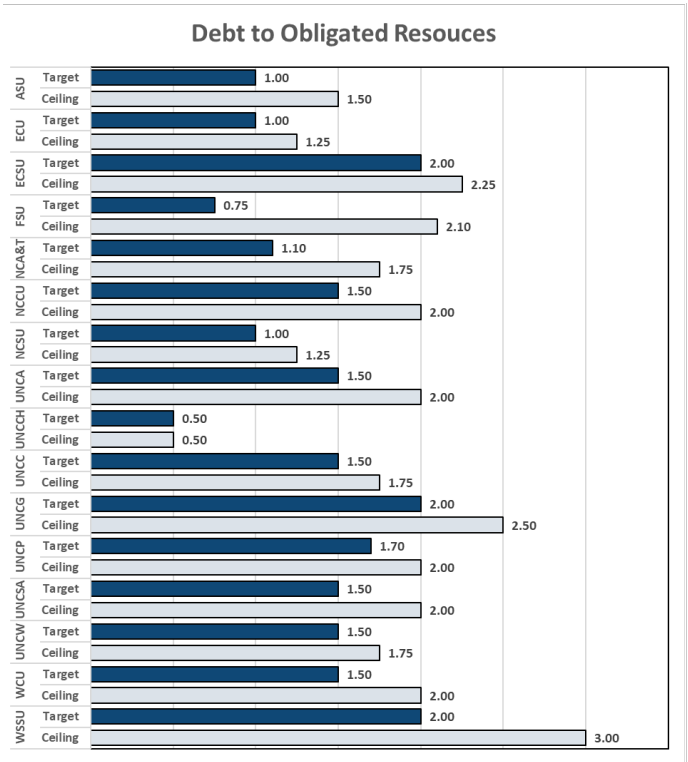
The first two ratios — **debt to obligated resources** and **five-year payout** — are mandated by the Act. While the ratios provide useful snapshots of each institution's debt profile and fiscal condition, the two ratios are not used outside of North Carolina. To provide additional data points and peer comparisons, the Study tracks an additional ratio — **debt service to operations**.

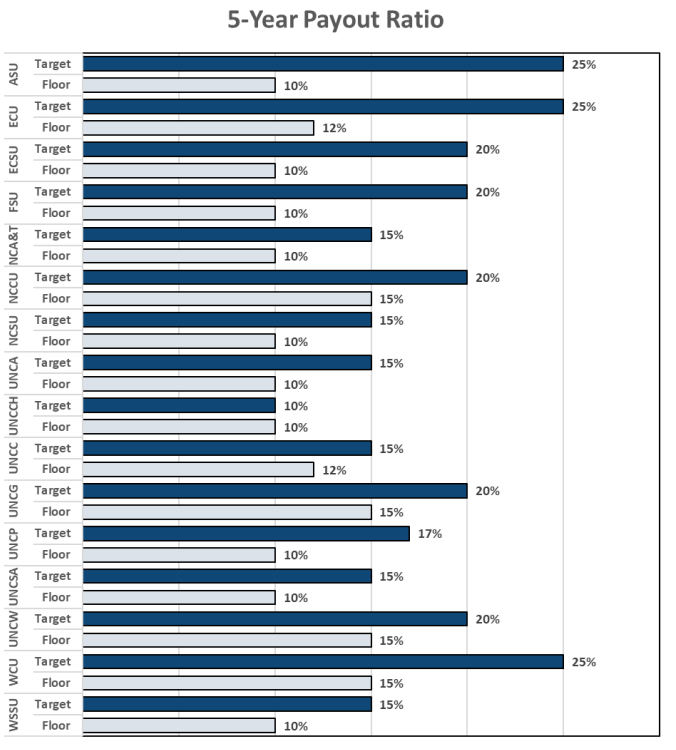
Note that the Study uses each institution's "Available Funds" as a proxy for its obligated resources. "Available Funds" is reported publicly by each institution with outstanding general revenue bond debt and reflects how Article 3's "obligated resources" concept has been translated into the bond documentation governing each institution's general revenue bonds. The two concepts are identical for most institutions, but to the extent there is any discrepancy, "Available Funds" will produce a lower, more conservative figure.

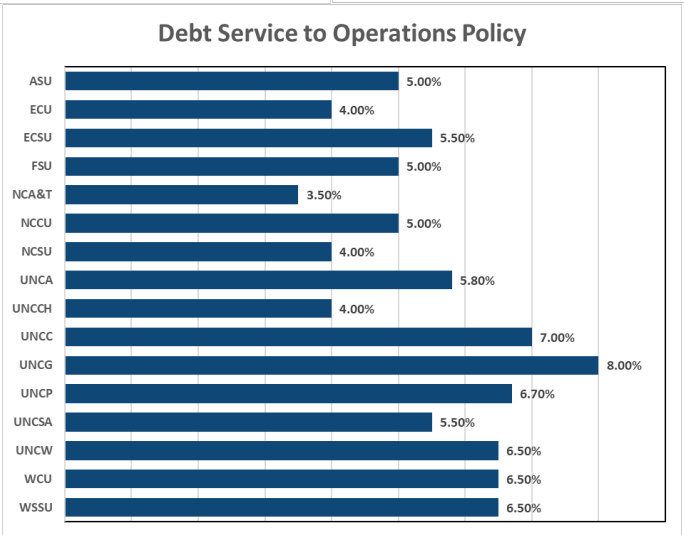
See **Appendix A** for more information on the ratios and the definitions for related terms.

Overview of Target and Policy Ratios

For the two statutorily required ratios — **debt to obligated resources** and **the five-year payout ratio** — each institution has set both a target ratio and a floor or ceiling policy, as applicable. The target and policy ratios are summarized below. See **Appendix C** for more information on the methodology each institution used in setting its target and policy ratios.





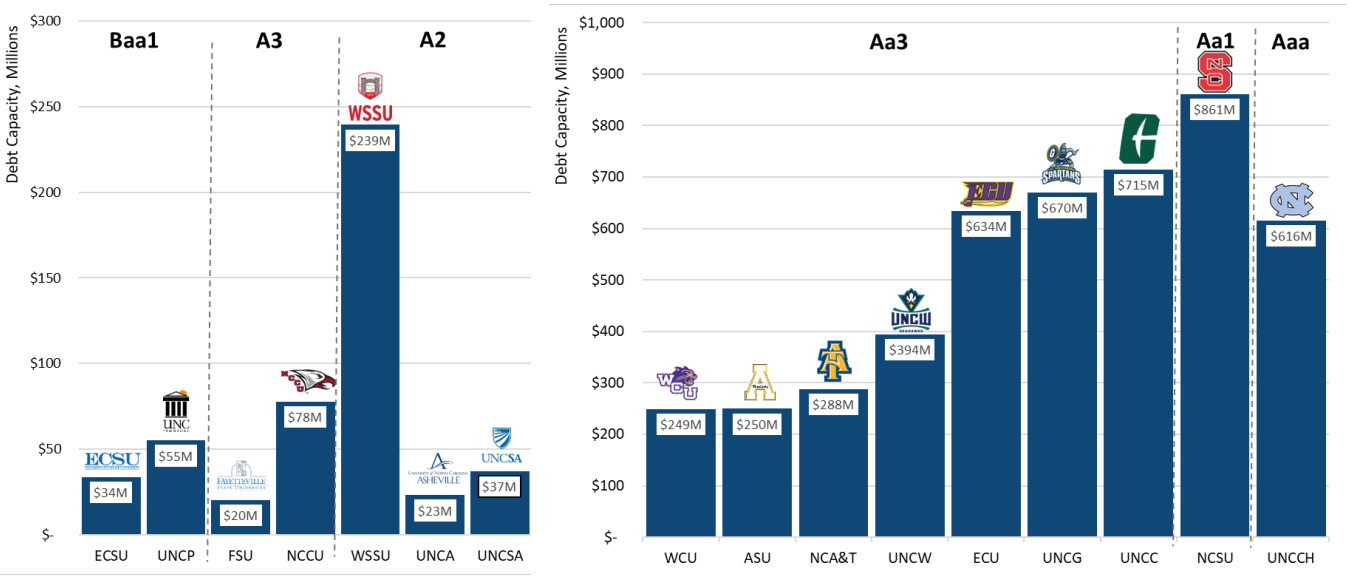


Conclusions

The following table summarizes the **current debt capacity** of each institution as defined for the purposes of the Study. The numbers in the table reflect **the maximum amount of debt each institution could issue in fiscal year 2025** without exceeding its ceiling ratio for **debt to obligated resources** during any year of the Study Period, after taking into account any approved future projects**.** The approved future projects for each institution, if any, are

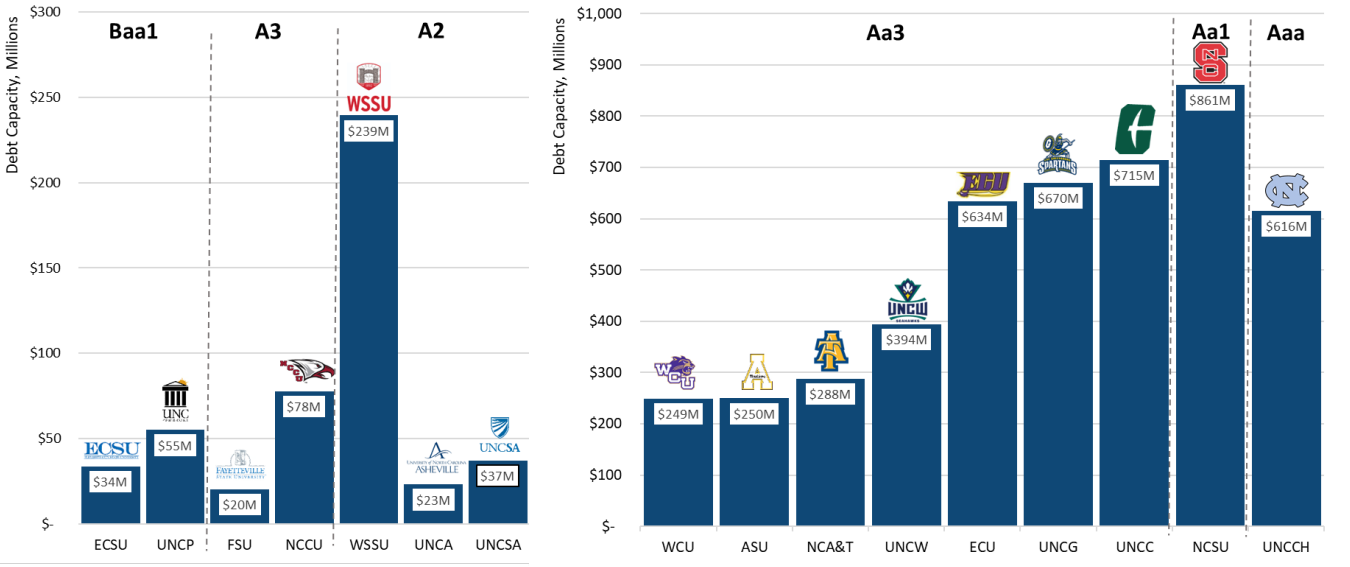
detailed in its report included as part of **Appendix D.** Fayetteville State University is not currently rated by Moody's. FSU has been grouped based on its corresponding rating from Standard and Poor's. Standard and Poor's is no longer assigning a rating for UNC Pembroke. UNCP has been grouped based upon previous ratings.

Current Debt Capacity Across the System (2025)



Generally, debt capacity for each institution will grow over the course of the Study Period as enrollment and obligated resources increase. The table below summarizes each institution's **projected debt capacity for fiscal year 2029,** assuming it issued no debt (other than debt to finance any approved future projects) until the last year of the Study Period.

Projected Debt Capacity Across the System (2029)



The range of capacities reflects the diversity among the institutions, each with its own strengths, challenges, and mission. The Study reflects the general health and proactive management of each institution's balance sheet, much of which is attributable to the State's history of strong support for the University and its institutions. The general growth in capacity over the course of the Study Period indicates relatively rapid amortization rates for most institutions.

A small handful of institutions are facing significant headwinds in terms of enrollment and revenue growth. For those institutions, improving debt capacity alone may not be a priority; instead, their debt capacity will improve as they continue to work with the UNC System Office to implement new strategies and policies to meet their unique challenges. Due to the uncertain inflationary environment, the study uses the average Consumer Price Index over the past 12 months (2.9 percent) for the first out year of the study (FY24-25). For the remaining four out years (FY25-29), the study uses 2.5 percent, which is in line with economic forecasts and closer to the historical average inflation. Each institution was given the option, however, to adjust the growth factor for each of the model components based on its reasonable expectations for its performance over the Study Period. Any growth rate adjustment, along with the factors considered in making the adjustment, is described in the individual Institution Reports attached as **Appendix D**.

While the Study provides useful insight into the overall fiscal position and capital needs of each institution, policymakers and other stakeholders identify trends and challenges facing each institution and the University over time, the Study also underscores the unique nature of public higher education debt and the value of the UNC System's centralized support and oversight. **The Study's emphasis on aggregate debt and asset levels is valuable, but the current approval process, which is predicated on a collaborative, project-by-project analysis of tailored cost estimates and project-specific sources of repayment, should continue to drive decision-making with respect to any proposed project.**

Recommendations

Recommended Use of the Study

Since the Study is framed broadly to accommodate the complexity and diversity of each institution's mission, business model, size, and infrastructure needs, the Study should be used as a general assessment of each institution's overall fiscal position and to help institutions, policymakers, and other stakeholders identify trends and challenges facing each institution and the UNC System over time. Like any other management tool, the Study is not intended as a substitute for the considered judgment of institution leadership, the UNC System, the Board, or the General Assembly. An institution may be better served, for example, forgoing a project when it has significant debt capacity or pursuing a financing even if doing so would cause the institution to exceed one of its stated target ratios.

While the Study will help policymakers and stakeholders determine when additional scrutiny for a project may be warranted to ensure institutions are deploying debt prudently and strategically, institution debt policies and the University's debt approval process — which is predicated on a project-by-project analysis of tailored cost estimates and identified sources of repayment — should continue to drive decision-making with respect to any proposed project.

The graphic below summarizes how the Study is intended to be integrated into a comprehensive debt management framework that includes each institution's debt policy and the University's debt approval process.

Annual Debt Capacity Study

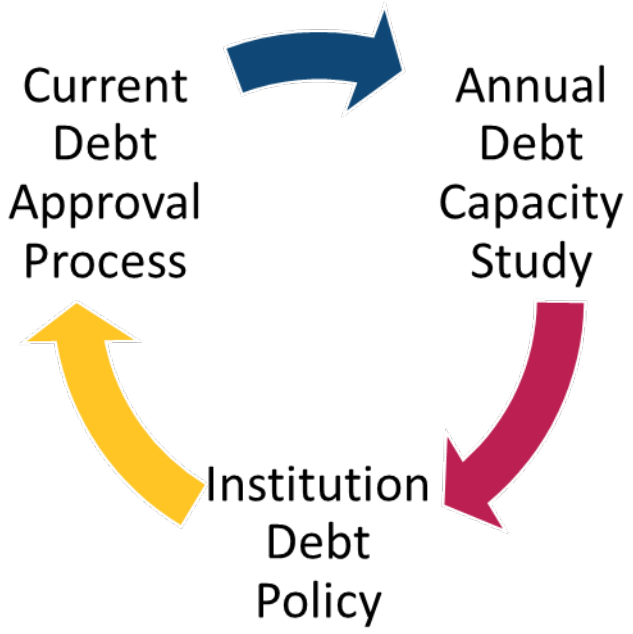
- Provides a snapshot of each institution's current estimated debt capacity
- May indicate when a proposed project requires heightened scrutiny
- Updated annually to reflect newly approved debt and the institution's latest financial results and projects

Institution Debt Policy

- Clarifies each institution's strategic approach to debt and its capital investment needs
- Establishes criteria for evaluating projects and approving debt, including benchmarks to measure prudent debt levels

Current Debt Approval Process

- Evaluates each proposed project's affordability based on identified sources of repayment and projected impact on student cost
- Uses estimated debt capacity results to assess strategic value of proposed projects in light of an institution's overall debt burden, mission, and needs



Use and Impact of Project-Based Financing Structures

Project-based financing structures — i.e., debt obligations payable solely or primarily from the financed project's revenues (collectively, "**Project Financings**") — have been used effectively throughout the State for many years. Institutions have structured their Project Financings using both their affiliate support organizations (collectively, "**Foundation Financings**") and unaffiliated, tax-exempt organizations (collectively, "**Privatized Financings**"). Many Project Financings have been structured with the support of master lease arrangements with the institutions (collectively, "**University-Supported Project Financings**"), while others have been structured so that the institutions have no obligation to repay any associated debt (collectively, "**Nonrecourse Project Financings**").

Since project revenues in Nonrecourse Project Financings accrue to the project owner and not the institution, Nonrecourse Project Financings are not payable from the obligated resources of an institution and have therefore been **excluded** from the Study's debt capacity calculations. Ratings agencies do consider these financings in their credit assessments, which can lead to a disconnect between the numbers in the Study and those published by the ratings agencies. By contrast, State-Supported Project Financings, which are supported by the institution's obligated resources, **are included** in the Study's debt capacity calculations.

Over the past couple years, several institutions have entered into (or have obtained approval to enter into) large-scale Project Financings for new, on-campus housing facilities. Each of those transactions has been structured as Nonrecourse Project Financings, so those debt instruments are **not** included in the Study's debt capacity calculations. The rating agencies have made it clear, however, that they will be more likely to include Nonrecourse Project Financings in their institution leverage metrics for on-campus housing, even if the institution has no legal

obligation to repay the debt. Thus, the use of Nonrecourse Project Financing structures may reduce the debt capacity of an institution in the eyes of the rating agencies.

The UNC System Office has developed guidelines for the prudent use of Project Financing structures and will continue to work with the institutions and other stakeholders in State government to ensure Project Financing structures are used strategically and in keeping with the UNC System's mandate to provide access to the benefits of the University at the lowest practicable cost.

2025 Moody's Outlook for Higher Education

Moody's maintained its stable outlook for the higher education section in its December 2024 report but revised the outlook to negative in March 2025. Moody's cites cuts to research funding, a potential increase on the tax on endowments, cuts to the Department of Education, potential decreases in the number of student visas issued, and potential disruptions of federal financial aid as reasons for the negative outlook.

Since January 1, 2024, Moody's affirmed App State's Aa3 rating and UNC Asheville's A2 rating but revised both institutions' outlook from stable to negative. Moody's affirmed UNC Charlotte's Aa3 rating and stable outlook. Standard and Poor's upgraded UNC Charlotte's rating from A+ to AA- and affirmed ECU's AA- rating and stable outlook.

Appendix A: Key Definitions

Debt: Debt incurred under Chapter 116D or Article 21B of Chapter 116 of the North Carolina General Statutes or any other debt that will be serviced with funds available to the institutions from gifts, grants, receipts, Medicare reimbursements for education costs, hospital receipts from patient care, or other funds, or any combination of these funds, but not including debt that will be serviced with funds from the General Fund of the State. "Debt" does not include project-based financing structures that are nonrecourse to the institutions.

Obligated Resources: Any sources of income or receipts of the Board of Governors or the institution at which a special obligation bond project is or will be located that are designated by the Board as the security and source of payment for bonds issued under this Article to finance a special obligation bond project, including, without limitation, any of the following:

a. Rents, charges, or fees to be derived by the Board of Governors or the institution from any activities conducted at the institution.

b. Earnings on the investment of the endowment fund of the institution at which a special obligation project will be located, to the extent that the use of the earnings will not violate any lawful condition placed by the donor upon the part of the endowment fund that generates the investment earnings.

c. Funds to be received under a contract or a grant agreement, including "overhead costs reimbursement" under a grant agreement, entered into by the Board of Governors or the institution to the extent the use of the funds is not restricted by the terms of the contract or grant agreement, or the use of the funds as provided in this Article does not violate the restriction.

d. Funds appropriated from the General Fund to the Board of Governors on behalf of a constituent institution for utilities of the institution that constitute energy savings as that term is defined in G.S. 143-64.17.

Generally, obligated resources do not include funds appropriated to the Board of Governors or the institution from the General Fund by the General Assembly from funds derived from general tax and other revenues of the State, and obligated resources do not include tuition payment by students.

5-Year Payout Ratio: Percentage of each institution's long-term debt scheduled to be retired during the succeeding five-year period.

Debt Service to Operations: Ratio that measures an institution's debt service burden as a percentage of its total expenses. Ratio uses aggregate operating expenses as opposed to operating revenues since expenses are generally more stable. Operating expenses also include an adjustment for any non-cash charge relating to the implementation of GASB 68 and 75.

Debt Service to Operations = (Annual Debt Service) / (Total Operating Expenses)

Appendix B: Overview of UNC System Debt

Most debt within the scope of the Study is comprised of special obligation bonds issued by the Board on behalf of each institution in accordance with Article 3 of Chapter 116D of the General Statutes of North Carolina, as amended ("***Article 3***"). Institutions may use special obligation bonds (or "***general revenue bonds***," as they are commonly called) to finance any capital facility located at the campus that supports the institution's mission, but only if the Board has specifically designated the project as a "special obligation bond project" in accordance with Article 3.

Article 3 contains procedural safeguards to ensure the thoughtful use of special obligation bonds. For example, before any general revenue bonds are issued, Article 3 requires the approval of the institution's board of trustees, the Board of Governors, the General Assembly, and the Director of the Budget (in consultation, if necessary, with the Joint Legislative Commission on Governmental Operations).

As part of its approval, the Board of Governors must (1) designate the proposed project as a "special obligation bond project" and the obligated resources that will serve as the source of repayment for the proposed bonds and (2) establish that sufficient obligated resources are reasonably expected to be available to service the proposed bonds. In its report to the General Assembly seeking approval for a proposed Article 3 project, the Board must provide details regarding the project need, expected project costs, expected increases in operating costs following completion (including any contemplated impact on student costs), estimated debt service, and the sources and amounts of obligated resources to be used to repay the debt.

Although Article 3 focuses on an institution's obligated resources in the aggregate, as a practical matter, the plan of finance for each proposed project is evaluated on a standalone basis. **If an institution is unable to demonstrate that existing or future revenues associated with a project are sufficient to service the proposed debt, then the financing will generally not move forward unless the project is redesigned to a sustainable and appropriate scale**. Those project-specific revenues may take the form of enterprise system revenues (such as dormitory or dining system revenues) or other dedicated revenue sources (such as capital campaign donations or student fees). Institution debt issued under other legislative authority, including student housing revenue bonds under Article 19 of Chapter 116D, is also subject to procedural safeguards and is evaluated on a project-by-project basis.

This slight disconnect between the statutory framework for evaluating debt capacity — **with its focus on affordability relative to each institution's aggregate obligated resources** — and the practical manner in which projects are evaluated and approved — **with its focus on an individual project's affordability based on a specific source of repayment** — means that the Study presents an inherently conservative picture of each institution's debt capacity. While the model's inherent conservatism encourages prudent planning, the Study's limitations in evaluating the affordability of any single campus project should be noted.

Unlike the State of North Carolina's debt capacity study, for example, where future debt service is paid out of well-defined and relatively predictable revenue streams, campus projects may be financed through a variety of revenue sources, none of which is easily modeled on a pro forma basis at the aggregate obligated resources level. In addition, the Act establishes a target ratio that compares aggregate debt (which will increase immediately by the full amount of the debt once issued) to obligated resources (which will increase incrementally over time). This means that any new financing will generally reduce the institution's debt capacity as reflected in the Study, even if the new project would be entirely supported by new revenues that would not exist but for the project.

None of the institution debt included in the Study affects the State of North Carolina's debt capacity or credit rating. Such obligations are payable only from the applicable institution's obligated resources (or other pledged revenues) and do not constitute a debt or liability of the State or a pledge of the State's full faith and credit.

Appendix C: Study Methodology and Background

Overview of Strategic Debt Management and Credit Assessment

The prudent use of debt, in service of each institution's mission, provides several strategic benefits:

- **Achieving intergenerational equity** – Most capital projects will benefit students for decades. Financing a portion of each institution's planned capital investments enables each institution to better align the benefits and financial burdens across multiple generations.
- **Enhancing effectiveness** – An institution may use debt to invest in transformative projects on an accelerated schedule, permitting the institution to leverage its resources to better scale its programs, serve its stakeholders, and meet its mandated mission.
- **Imposing discipline** – Debt can be used to clarify priorities and reduce other spending that may crowd out investments necessary for the institution's long-term health.

Burdensome debt levels, however, can undermine an institution's effectiveness and viability. Debt may diminish the future operational flexibility of an institution and may limit its ability to adapt to developments and trends in the marketplace. In the worst instances, debt levels may hasten the decline of an institution, creating a downward spiral that exerts ever-increasing pressure on its balance sheet.

Each institution's credit rating (for those with rated debt) serves as a general barometer of how the rating agencies view the institution's financial strength and its debt management practices, which, in turn, informs the institution's reputation in the capital markets. In assessing a public university's creditworthiness, rating agencies generally consider broad categories of factors. In August 2021, Moody's Investors Service ("***Moody's***") updated its rating methodology and approach to assess credit risks of public and private universities. The table below summarizes the updated factors that Moody's considers as part of its "scorecard," which guides its credit profile analysis in the higher education sector:

Primary Factors					
Scale **15%**	Market Profile **20%**	Operating Performance **10%**	Financial Resources and Liquidity **25%**	Leverage and Coverage **20%**	Financial Policy **10%**
Sub-factors					
Adjusted Operating Revenue ***15%***	*Brand and Strategic Positioning* ***10%*** *Operating Environment* ***10%***	*Earnings Before Interest, Depreciation, and Amortization (EBIDA) Margin* ***10%***	*Total Cash and Investments* ***10%*** *Total Cash and Investments / Operating Expenses* ***15%***	*Total Cash and Investments / Total Adjusted Debt* ***10%*** *Annual Debt Service Coverage* ***10%***	*N/A*
+					
Other Considerations		**Instrument Considerations**		**Cross-Sector Methodologies**	
=					
Assigned Ratings					

The Study focuses on Moody's methodology, as it rates nearly all of the institutions.

As part of their criteria, the rating agencies give significant weight to various qualitative factors, such as the strength of the institution's leadership, the quality and responsiveness of its long-range planning, and the role of any centralized oversight. In a rating report issued in February 2016 in connection with an institution bond offering, for example, Moody's noted that the institution "**benefits from being part of the UNC System, which has a demonstrated history of strong oversight of member institutions**" and listed the institution's "**generous operating and capital support from the State of North Carolina**" as a primary credit strength.

For several reasons, the Study has not attempted to tie "debt capacity" to the predicted impact any new debt may have on an institution's credit rating. First, each institution's mission and strategic planning should drive its debt management decisions, not the rating agencies' outside assessment of the institution's credit profile. Managing an institution's operations solely to achieve a certain credit rating may distort strategic objectives and lead to unintended consequences. As Moody's states in its Rating Methodology for Global Higher Education (dated November 23, 2015):

> "Strategic positioning depends on effective short- and long-range planning, consistent self-assessment and benchmarking, and ongoing monitoring and accountability. ... Determining the appropriate level of investment is a significant challenge, as too little investment can result in a gradual loss of student demand, research funding, or philanthropy if donors feel that the university is in decline. Overinvesting can saddle a college with an unsustainable business model, with revenue unable to support high fixed costs, including debt service."

Second, projecting the exact amount of debt an institution could issue during the Study Period without negatively impacting its credit rating is difficult. Any single financial ratio makes up only a fraction of the overall credit analysis, and weak ratios may be ignored or deemphasized in a particular situation based on multiyear trends, projections, and other qualitative factors. Further, while the financial performance of its institutions has no impact on the State's credit rating, each institution's credit rating has historically benefited from the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category, making comparisons to median ratios challenging. Finally, because median ratios are not perfectly correlated to rating outcomes, a model that attempts to draw a linear relationship between any single ratio and a projected rating outcome would have limited predictive value.

In this context, **it is important to distinguish "debt capacity" from "debt affordability."** Debt capacity provides a general indication of each institution's ability to absorb debt on its balance sheet during the Study Period. Debt affordability, on the other hand, evaluates the merits of a specific financing (or a specific amount of debt), taking into account a number of quantitative and qualitative factors related to the projects under consideration, including project revenues and expenses, cost of funds, competing strategic priorities, and the "hidden" costs of forgoing the projects entirely.

Development of the Financial Model

To support the Study, a financial model has been developed to analyze four financial ratios for each institution on a pro forma basis over the course of the Study Period. Since Article 3 does not permit the institutions to pool their obligated resources to form a common source of funds to support all institution project financings, the Study focuses on the individual institution data and does not attempt to aggregate each institution's capacity to derive a University-wide measure of "debt capacity." The other components of the model are designed to assist each institution in establishing guidelines for maintaining prudent debt levels and for evaluating capital investment priorities in light of fiscal constraints.

Each institution's debt capacity reflects the amount of debt each institution could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**. Each institution has developed its own target policy for each ratio in consultation with the UNC System Office to ensure the ratio is tailored and meaningful for that institution's size, mission, resources, and average age of plant.

Methodology for Setting Target Ratios

Since there are differences in each institution's mission, enrollment, resources, and capital needs, imposing a single set of target policies across all institutions would distort the information produced by the Study — either by generating too much capacity for the larger institutions or by holding smaller institutions to unrealistic benchmarks relative to their size and scale. To produce a more meaningful model for each institution, the institutions, in consultation with the UNC System, have set their own target policies for the model ratios.

In setting its target policies, each institution considered many quantitative and qualitative factors, including comparisons to its designated peer institutions, its strategic initiatives, its historical results, its average age of plant, its recent and projected growth, and any existing debt policies. As discussed above, the credit ratings of the institutions are bolstered by several favorable qualitative factors, including, most importantly, the State's long history of support. Since the institutions benefit from those qualitative factors, it follows that many quantitative measures are weaker than the median ratios for their assigned rating category. Institutions were not forced, therefore, to set their target ratios directly in line with those median ratios, as that approach would invite quantitative comparisons to larger, wealthier peers. Institutions used median ratios as an important benchmark in setting their policy ratios.

Other Assumptions and Factors Affecting the Model

The financial model is based on each institution's financial results as of **June 30, 2024** — the most recent period for which audited financials are available. The model includes debt issued to finance new projects since June 30, 2024, but the model excludes any refinancing, redemption or other debt payments that have occurred during the current fiscal year, building an additional element of conservatism into the model.

The financial model also takes into account any legislatively approved project that an institution plans to finance during the Study Period. Interest rate assumptions for any pro forma debt are based on conservative, fixed rate projections and are adjusted to account for each institution's credit rating and the expected term of the financing.

The financial model adds back to each institution's unrestricted and restricted expendable net assets any noncash charge taken in connection with the implementation of Governmental Accounting Standards Board (GASB) 68 and GASB 75 and will make similar adjustments for the implementation of related accounting policies in the future. While GASB 68 impacts an institution's unrestricted net assets and not restricted expendable net assets, GASB 75 impacts both figures. This is relevant as the calculation of Available Funds incorporates unrestricted net assets but not restricted expendable net assets, while the calculation of Expendable Financial Resources includes both figures. Therefore, the GASB 75 adjustment made to Available Funds and Expendable Financial Resources will not match. The Debt Capacity Study focuses on special obligation bonds and excludes liabilities or leases pursuant to GASB 87.

Appendix D: Reports from Constituent Institutions

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

Appalachian State University

Institution Report

Appalachian State University

Approved by the University of North Carolina Board of Governors on May 15, 2025

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1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), Appalachian State University ("***Appalachian***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. Appalachian has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, Appalachian, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily required ratios—**debt to obligated resources** and the **five-year payout ratio**—Appalachian has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, Appalachian's debt capacity reflects the amount of debt Appalachian could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that Appalachian intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- Appalachian's current debt profile, including project descriptions financed with, and the sources of repayment for, Appalachian's outstanding debt;
- Appalachian's current credit profile, along with recommendations for maintaining or improving Appalachian's credit rating; and
- A copy of any Appalachian debt management policy currently in effect.

Overview of Appalachian

For the fall 2024 semester, Appalachian had a headcount student population of approximately 21,570 including 19,560 undergraduate students and 2,010 graduate students. Over the past five years, Appalachian's enrollment has increased 7.7 percent.

Appalachian's average age of plant is 12.0 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

Appalachian anticipates borrowing an additional $19 million in debt during the Study period, as summarized in **Section 3** below. Appalachian has made no changes to the financial model's growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on Appalachian's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to Appalachian by the federal government (discounted by an assumed 6.2 percent sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt Appalachian expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below overstates Appalachian's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(213,256,661)	39,020,569	415,847,211	0.85%	241,611,119
2021	(210,046,897)	48,493,455	387,239,749	-6.59%	225,686,307
2022	(142,640,485)	39,583,597	358,798,082	13.32%	255,741,194
2023	(35,143,531)	38,707,195	310,395,097	22.76%	313,958,761
2024	31,070,711	46,309,010	295,519,500	18.77%	372,899,221
2025	383,713,298	-	-	2.90%	383,713,298
2026	393,306,131	-	-	2.50%	393,306,131
2027	403,138,784	-	-	2.50%	403,138,784
2028	413,217,254	-	-	2.50%	413,217,254
2029	423,547,685	-	-	2.50%	423,547,685

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	426,271,117	(12,926,396)	20,069,769	8.20%	433,414,490
2021	432,504,553	(9,451,288)	23,691,615	3.08%	446,744,880
2022	465,167,131	8,692,286	26,305,826	11.96%	500,165,243
2023	498,186,478	22,010,937	45,728,168	13.15%	565,925,583
2024	571,092,965	(8,057,192)	14,492,014	2.05%	577,527,787
2025	594,276,093	-	-	2.90%	594,276,093
2026	609,132,995	-	-	2.50%	609,132,995
2027	624,361,320	-	-	2.50%	624,361,320
2028	639,970,353	-	-	2.50%	639,970,353
2029	655,969,612	-	-	2.50%	655,969,612

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	18,571,419	10,245,424	28,816,843	307,129,323
2026	19,239,791	9,584,506	28,824,297	287,889,532
2027	18,000,845	8,932,540	26,933,385	269,888,687
2028	17,513,687	8,337,304	25,850,991	252,375,000
2029	15,245,000	7,764,260	23,009,260	237,130,000
2030	15,850,000	7,244,204	23,094,204	221,280,000
2031	70,880,000	6,115,938	76,995,938	150,400,000
2032	12,745,000	5,050,346	17,795,346	137,655,000
2033	11,780,000	4,658,118	16,438,118	125,875,000
2034	12,255,000	4,294,708	16,549,708	113,620,000
2035	10,875,000	3,939,670	14,814,670	102,745,000
2036	10,365,000	3,587,136	13,952,136	92,380,000
2037	9,795,000	3,253,679	13,048,679	82,585,000
2038	6,350,000	3,001,411	9,351,411	76,235,000
2039	6,660,000	2,798,217	9,458,217	69,575,000
2040	6,985,000	2,586,730	9,571,730	62,590,000
2041	6,330,000	2,366,905	8,696,905	56,260,000
2042	5,595,000	2,153,580	7,748,580	50,665,000
2043	5,945,000	1,925,973	7,870,973	44,720,000
2044	6,310,000	1,683,328	7,993,328	38,410,000
2045	6,705,000	1,424,816	8,129,816	31,705,000
2046	7,090,000	1,172,256	8,262,256	24,615,000
2047	7,500,000	899,252	8,399,252	17,115,000
2048	5,890,000	641,840	6,531,840	11,225,000
2049	6,220,000	402,794	6,622,794	5,005,000
2050	1,175,000	182,222	1,357,222	3,830,000
2051	1,225,000	132,722	1,357,722	2,605,000
2052	1,275,000	81,159	1,356,159	1,330,000
2053	1,330,000	27,431	1,357,431	-

3. Proposed Debt Financings

The table below summarizes any legislatively approved projects that Appalachian expects to finance during the Study Period. Using the assumptions outlined in the table below, the model has developed a tailored, but conservative, debt service schedule for each proposed financing and incorporated each pro forma debt service schedule into its calculations of the financial ratios as detailed in **Section 4** below.

Appalachian State University Proposed Debt Financings

FY Issued	Description	Borrowing Amount	Term	Principal Deferral	Structure	Rate
2024	App 105 Project Phase II - FY25 Drawdown	1,521,253	4	N/A	N/A	4.70%
2025	Millennial Campus Indoor Practice Facility Project	17,515,000	10	N/A	N/A	5.00%

4. Financial Ratios

Debt to Obligated Resources

- **What does it measure?** Appalachian's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

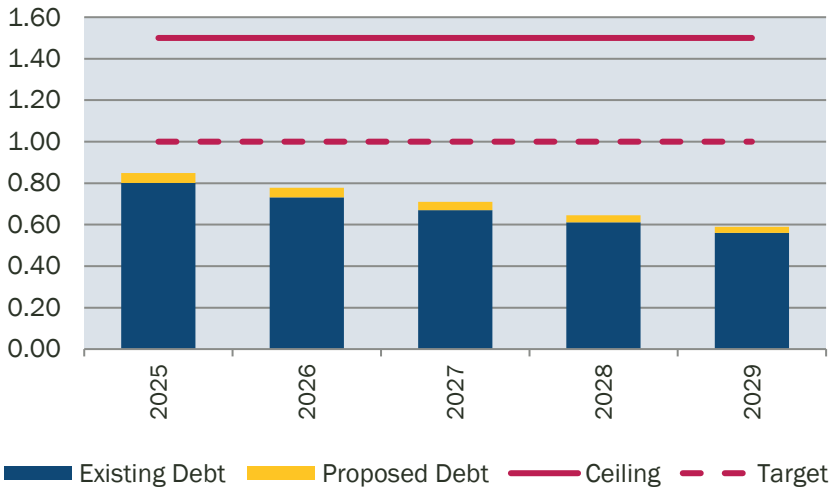
- Target Ratio: 1.00
- Ceiling Ratio: Not to exceed 1.50
- Projected 2025 Ratio: 0.85
- Highest Study Period Ratio: 0.85 (2025)

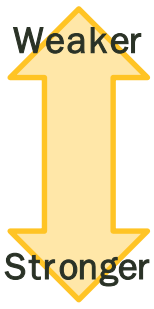
*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	383,713,298	2.90%	307,129,323	18,655,939	0.80	0.05	0.85
2026	393,306,131	2.50%	287,889,532	18,275,626	0.73	0.05	0.78
2027	403,138,784	2.50%	269,888,687	16,320,313	0.67	0.04	0.71
2028	413,217,254	2.50%	252,375,000	14,280,000	0.61	0.03	0.65
2029	423,547,685	2.50%	237,130,000	12,535,000	0.56	0.03	0.59

Debt to Obligated Resources





5-Year Payout Ratio Overview

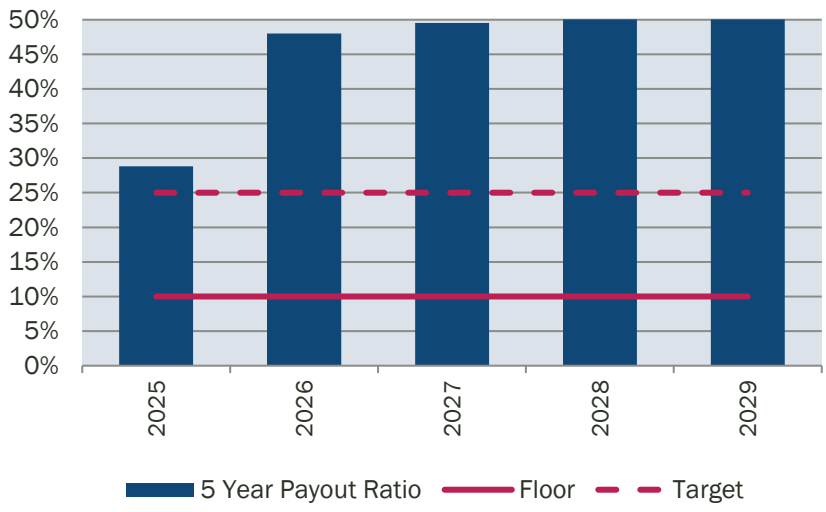
- **What does it measure?** The percentage of Appalachian's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

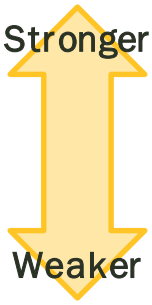
- Target Ratio: 25%
- Floor Ratio: Not less than 10%
- Projected 2025 Ratio: 29%
- Lowest Study Period Ratio: 29% (2024)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	325,785,262	29%
2026	306,165,158	48%
2027	286,209,000	50%
2028	266,655,000	51%
2029	249,665,000	54%

5-Year Payout Ratio





Debt Service to Operating Expenses

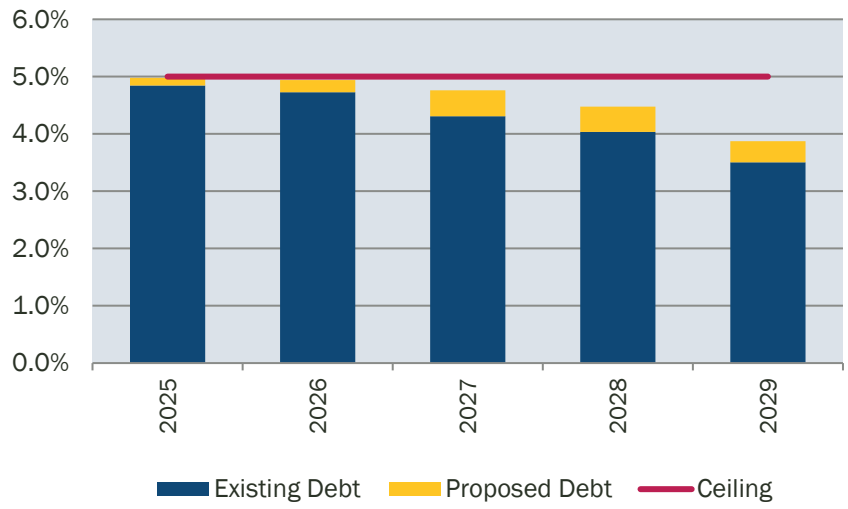
- **What does it measure?** Appalachian's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 5.00%
- Projected 2025 Ratio: 4.98%
- Highest Study Period Ratio: 4.98% (2025)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	594,685,729	2.90%	28,816,843	789,949	4.85%	0.13%	4.98%
2026	610,062,369	2.50%	28,824,297	1,309,687	4.72%	0.21%	4.94%
2027	625,233,444	2.50%	26,933,385	2,827,437	4.31%	0.45%	4.76%
2028	640,743,728	2.50%	25,850,991	2,813,688	4.03%	0.44%	4.47%
2029	656,639,987	2.50%	23,009,260	2,415,375	3.50%	0.37%	3.87%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, Appalachian's debt capacity is based on the amount of debt Appalachian could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	0.85	1.50	249,784,686
2026	0.78	1.50	283,794,038
2027	0.71	1.50	318,499,176
2028	0.65	1.50	353,170,881
2029	0.59	1.50	385,656,528

Limitations on Debt Capacity, Credit Rating Implications, and Comment from Appalachian

- The debt capacity calculation shown above provides a general indication of Appalachian's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- **If Appalachian were to use all of its calculated debt capacity during the Study Period, Appalachian's credit ratings may face significant downward pressure**.
- The debt capacity calculation shown above provides a general indication of Appalachian's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- Projecting the exact amount Appalachian could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10%** of an issuer's overall score.
    - **The State's Impact**
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.
        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.

- **Factor Interdependence**
  - The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
  - For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its institution to address its deferred maintenance obligations.
- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

Appalachian's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2012 Foundation	07/01/2013	1,171,995	01/15/2027	Note	Renovation of Schaefer Center	Foundation Funds
2014 A ASU	05/06/2014	16,520,000	07/15/2039	General Revenue	Anne Belk Hall, Belk Residence Hall and Hockey Field	Debt Service Fee; Housing Receipts; Athletics Receipts; Parking Receipts
2014 B ASU	05/06/2014	3,200,000	07/15/2025	General Revenue	Anne Belk Hall, Belk Residence Hall and Hockey Field	Debt Service Fee; Housing Receipts; Athletics Receipts; Parking Receipts
2014 C ASU	11/25/2014	11,795,000	10/01/2031	General Revenue	Refunding 2006A	Debt Service Fee; Housing Receipts
2016 A ASU	02/18/2016	17,495,000	10/01/2033	General Revenue	Refunding 2008A	Debt Service Fee; Housing Receipts; Athletics Receipts; Parking Receipts; Utility Receipts
2016 ASU	05/05/2016	730,000	05/05/2026	Combined Utilities Revenue	Utility System	Utility Receipts
2016 B ASU	07/05/2016	710,000	10/01/2026	General Revenue	Refunding 2006A	Debt Service Fee; Housing Receipts; Dining Receipts
2016 C ASU	11/16/2016	24,490,000	10/01/2046	General Revenue	Winkler Residence Hall	Housing Receipts
2016 D ASU	11/16/2016	8,705,000	10/01/2034	General Revenue	Refunding 2009B	Housing Receipts; Athletics Receipts
2017 B ASU	09/28/2017	13,875,000	07/01/2040	Note	Former High School Property	Endowment Funds: Utility Receipts
2017 A ASU	12/13/2017	50,210,000	10/01/2036	General Revenue	Refunding 2010B-1 and 2011	Debt Service Fee; Housing Receipts; Athletics Receipts; Utility Receipts; Bookstore Receipts
2018 ASU	12/13/2018	38,775,000	05/01/2049	Millennial Revenue	End Zone Project	Athletic Receipts; Auxiliary Receipts
2019 ASU	06/19/2019	15,045,000	10/01/2048	General Revenue	Sanford Hall	Debt Service Fee
2020 ASU	02/27/2020	1,582,000	05/01/2030	Millennial Revenue	Field Turf Project	Athletic Receipts
2020 ASU	12/10/2020	5,760,000	05/05/2040	Combined Utilities Revenue	Utility System	Utility Receipts
2020 ASU	02/27/2020	602,000	10/01/2025	General Revenue	Refunding 2010B	Debt Service Fee; Housing Receipts; Athletics Receipts; Bookstore Receipts
2020 App State Housing	12/01/2020	69,060,000	12/01/2030	Note	Student Housing	Housing Receipts
2022 ASU	2/1/2022	11,236,000	05/01/2028	General Revenue	Refunding 2012	Debt Service Fee; Housing Receipts; Athletics Receipts
2022 B ASU General Revenue Bonds	10/1/2022	20,455,000	10/01/2052	General Revenue	Holmes Convocation Center Parking Deck	Parking receipts
2024 Foundation	6/12/2023	4,178,747	06/30/2028	Note	App 105 Phase II	Foundation Funds
2023 ASU	9/28/2023	10,105,000	01/01/2048	General Revenue	Indoor/Outdoor Tennis Courts, Softball	Foundation Funds, Athletcs Receipts, Athletics Debt Service Fee
	Total	**325,700,742**				

Approved by the University of North Carolina Board of Governors on May 15, 2025

7. Credit Profile

The following page provides a snapshot of Appalachian's current credit ratings, along with (1) a summary of various credit factors identified in Appalachian's most recent rating report and (2) recommendations for maintaining and improving Appalachian's credit ratings in the future.

Credit Profile of the University – (General Revenue)

Overview

- In November 2024, Moody's affirmed a Aa3 rating on Appalachian's general revenue bonds and revised the outlook to negative from stable.

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Non Investment Grade		

Key Information Noted in Rating Reports

Credit Strengths

- Healthy support for operations and capital projects from the Aaa-rated State of North Carolina
- Well-established market presence and strong regional brand name with increasing demand and growing enrollment
- Growth in total wealth and cash and investments as a result of improving donor support
- Total FTE enrollment growth up 11% since fall 2018

Credit Challenges

- Compared to peers, higher financial leverage and narrow liquidity is below the Aa3 median
- Operating margins have thinned by existing enrollment base, higher operating expenses and moderate scale of operations
- Limited prospects to increase financial reserves given investments in capital and program growth
- Growth of debt to outpace growth of wealth and revenues which support debt service

Recommendations & Observations

- Pursue strategies, working within the existing statutory framework relating to reversions, to increase liquidity through growth in cash and investments.
- Strengthen debt to cash flow ratio to be more in line with median Aa3 peers.
- Inclusive of public-private partnership debt, alignment of debt obligations with future enrollment and revenue growth in a challenging market environment.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**Appalachian State University**	**Miami University**	**Western Michigan University**	**Bowling Green State University**	**Western Washington University**
Most Senior Rating	**Aa3**	**Aa3**	**Aa3**	**A1**	**A2**
Total Long-Term Debt ($, in millions)	340	499	400	262	147
Total Cash & Investments ($, in millions)	462	1267	408	272	138
Operating Revenue ($, in millions)	587	713	596	386	362
Operating Expenses ($, in millions)	562	652	554	414	377
Market Performance Ratios					
Annual Change in Operating Revenue (%)	8.7%	2.0%	-4.9%	-0.8%	4.5%
Operating Ratios					
Operating Cash Flow Margin (%)	12.7%	22.4%	17.1%	6.3%	5.9%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	0.9	1.9	0.7	0.7	0.4
Total Debt to Operating Expenses (x)	0.6	0.8	0.7	0.6	0.4
Monthly Days Cash on Hand (x)	115	662	284	229	110
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	1.4	2.5	1.0	1.0	0.9
Debt Service to Operating Expenses (%)	5.9%	9.0%	4.8%	3.5%	3.2%
Total Debt-to-Cash Flow (x)	4.6	3.1	3.9	10.8	7.0

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Approved by the University of North Carolina Board of Governors on May 15, 2025

9. Debt Management Policies

Appalachian's current debt policy is included in the following pages.

Debt Management Policy

Appalachian State University

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Introduction

Appalachian State University ("ASU") views its debt capacity as a limited resource that should be used, when appropriate, to help fund the capital investments necessary for the successful implementation of ASU's strategic vision to prepare its students to lead purposeful lives as engaged global citizens who understand their responsibilities in creating a sustainable future for all. ASU recognizes the important role that debt-related strategies may play as it makes the necessary investments in its infrastructure in order to become and remain the destination institution for dedicated students seeking challenging academic programs, engaged faculty and a vibrant campus culture.

This Policy has been developed to assist ASU's efforts to manage its debt on a long-term, portfolio basis and in a manner consistent with ASU's stated policies, objectives and core values. Like other limited resources, ASU's debt capacity should be used and allocated strategically and equitably.

Specifically, the objective of this Policy is to provide a framework that will enable ASU's Board of Trustees (the "Board") and finance staff to:

(i) Identify and prioritize projects eligible for debt financing;

(ii) Limit and manage risk within ASU's debt portfolio;

(iii) Establish debt management guidelines and quantitative parameters for evaluating ASU's financial health, debt affordability and debt capacity;

(iv) Manage and protect ASU's credit profile in order to maintain ASU's credit rating at a strategically optimized level and maintain access to the capital markets; and

(v) Ensure ASU remains in compliance with all of its post-issuance obligations and requirements.

This Policy is intended solely for ASU's internal planning purposes. The Vice Chancellor for Finance and Operations will review this Policy annually and, if necessary, recommend changes to ensure that it remains consistent with University's strategic objectives and the evolving demands and accepted practices of the public higher education marketplace. Proposed changes to this Policy are subject to the Board's approval.

2. Authorization and Oversight

ASU's Vice Chancellor for Finance and Operations is responsible for the day-to-day management of ASU's financial affairs in accordance with the terms of this Policy and for all of ASU's debt financing activities. Each University financing will conform to all applicable State and Federal laws.

The Board will consider for approval each proposed financing in accordance with the requirements of any applicable State law.

3. Process for Identifying and Prioritizing Capital Projects Requiring Debt

Only projects that directly or indirectly relate to the mission of ASU will be considered for debt financing.

(i) Self-Liquidating Projects – A project that has a related revenue stream (self-liquidating project) will receive priority consideration. Each self-liquidating project financing must be supported by an achievable plan of finance that provides, or identifies sources of funds, sufficient to (1) service the debt associated with the project, (2) pay for any related infrastructure improvements, (3) cover any new or increased operating costs and (4) fund appropriate reserves for anticipated replacement and renovation costs.

(ii) Energy Conservation Projects – Each energy conservation project financing must provide annual savings sufficient to service the applicable debt and all related monitoring costs.

(iii) Other Projects – Other projects funded through budgetary savings, gifts and grants will be considered on a case-by-case basis. Any projects that will require gift financing or include a gift financing component must be jointly approved by the Vice Chancellor for University Advancement and the Vice Chancellor for Business Affairs before any project-restricted donations are solicited. The fundraising goal for any project to be financed primarily with donations should also include, when feasible, an appropriately-sized endowment for deferred maintenance and other ancillary ownership costs. In all cases, institutional strategy, and not donor capacity, must drive the decision to pursue any proposed project.

4. Benchmarks and Debt Ratios

Overview

When evaluating its current financial health and any proposed plan of finance, ASU takes into account both its debt affordability and its debt capacity. Debt affordability focuses on ASU's cash flows and measures ASU's ability to service its debt through its operating budget and identified revenue streams. Debt capacity, on the other hand, focuses on the relationship between ASU's net assets and its total debt outstanding.

Debt capacity and affordability are impacted by a number of factors, including ASU's enrollment trends, reserve levels, operating performance, ability to generate additional revenues to support debt service, competing capital improvement or programmatic needs, and general market conditions. Because of the number of potential variables, ASU's debt capacity cannot be calculated based on any single ratio or even a small handful of ratios.

ASU believes, however, that it is important to consider and monitor objective metrics when evaluating ASU's financial health and its ability to incur additional debt. To that end, ASU has identified three key financial ratios that it will use to assess its ability to absorb additional debt based on its current and projected financial condition:

(i) Debt to Obligated Resources

(ii) Expendable Resources to Debt

(iii) Debt Service to Operating Expenses

Note that the selected financial ratios are also monitored as part of the debt capacity study for The University of North Carolina delivered each year under Article 5 of Chapter 116D of the North Carolina General Statutes (the "UNC Debt Capacity Study"), which ASU believes will promote clarity and consistency in ASU's debt management and planning efforts.

ASU has established for each ratio a floor or ceiling target, as the case may be, with the expectation that ASU will operate within the parameters of those ratios most of the time. To the extent possible, the policy ratios established from time to time in this Policy should align with the ratios used in the report ASU submits each

year as part of the UNC Debt Capacity Study. The policy ratios have been established to help preserve ASU's financial health and operating flexibility and to ensure ASU is able to access the market to address capital needs or to take advantage of potential refinancing opportunities. Attaining or maintaining a specific credit rating is not an objective of this Policy.

ASU recognizes that the policy ratios, while helpful, have limitations and should not be viewed in isolation of ASU's strategic plan or other planning tools. In accordance with the recommendations set forth in the initial UNC Debt Capacity Study delivered April 1, 2016, ASU has developed as part of this Policy specific criteria for evaluating and, if warranted, approving critical infrastructure projects even when ASU has limited debt capacity as calculated by the UNC Debt Capacity Study or the benchmark ratios in this Policy. In such instances, the Board may approve the issuance of debt with respect to a proposed project based on one or more of the following findings:

(i) The proposed project would generate additional revenues (including, if applicable, dedicated student fees or grants) sufficient to support the financing, which revenues are not currently captured in the benchmark ratios.

(ii) The proposed project would be financed entirely with private donations based on pledges already in hand.

(iii) The proposed project is essential to the implementation of one of the Board's strategic priorities.

(iv) The proposed project addresses life and safety issues or addresses other critical infrastructure needs.

(v) Foregoing or delaying the proposed project would result in significant additional costs to ASU or would negatively impact ASU's credit rating.

At no point, however, should ASU intentionally operate outside an established policy ratio without conscious and explicit planning.

Ratio 1 – Debt to Obligated Resources

What does it measure?	ASU's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt under the General Revenue Bond Statutes
Why is it tracked?	The ratio, which is based on the legal structure proscribed by the General Revenue Bond Statutes, provides a general indication of ASU's ability to absorb debt on its balance sheet and is the primary ratio used to calculate ASU's "debt capacity" under the methodology used in the UNC Debt Capacity Study
How is it calculated?	Aggregate debt divided by obligated resources*
Policy Ratio:	Not to exceed 1.50x (UNC Debt Capacity Study Target Ratio = 1.00x)

*Available Funds, which is the concept commonly used to capture each UNC's campus's obligated resources in its loan and bond documentation, has been used as a proxy for obligated resources. The two concepts are generally identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of ASU's obligated resources.

Ratio 2 – Expendable Resources to Debt

What does it measure?	The number of times ASU's liquid and expendable net assets covers its aggregate debt
Why is it tracked?	The ratio, which is widely tracked by rating agencies and other capital market participants, is a basic measure of financial health and assesses ASU's ability to settle its debt obligations using only its available net assets as of a particular date
How is it calculated?	The sum of (1) Adjusted Unrestricted Net Assets and (2) Restricted Expendable Net Assets divided by aggregate debt
Policy Ratio:	Not less than 0.70x

Ratio 3 – Debt Service to Operating Expenses

What does it measure?	ASU's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues
Why is it tracked?	The ratio, which is widely tracked by rating agencies and other capital market participants, evaluates ASU's relative cost of borrowing to its overall expenditures and provides a measure of ASU's budgetary flexibility
How is it calculated?	Annual debt service divided by annual operating expenses
Policy Ratio:	Not to exceed 5.00%

Reporting

The Vice Chancellor for Finance and Operations will review each ratio in connection with the delivery of the University's audited financials and will provide an annual report to the Board substantially in the form of Appendix A detailing (1) the calculation of each ratio for that fiscal year and (2) an explanation for any ratio that falls outside the University's stated policy ratio, along with (a) any applicable recommendations, strategies and an expected timeframe for aligning such ratio with the University's stated policy or (b) the rationale for any recommended changes to any such stated policy ratio going forward (including any revisions necessitated by changes in accounting standards or rating agency methodologies).

5. Debt Portfolio Management and Transaction Structure Considerations

Generally

Numerous types of financing structures and funding sources are available, each with specific benefits, risks, and costs. Potential funding sources and structures will be reviewed and considered by the Vice Chancellor for Finance and Operations within the context of this Policy and the overall portfolio to ensure that any financial product or structure is consistent with ASU's stated objectives. As part of effective debt management, ASU must also consider its investment and cash management strategies, which influence the desired structure of the debt portfolio.

Method of Sale

ASU will consider various methods of sale on a transaction-by-transaction basis to determine which method of sale (i.e., competitive, negotiated or private placement) best serves ASU's strategic plan and financing objectives. In making that determination, ASU will consider, among other factors: (1) the size and complexity of the issue, (2) the current interest rate environment and other market factors (such as bank and investor appetite) that might affect ASU's cost of funds, and (3) possible risks associated with each method of sale (e.g., rollover risk associated with a financing that is privately placed with a bank for a committed term that is less than the term of the financing).

Tax Treatment

When feasible and appropriate for the particular project, the use of tax-exempt debt is generally preferable to taxable debt. Issuing taxable debt may reduce ASU's overall debt affordability due to higher rates but may be appropriate for projects that do not qualify for tax-exemption, or that may require interim funding. For example, taxable debt may be justified if it sufficiently mitigates ASU's ongoing administrative and compliance risks. When used, taxable debt should be structured to provide maximum repayment flexibility and rapid principal amortization.

Structure and Maturity

To the extent practicable, ASU should structure its debt to provide for level annual payments of debt service, though ASU may elect alternative structures when the Vice Chancellor for Finance and Operations determines it to be in ASU's best interest. In addition, when financing projects that are expected to be self-supporting (such as a revenue-producing facility or a facility to be funded entirely through a dedicated fundraising campaign), the debt service may be structured to match future anticipated receipts.

ASU will use maturity structures that correspond with the life of the facilities financed, not to exceed 30 years. Equipment should be financed for a period not to exceed 120% of its useful life. Such determinations may be made on a blended basis, taking into account all assets financed as part of a single debt offering. As market dynamics change, maturity structures should be reevaluated. Call features should be structured to provide the highest degree of flexibility relative to cost.

Variable Rate Debt

ASU recognizes that a degree of exposure to variable interest rates within ASU's debt portfolio may be desirable in order to (1) take advantage of repayment or restructuring flexibility, (2) benefit from historically lower average interest costs and (3) provide a "match" between debt service requirements and the projected cash flows from ASU's assets. ASU's debt portfolio should be managed to ensure that no more than 20% of ASU's total debt bears interest at an unhedged variable rate.

ASU's finance staff will monitor overall interest rate exposure and will analyze and quantify potential risks, including interest rate, liquidity and rollover risks. ASU may manage the liquidity risk of variable rate debt either through its own working capital/investment portfolio, the type of instrument used, or by using third party sources of liquidity. ASU may manage interest rate risk in its portfolio through specific budget and central bank management strategies or through the use of derivative instruments.

Public Private Partnerships

To address ASU's anticipated capital needs as efficiently and prudently as possible, ASU may choose to explore and consider opportunities for alternative and non-traditional transaction structures (collectively, "P3 Arrangements"). Because rating agencies will generally treat a P3 Arrangement as University debt if the project is located on ASU's campus or if the facility is to be used for an essential University function, the

structure and terms of any P3 Arrangement for a university-related facility to be located on land owned by the State, ASU or a ASU affiliate must be reviewed in advance by the Vice Chancellor for Finance and Operations.

P3 Arrangements may be pursued in accordance with applicable State law when (1) the Chancellor has determined that the P3 Arrangement serves a compelling strategic interest and (2) the Vice Chancellor for Finance and Operations, in consultation with ASU's advisors, has determined that ASU has sufficient debt capacity to undertake its obligations under the P3 Arrangement after taking into account the P3 Arrangement's likely impact on ASU's debt-related metrics and credit profile.

Refunding Considerations

ASU will actively monitor its outstanding debt portfolio for refunding or restructuring opportunities. Absent a compelling economic or strategic reason to the contrary, ASU should evaluate opportunities to issue bonds for the purpose of refunding existing debt obligations of ASU ("Refunding Bonds") using the following general guidelines:

(i) The life of the Refunding Bonds should not exceed the remaining life of the bonds being refunded.

(ii) Refunding Bonds issued to achieve debt service savings should have a target savings level measured on a present net value basis of at least 3% of the par amount refunded.

(iii) Refunding Bonds that do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling interest.

(iv) Refunding Bonds may also be issued to relieve ASU of certain limitations, covenants, payment obligations or reserve requirements that reduce operational flexibility.

6. Derivative Products

ASU recognizes that derivative products may provide for more flexible management of the debt portfolio. In certain circumstances, interest rate swaps and other derivatives permit ASU to adjust its mix of fixed- and variable-rate debt and manage its interest rate exposures. Derivatives may also be an effective way to manage liquidity risks. ASU will use derivatives only to manage and mitigate risk; ASU will not use derivatives to create leverage or engage in speculative transactions.

As with underlying debt, ASU's finance staff will evaluate any derivative product comprehensively, taking into account its potential costs, benefits and risks, including, without limitation, any tax risk, interest rate risk, liquidity risk, credit risk, basis risk, rollover risk, termination risk, counterparty risk, and amortization risk. Before entering into any derivative product, the Vice Chancellor for Finance and Operations must (1) conclude, based on the advice of a reputable swap advisor, that the terms of any swap transaction are fair and reasonable under current market conditions and (2) ensure that ASU's finance staff has a clear understanding of the proposed transaction's costs, cash flow impact and reporting treatment.

ASU will use derivatives only when the Vice Chancellor for Finance and Operations determines, based on the foregoing analysis, that the instrument provides the most effective method for accomplishing ASU's strategic objectives without imposing inappropriate risks on ASU.

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

East Carolina University
Institution Report

East Carolina University

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Executive Summary

Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), East Carolina University ("***ECU***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. ECU has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, ECU, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily required ratios—**debt to obligated resources** and the **five-year payout ratio**—ECU has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, ECU's debt capacity reflects the amount of debt ECU could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that ECU intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- ECU's current debt profile, including project descriptions financed with, and the sources of repayment for, ECU's outstanding debt;
- ECU's current credit profile, along with recommendations for maintaining or improving ECU's credit rating; and
- A copy of any ECU debt management policy currently in effect.

Overview of ECU

For the fall 2024 semester, ECU had a headcount student population of 26,940, including 21,445 undergraduate students and 5,495 graduate students. Over the past five years, ECU's enrollment has decreased 6.5 percent.

ECU's average age of plant is 11.5 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

ECU anticipates $60 million in debt issuances during the Study period, as summarized in **Section 3** below. ECU has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on ECU's outstanding debt **as of June 30, 2024.**
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt ECU expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below may overstate ECU's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(557,042,269)	61,244,665	1,052,064,598		556,266,994
2021	(559,377,156)	85,613,917	1,000,055,689	-5.39%	526,292,450
2022	(418,907,765)	102,826,369	928,514,184	16.37%	612,432,788
2023	(235,403,131)	83,657,282	853,954,930	14.66%	702,209,081
2024	(55,018,475)	79,154,686	733,105,697	7.84%	757,241,908
2025	779,201,923	-	-	2.90%	779,201,923
2026	798,681,971	-	-	2.50%	798,681,971
2027	818,649,021	-	-	2.50%	818,649,021
2028	839,115,246	-	-	2.50%	839,115,246
2029	860,093,127	-	-	2.50%	860,093,127

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	914,039,155	(24,369,252)	51,421,893		941,091,796
2021	864,622,705	(17,212,452)	71,007,851	-2.41%	918,418,104
2022	891,771,647	19,169,087	74,098,017	7.25%	985,038,751
2023	892,919,833	4,502,596	119,049,594	3.19%	1,016,472,023
2024	1,043,311,953	(12,413,362)	47,961,481	6.14%	1,078,860,072
2025	1,110,147,014	-	-	2.90%	1,110,147,014
2026	1,137,900,689	-	-	2.50%	1,137,900,689
2027	1,166,348,207	-	-	2.50%	1,166,348,207
2028	1,195,506,912	-	-	2.50%	1,195,506,912
2029	1,225,394,585	-	-	2.50%	1,225,394,585

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	14,845,000	10,491,119	25,336,119	306,175,000
2026	15,505,000	9,897,252	25,402,252	290,670,000
2027	14,885,000	9,351,490	24,236,490	275,785,000
2028	15,625,000	8,837,006	24,462,006	260,160,000
2029	16,150,000	8,292,125	24,442,125	244,010,000
2030	16,740,000	7,721,114	24,461,114	227,270,000
2031	15,275,000	7,151,157	22,426,157	211,995,000
2032	14,975,000	6,672,562	21,647,562	197,020,000
2033	15,390,000	6,245,460	21,635,460	181,630,000
2034	15,830,000	5,802,242	21,632,242	165,800,000
2035	14,360,000	5,364,163	19,724,163	151,440,000
2036	12,450,000	4,966,405	17,416,405	138,990,000
2037	11,995,000	4,591,527	16,586,527	126,995,000
2038	12,385,000	4,205,245	16,590,245	114,610,000
2039	12,790,000	3,803,543	16,593,543	101,820,000
2040	13,225,000	3,378,013	16,603,013	88,595,000
2041	13,665,000	2,925,350	16,590,350	74,930,000
2042	13,940,000	2,446,299	16,386,299	60,990,000
2043	14,430,000	1,950,215	16,380,215	46,560,000
2044	14,940,000	1,443,377	16,383,377	31,620,000
2045	12,330,000	948,325	13,278,325	19,290,000
2046	11,085,000	499,150	11,584,150	8,205,000
2047	4,030,000	216,650	4,246,650	4,175,000
2048	4,175,000	73,063	4,248,063	-

3. Proposed Debt Financings

The table below summarizes any legislatively approved projects that ECU expects to finance during the Study Period. Using the assumptions outlined in the table below, the model has developed a tailored, but conservative, debt service schedule for each proposed financing and incorporated each pro forma debt service schedule into its calculations of the financial ratios as detailed in **Section 4** below.

East Carolina University Proposed Debt Financings

FY Issued	Description		Borrowing Amount	Term	Principal Deferral	Structure	Rate
2025	ECU 2025	Housing Renovations	34,000,000	30		Level D/S	4.52%
2026	ECU 2026	Housing Renovations	26,000,000	30		Level D/S	4.52%

4. Financial Ratios

Debt to Obligated Resources

- **What does it measure?** ECU's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

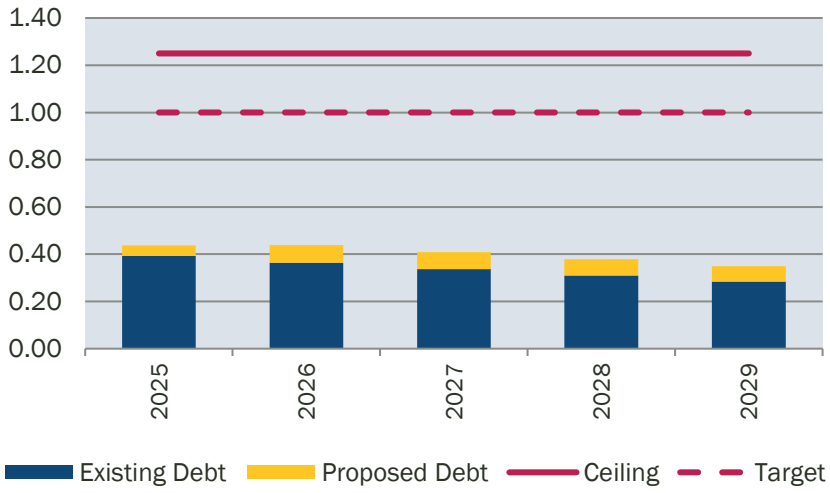
- Target Ratio: 1.00
- Ceiling Ratio: Not to exceed 1.25
- Projected 2025 Ratio: 0.44
- Highest Study Period Ratio: 0.44 (2025,2026)

*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	779,201,923	2.90%	306,175,000	34,000,000	0.39	0.04	0.44
2026	798,681,971	2.50%	290,670,000	59,444,573	0.36	0.07	0.44
2027	818,649,021	2.50%	275,785,000	58,439,303	0.34	0.07	0.41
2028	839,115,246	2.50%	260,160,000	57,388,595	0.31	0.07	0.38
2029	860,093,127	2.50%	244,010,000	56,290,395	0.28	0.07	0.35

Debt to Obligated Resources



5-Year Payout Ratio Overview

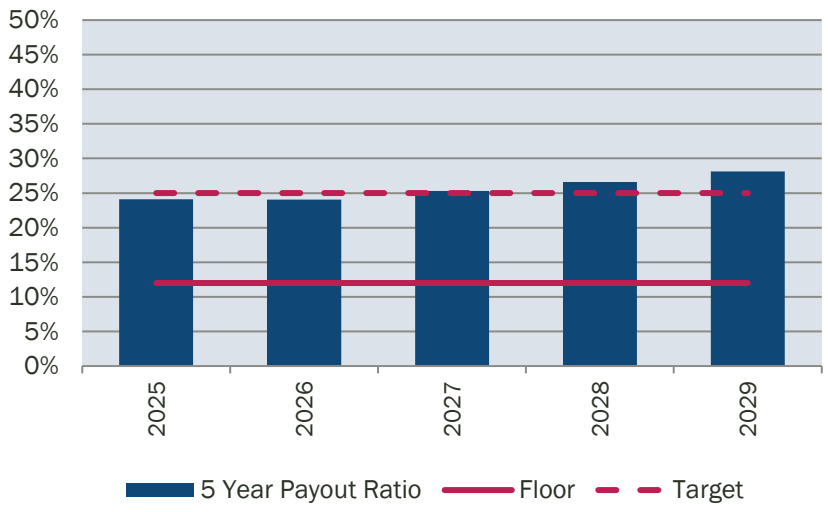
- **What does it measure?** The percentage of ECU's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

- Target Ratio: 25%
- Floor Ratio: Not less than 12%
- Projected 2025 Ratio: 24%
- Lowest Study Period Ratio: 24% (2025,2026)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	340,175,000	24%
2026	350,114,573	24%
2027	334,224,303	25%
2028	317,548,595	27%
2029	300,300,395	28%

5-Year Payout Ratio



Debt Service to Operating Expenses

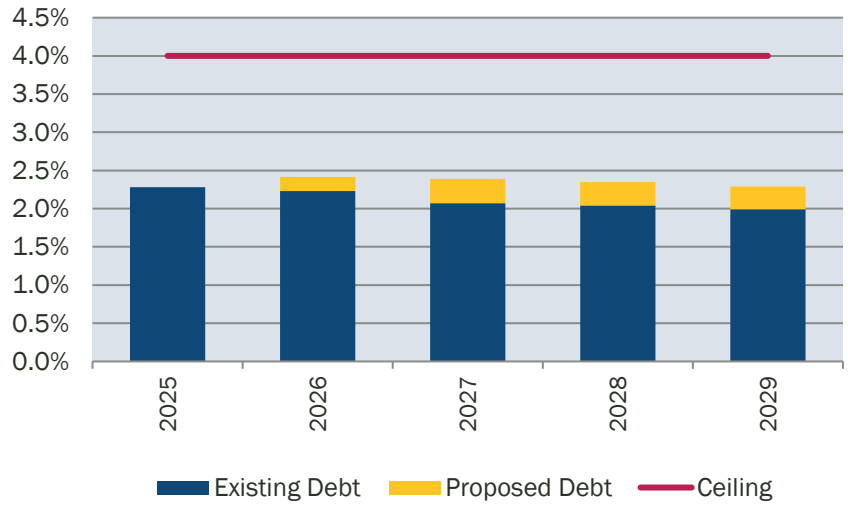
- **What does it measure?** ECU's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 4.00%
- Projected 2025 Ratio: 2.52%
- Highest Study Period Ratio: 2.42% (2026)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	1,110,147,014	2.90%	25,336,119	-	2.28%	n/a	2.28%
2026	1,139,437,489	2.50%	25,402,252	2,092,227	2.23%	0.18%	2.41%
2027	1,169,035,101	2.50%	24,236,490	3,692,165	2.07%	0.32%	2.39%
2028	1,198,148,368	2.50%	24,462,006	3,692,165	2.04%	0.31%	2.35%
2029	1,227,988,549	2.50%	24,442,125	3,692,165	1.99%	0.30%	2.29%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, ECU's debt capacity is based on the amount of debt ECU could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Debt Capacity Calculation

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	0.44	1.25	633,827,404
2026	0.44	1.25	648,237,891
2027	0.41	1.25	689,086,972
2028	0.38	1.25	731,345,462
2029	0.35	1.25	774,816,014

Limitations on Debt Capacity and Credit Rating Implications

- The debt capacity calculation shown above provides a general indication of ECU's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- **If ECU were to use all of its calculated debt capacity during the Study Period, ECU's credit ratings may face significant downward pressure**.
- Projecting the exact amount ECU could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10%** of an issuer's overall score.
    - **The State's Impact**
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.
        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.

- **Factor Interdependence**
  - The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
  - For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its institution to address its deferred maintenance obligations.
- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

ECU's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2015 A ECU	07/23/2015	51,360,000	10/01/2044	General Revenue	Student Service Building, Refunding 2006A, Refunding 2009A	Student Fees; Housing Receipts; Dining Receipts
2016 A ECU	01/27/2016	117,100,000	10/01/2045	General Revenue	East Union, Parking, Dining, Residence Hall Renovations	Student Fees; Housing Receipts; Dining Receipts; Parking Receipts; Bookstore Receipts
2017 A ECU	10/12/2017	7,755,000	10/01/2029	Direct Placement	Refunding 2010A	Athletic Receipts
2017 B ECU	10/12/2017	3,410,000	10/01/2026	Direct Placement	Refunding 2012	Housing Receipts; Dining Receipts
2018 A ECU	04/24/2018	68,860,000	10/01/2047	General Revenue	Dowdy-Ficklen Stadium & Greene Residence Hall	Housing Receipts; Athletic Receipts
2020 ECU	10/14/2020	13,470,000	10/01/2035	General Revenue	Refunding 2010B	Student Fees; Housing Receipts
2021 ECU	06/17/2021	48,015,000	10/01/2043	General Revenue	Refunding 2014A	Housing Receipts
2023 ECU	07/12/2023	11,050,000	10/01/2033	Direct Placement	Refunding 2013A	Housing Receipts
	Total	**321,020,000**				

7. Credit Profile

The following page provides a snapshot of ECU's current credit ratings, along with (1) a summary of various credit factors identified in ECU's most recent rating report and (2) recommendations for maintaining and improving ECU's credit ratings in the future.

Credit Profile of the University – (General Revenue)

Overview

- In January 2020, Moody's downgraded ECU to Aa3 on its general revenue bonds. The outlook is stable. Moody's affirmed the Aa3 rating and outlook in May 2021.
- Standard and Poor's maintains a AA- rating on ECU's general revenue bonds. The outlook is negative.

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

Non Investment Grade

Key Information Noted in Rating Reports

Credit Strengths

- Healthy support from the Aaarated State
- Scale is large with over $916MM of revenues and over 25,000 FTE students
- Revenue diversity, including patient care revenue, student charges, and state support, helps insulate ECU from pressure on any one revenue source
- During COVID, operating costs and auxiliary staffing have been reduced

Credit Challenges

- Thin operating performance and weak liquidity contributeto weaker debt affordability
- Debt to cash flow is significantly higher than Aa3 median peers
- Modest wealth compared to relative Aa3-rated peers
- Debt has increased faster than cash flow from operations or balance sheet reserve growth over the past 5 years

Recommendations & Observations

- Pursue strategies, working within the existing statutory framework relating to reversions, to increase liquidity through growth in cash reserves.
- Seek strategies to strengthen operating performance and limit new debt in the near term while addressing critical infrastructure needs, in accordance ECU's existing debt policy and in service of ECU's other strategic initiatives.
- Continued assessment of operating cash flows and reserves can improve performance margins and debt affordability.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**East Carolina University**	**Western Michigan University**	**Central Michigan University**	**Ohio University**	**Washington State University**
Most Senior Rating	**Aa3**	**Aa3**	**A1**	**Aa3**	**Aa3**
Total Long-Term Debt ($, in millions)	344	400	133	617	533
Total Cash & Investments ($, in millions)	788	408	545	811	1420
Operating Revenue ($, in millions)	1069	596	485	746	1299
Operating Expenses ($, in millions)	1048	554	468	749	1304
Market Performance Ratios					
Annual Change in Operating Revenue (%)	4.6%	-4.9%	-2.7%	4.7%	1.4%
Operating Ratios					
Operating Cash Flow Margin (%)	8.0%	17.1%	11.6%	12.2%	9.4%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	0.6	0.7	1.2	1.1	1.1
Total Debt to Operating Expenses (x)	0.3	0.7	0.3	0.8	0.4
Monthly Days Cash on Hand (x)	139	284	292	311	209
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	1.7	1.0	4.1	1.3	2.7
Debt Service to Operating Expenses (%)	2.5%	4.8%	2.7%	5.2%	4.1%
Total Debt-to-Cash Flow (x)	4.0	3.9	2.4	6.8	4.4

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Approved by the University of North Carolina Board of Governors on May 15, 2025

9. Debt Management Policies

ECU's current debt policy is included in the following pages.

East Carolina University

Debt Management Guidelines

Last Revised: 11/22/2024

East Carolina University
East Fifth St
Greenville, NC 27858-4353
252.328.6131

Approved by the University of North Carolina Board of Governors on May 15, 2025

East Carolina University

Debt Management Guidelines

Table of Contents

Debt Management Policy Classification

Updated: November 22, 2024

POLICY:
POL07.15.03

TITLE:
Debt Management

CATEGORY:
Finance, Operations and Auxiliary Services

SUB-CATEGORY:
Budget

AUTHORITY:
Board of Trustees

CONTACT:
Associate Vice Chancellor. Financial Services, (252) 737-1140

RELATED POLICIES:
ADDITIONAL REFERENCES:

- North Carolina General Assembly legislation " Chapter 116D, Higher Education Bonds, Article 1, General Provisions

HISTORY:
Previously a debt management guideline last updated March 31, 2011. Approved by Board of Trustees November 22, 2024

PREVIOUS VERSIONS:
No previous versions available.

1. Introduction

1.1. Purpose

To fulfill its mission, East Carolina University will initiate strategic capital investments for additional academic, student life, medical, athletic, and other plant facilities using an appropriate mix of funding sources including State bonds and appropriations, University bonds, internal reserves, and private giving.

The purpose of this debt policy is to ensure the appropriate mix of funding sources are utilized and to provide guidance on the strategic use of debt as a funding source. Debt is a valuable source of capital project financing, and its use should be limited to projects that relate to the mission and strategic objectives of the University. The amount of debt incurred affects the financial health of the University and its credit rating. Debt provides a limited source of funding for capital projects and, together with other limited resources, should be used and allocated appropriately and strategically.

This policy provides a discipline and framework that management will use to evaluate the appropriate use of debt in capital financing plans.

1.1.1. Legislation

Debt policies will conform with North Carolina General Assembly legislation" Chapter 116D, Higher Education Bonds, Article 1, General Provisions."

1.2. Objectives of the Debt Policy

The objectives stated below provide the framework by which decisions will be made regarding the use and management of debt. The debt policy and objectives are subject to re-evaluation and change over time.

1.2.1. This Debt Policy is set forth to:

1.2.1.1. Outline a process for identifying and prioritizing capital projects considered eligible for debt financing and assuring that debt-financed projects have a feasible plan of repayment. Projects that relate to the University's core mission and that have associated revenues will generally be given higher priority for debt financing.

1.2.1.2. Define the quantitative tests that will be used to evaluate the University's overall financial health and present and future debt capacity.

1.2.1.3. Define project specific quantitative tests, as appropriate, that will be used to determine the financial feasibility of an individual project.

1.2.1.4. Manage the University's debt to maintain an acceptable credit rating. The University, consistent with the capital objectives, will limit its overall debt to a level that will maintain an acceptable credit rating with bond rating agencies. Maintaining an acceptable credit rating will

permit the University to continue to issue debt and finance capital projects at favorable interest rates, although the attainment or maintenance of a specific rating is not an objective of this policy.

1.2.1.5. Ensure the University remains in compliance with all of its post-issuance obligations and requirements.

1.2.1.6. Establish guidelines to limit the risk of the University's debt portfolio. The University will manage debt on a portfolio basis, rather than on a transactional or project specific basis, and will use an appropriate mix of fixed and variable rate debt to achieve the lowest cost of capital while limiting exposure to market interest rate shifts. Several types of debt structures and instruments will be considered, monitored, and managed within the framework established in this policy and according to internal management procedures. Debt instruments covered by this policy include not only bonds, but obligations of the university, such as special obligations, lease purchases, installment purchases, commercial paper, limited obligations, notes, etc.

1.2.1.7. Assign responsibilities for the implementation and management of the University's Debt Policy.

2. Process for Identifying and Prioritizing Capital Projects Requiring Debt

The State of North Carolina adheres to the limits on debt issuance provided in its adopted debt affordability policy and the University must compete with all other state agencies for capital projects bonding authority. Therefore, it is essential that the University appropriately prioritize capital projects requiring debt.

Management will allocate the use of debt financing within the University to include prioritization of debt resources among all uses, including academic and student life projects, plant and equipment financing, and projects with University-wide impact.

The debt allocation matrix below depicts an approach to prioritizing capital projects requiring debt.

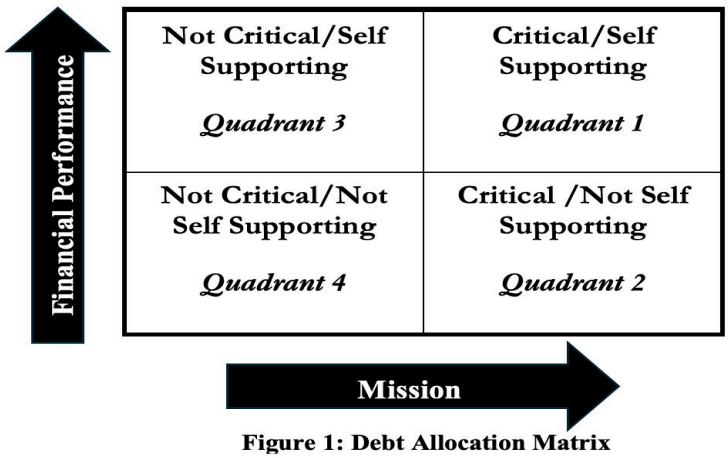


Figure 1: Debt Allocation Matrix

2.1. Explanation of debt allocation matrix

2.1.1. Quadrant 1: Project is critical to the University's core missions of research, service or instruction and does have its own funding source(s) (i.e., non-general fund supported).

2.1.2. Quadrant 2: Project is critical to the University's core missions of research, service or instruction but does not have its own funding source(s) (i.e., will require-general fund support).

2.1.3. Quadrant 3: Project is not critical to the University's core missions of research, service or instruction but does have its own funding source(s) (i.e., non-general fund supported, energy conservation projects that provide annual savings sufficient to service the applicable debt and all related monitoring costs).

2.1.4. Quadrant 4: Project is not critical to the University's core missions of research, service or instruction and does not have its own funding source(s) (i.e., will require general fund support).

Note that approval of projects in Quadrants 3 and 4 will reduce the University's ability to issue debt for the mission critical projects identified in Quadrants 1 and 2.

2.2. Guidelines for Prioritizing Capital Projects Requiring Debt

Management will use the following guidelines when prioritizing capital projects and making decisions about financing options and use of debt:

2.2.1. Only projects related to the core missions of the University, directly or indirectly, will be eligible for debt financing.

2.2.2. State funding and philanthropy are expected to remain major sources of financing for the University's capital projects. In assessing the possible use of debt, all other financing and revenue sources will also be considered. State appropriations and bonds, philanthropy, project-generating revenues, research facilities and administration cost reimbursement, expendable reserves, and other sources are expected to finance a portion of the cost of a project. Debt is to be used conservatively and strategically.

2.2.3. The University will consider other funding opportunities (e.g., joint ventures, real estate development, etc.) when appropriate and advantageous to the University. Opportunities and financing sources will be evaluated within the context of the Debt Policy.

2.2.4. Federal research projects will receive priority consideration for debt financing due to partial reimbursement of operating expenses (including the interest component of applicable debt service) of research facilities.

2.2.5. Every project considered for financing must have a defined, supportable plan of costs (construction and incremental operating) approved by management. Projects that have related revenue streams or can create budgetary savings will receive priority consideration. However,

projects may not receive a higher priority simply because they are self- supporting. For example, projects that mitigate life safety issues may be given preference over self-supporting projects.

3. Quantitative Tests – Debt Ratios

When evaluating its current financial health and any proposed plan of finance, the University considers both its debt affordability and its debt capacity. Debt affordability focuses on the University's cash flows and measures the University's ability to service its debt through its operating budget and identified revenue streams. Debt capacity, on the other hand, focuses on the relationship between the University's net assets and its total outstanding debt.

Debt capacity and affordability are impacted by several factors, including the University's enrollment trends, reserve levels, operating performance, ability to generate additional revenues to support debt service, competing capital improvement or programmatic needs, and general market conditions. Because of the number of potential variables, the University's debt capacity cannot be calculated based on any single ratio or even a small handful of ratios.

The University has identified three key financial ratios that it will use to assess its ability to absorb additional debt based on its current and projected financial condition. The University has established for each ratio a floor or ceiling target with the expectation that the University will operate within the parameters of those ratios most of the time. To the extent possible, the policy ratios established from time to time in this debt policy should align with the ratios used in the report the University submits each year as part of the UNC Debt Capacity Study. The policy ratios have been established to help preserve the University's financial health and operating flexibility and to ensure the University is able to access the market to address capital needs or to take advantage of potential refinancing opportunities. Attaining or maintaining a specific credit rating is not an objective of this debt policy.

3.1. Debt to Obligated Resources (Available Funds) *

This ratio measures the aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt. Obligated resources are available funds adjusted for GASB 68 and GASB 75.

3.2. Debt Service to Operating Expenses (Debt Burden Percentage):

This ratio measures the University's debt service burden as a percentage of total university expenses. The target for this ratio is intended to maintain the University's long-term operating flexibility to finance existing requirements and new initiatives. 3.3. Annual Debt Service Coverage*

This ratio measures the University's ability to cover debt service requirements from adjusted net operating income. This calculation is a three-year average of income compared to actual debt services on capital debt. The target established is intended to ensure that operating revenues are sufficient to meet debt service requirements and that debt service does not consume too large a portion of income.

Monitored as part of the debt capacity study for The University of North Carolina delivered each year under Article 5 of Chapter 116D of the North Carolina General Statutes (the "UNC Debt Capacity

Study").
** Considered relevant indicators of Leverage and Debt Affordability by Moody's Investors Service (Global Higher Education Rating Methodology, August 2021).

3.4. Outside stated policy ratio

In an instance where the University falls outside a stated policy ratio, the Vice Chancellor for Administration & Finance will review each ratio in connection with the delivery of the University's audited financials and will provide a report to the Board detailing:

3.4.1. the calculation of each ratio for that fiscal year and

3.4.2. an explanation for any ratio that falls outside the University's stated policy ratio, along with

3.4.2.1. a) any applicable recommendations, strategies, and an expected timeframe for aligning such ratio with the University's stated policy or

3.4.2.2. (b) the rationale for any recommended changes to any such stated policy ratio going forward (including any revisions necessitated by changes in accounting standards or rating agency methodologies).

The University will also utilize additional leverage ratios and key determinants that are emphasized by the University's bond rating agencies, such as Moody's and Standard & Poor's. The ratios will be calculated and reported annually, when new debt is issued, and revised periodically to reflect any changes in accounting standards. Ratios are derived from the financial statements and are based on current GAAP requirements, including the GASB 34/35 reporting format and are consistent with ratios used in the higher education industry to permit benchmarking. Ratios should also be calculated excluding the effects of GASB 68 for pensions and GASB 75 for other post-employment benefits. Furthermore, as GASB routinely implements changes to GAAP accounting rules, and any changes made by the rating agencies to ratio methodology will be incorporated accordingly.

4. Project Specific Quantitative Tests

Consideration of the performance ratios will determine the ability and/or advisability of issuing additional debt from a University-wide perspective. Determination of the prioritization of individual projects to be allocated a portion of available debt capacity is a separate, internal decision that must be made before a project is initiated.

Many factors will influence this internal decision process. Primarily, how is the project prioritized regarding mission criticality as described by the debt allocation matrix (four quadrant model) above. Although debt will be structured to meet the University's comprehensive long-term objectives, each project being financed will be required to provide a sound business plan, including the source of repayment for the debt and appropriate and realistic repayment terms. Among other things, the repayment terms will require that the loan term is no greater than the expected useful life of the asset financed. Additionally, every project considered for debt financing must have a management approved plan of project costs, including incremental operating expenses and revenues. Incremental revenues

include revenue increases directly associated with the project (e.g., usage fees) that can only be realized if the project is undertaken. Similarly, incremental expenses include any increase in expected operating costs associated with the project. Revenues and cost savings should be estimated conservatively, especially for high-risk projects.

5. General Debt Management Guidelines

5.1. Methods of Sale

The University will use the method of sale that will achieve the lowest cost of capital considering the complexity of the transaction. This can be achieved by using either a competitive or negotiated sale method of sale of publicly sold bond offerings, or a negotiated direct placement with a bank or other lender. For transactions using new or non-traditional pledges of University revenues, or those involving greater complexity, a negotiated method of sale will be considered, and legislative approval requested, on an individual transaction basis. Bonds may also be sold through a private or limited placement, but only if it is determined that a public offering through either a competitive or negotiated sale is not in the best interests of the university.

5.2. Selection of Financial Advisors, Underwriters, Lenders, and Bond Counsel

Unless otherwise directed by the UNC System Office, University will use a request for proposal process to select Financial Advisors, Underwriters, Lenders, and Bond Counsel, as required and as applicable. Firms providing financial advisory and bond counsel services are selected for a specific period rather than for individual transactions. Underwriting and lending firms will be selected on individual transactions and will be selected based upon expertise related to the specific transaction. Additionally, the University may use the Financial Advisors, Underwriters, Lenders, and Bond Counsel selected by UNC System Office through its own similar competitive process.

5.3. Structure and Maturity

Debt should be structured on a level debt basis, i.e., so that the annual debt service repayments will, as practicable, be approximately the same in each fiscal year. A deviation from these preferences is permissible if it can be demonstrated to be in the university's best interest, such as restructuring debt to avoid a default. On projects that are designed to be self-sufficient, the debt service may be structured to match future anticipated receipts.

The University will issue bonds to finance capital projects under the provisions of trust indentures approved by the Board of Trustees.

Debt in the form of capitalized lease obligations will be approved by the Board of Trustees and issued on behalf of the University by the East Carolina University Real Estate Foundation, Green Town Properties Foundation, and other financing entities.

The University will employ maturity structures that correspond with the life of the facilities financed, generally not to exceed 30 years. Equipment will be financed for a period up to 120% of its useful life.

As market dynamics change, maturity structures should be reevaluated. Call features should be structured to provide the highest degree of flexibility relative to cost.

5.4. Variable Rate Debt

A degree of exposure to variable interest rates within the University's debt portfolio may be desirable to:

5.4.1. take advantage of repayment/restructuring flexibility; and

5.4.2. benefit from historically lower average interest costs; and

5.4.3. diversify the debt portfolio; and,

5.4.4. provide a hedge to short-term working capital balances.

Management will monitor overall interest rate exposure, analyze and quantify potential risks, and coordinate appropriate fixed/variable allocation strategies.

Recognizing the desire to manage interest rate risk, the amount of variable rate debt outstanding shall not exceed 20% of the University's outstanding debt. This limit is based on the University's desire to:

5.4.5. limit annual variances in its debt portfolio,

5.4.6. provide sufficient structuring flexibility to management,

5.4.7. keep the University's variable rate allocation within acceptable external parameters, and

5.4.8. use variable rate debt (and/or swaps) to optimize debt portfolio allocation and minimize costs.

$$\frac{\textbf{VARIABLE RATE AND LIQUIDITY EXPOSURE}}{\textbf{TOTAL LONG-TERM DEBT OUTSTANDING}} \quad \textbf{< 20\%}$$

5.5. Budgetary controls for variable rate debt:

To avoid a situation in which debt service on variable rate bonds exceeds the annual amount budgeted; the following guidelines should be followed in establishing a variable rate debt service budget:

5.5.1. A principal amortization schedule should be established, with provision made for payment of amortization installments in each respective annual budget.

5.5.2. Provide for payment of interest for each budget year using an assumed budgetary interest rate that allows for fluctuations in interest rates on the bonds without exceeding the amount budgeted. The budgetary interest rate may be established by:

5.5.2.1. using an artificially high interest rate given current market conditions; or

5.5.2.2. setting the rate based on the last 12 months actual rates of an appropriate index plus a 200-basis point cushion or spread to anticipate interest rate fluctuations during the budget year. The spread should be determined by considering the historical volatility of short-term interest rates, the dollar effect on the budget and current economic conditions and forecasts; or

5.5.2.3. any other reasonable method determined by the University.

5.5.3. The amount of debt service incurred in each budget year should be monitored monthly by the university to detect any significant deviations from the annual budgeted debt service. Any deviations in interest rates that might lead to a budgetary problem should be addressed immediately; and

5.5.4. As part of the effort to monitor actual variable rate debt service in relation to the budgeted amounts and external benchmarks, the university should establish a system to monitor the performance of any service provider whose role it is to periodically reset the interest rates on the debt, i.e., the remarketing agent or auction agent.

5.6. Liquidity:

One of the features typical of variable rate debt instruments is the bondholder's right to require the issuer to repurchase the debt at various times and under certain conditions. This, in theory, could force the issuer to repurchase substantial amounts of its variable rate debt on short notice, requiring access to substantial amounts of liquid assets. Issuers that do not have substantial amounts of liquid assets may establish a liquidity facility with a financial institution that will provide the money needed to satisfy the repurchase. The liquidity provider should have a rating of A1/P1 or higher. The liquidity agreement does not typically run for the life of long-term debt. Accordingly, there is a risk that the provider will not renew the agreement or that it could be renewed only at a higher cost. Similar issues may arise if the liquidity provider encounters credit problems, or an event occurs that results in early termination of the liquidity arrangement; in either case the issuer must arrange for a replacement liquidity facility.

5.7. Derivatives & Swaps:

The University recognizes that derivative products may provide for more flexible management of the debt portfolio. In certain circumstances, interest rate swaps and other derivatives permit the University to adjust its mix of fixed- and variable-rate debt and manage its interest rate exposures. Derivatives may also be an effective way to manage liquidity risks. The University will use derivatives only to manage and mitigate risk; the University will not use derivatives to create leverage or engage in speculative transactions.

As with underlying debt, the University's finance staff will evaluate any derivative product comprehensively, considering its potential costs, benefits, and risks, including, without limitation, any tax risk, interest rate risk, liquidity risk, credit risk, basis risk, rollover risk, termination risk, counterparty risk, and amortization risk. Before entering any derivative product, the Vice Chancellor of Administration and Finance must (1) conclude, based on the advice of a reputable swap advisor, that the terms of any swap transaction are fair and reasonable under current market conditions and (2) ensure that the University's finance staff has a clear understanding of the proposed transaction's costs, cash flow impact and reporting treatment.

The University will use derivatives only when the Vice Chancellor of Administration and Finance determines, based on the foregoing analysis, that the instrument provides the most effective method for accomplishing the University's strategic objectives without imposing inappropriate risks on the University.

5.8. Taxable Debt (without Federal subsidies)

While all the University's capital projects may not qualify for tax-exempt debt, taxable debt should be used only in appropriate cases as it represents a more expensive source of capital relative to tax-exempt issuance. Issuing taxable debt reduces the University's overall debt affordability due to higher associated interest expense. When utilized, taxable debt will be structured to provide maximum repayment flexibility and rapid principal amortization.

5.9. Public Private Partnerships

To address the University's anticipated capital needs as efficiently and prudently as possible, the University may choose to explore and consider opportunities for alternative and non-traditional transaction structures (collectively, "P3 Arrangements"). Because rating agencies will generally treat a P3 Arrangement as University debt if the project is located on the University's campus or if the facility is to be used for an essential University function, the structure, and terms of any P3 Arrangement for a university-related facility to be located on land owned by the State, the University or the University affiliate must be reviewed in advance by the Vice Chancellor of Administration and Finance.

P3 Arrangements may be pursued in accordance with applicable State law when (1) the Chancellor has determined that the P3 Arrangement serves a compelling strategic interest, and (2) the Vice Chancellor of Administration and Finance, in consultation with the University's advisors, has determined that the University has sufficient debt capacity to undertake its obligations under the P3 Arrangement after taking into account the P3 Arrangement's likely impact on the University's debt-related metrics and credit profile.

5.10. Capitalized Interest

Capitalized interest from bond proceeds is used to pay debt service until a revenue producing project is completed or to manage cash flows for debt service in special circumstances. Because the use of capitalized interest increases the cost of the financing, it should only be used when necessary for the financial feasibility of the project. In revenue-producing transactions, the University will attempt to structure debt service payments to match the revenue structure to minimize the use of capitalized interest.

5.11. Credit Ratings

The University will maintain ongoing communication and interaction with bond rating agencies, striving to educate the agencies about the general credit structure and financial performance of the University to attain the highest credit rating possible.

5.12. Refunding Targets

Generally, refunding bonds are issued to achieve debt service savings by redeeming high interest rate debt with lower interest rate debt. Refunding bonds may also be issued to restructure debt or modify covenants contained in the bond documents. Current tax law prevents the issuance of tax-exempt advance refunding bonds to refinance existing tax-exempt bonds; accordingly, advance refunding bonds must be completed on a taxable basis. There is no similar limitation for tax-exempt current refunding bonds. The University will continuously monitor its outstanding tax-exempt debt portfolio for refunding and/or restructuring opportunities. The following guidelines should apply to the issuance of refunding bonds, unless circumstances warrant a deviation there from:

5.12.1. Refunding bonds should be structured to achieve level annual debt service savings.

5.12.2. The life of the refunding bonds should not exceed the remaining life of the bonds being refunded.

5.12.3. Advance refunding bonds issued to achieve debt service savings should have a minimum target savings level measured on a present value basis equal to 2-3% of the par amount of the bonds being advance refunded. However, because of the numerous considerations involved in the sale of advance refunding bonds, the target should not prohibit advance refunding's when the circumstances justify a deviation from the guideline.

5.12.4. Refunding bonds that do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling university interest.

For current refunding's, the University will consider transactions that, in general, produce present value savings (based on refunded bonds). A refunding will also be considered if it relieves the University of certain limitations, covenants, payment obligations or reserve requirements that reduce flexibility. The University will also consider refinancing certain obligations within a new money offering even if savings levels are minimal to consolidate debt into a general revenue pledge, and/or reduce the administrative burden and cost of managing many small outstanding obligations.

6. Disclosure

6.1. Primary Disclosure

The University shall use best practices in preparing disclosure documents in connection with the public offer and sale of debt so that accurate and complete financial and operating information needed by the markets to assess the credit quality and risks of each debt issue is provided.

The disclosure recommendations of the Government Finance Officers Association's "Disclosure for State and Local Governments Securities," and the National Federation of Municipal Analysts' "Recommended Best Practices in Disclosure for Private Colleges and Universities" should be followed to the extent practicable, specifically including the recommendation that financial statements be prepared and presented according to generally accepted accounting principles.

6.2. Secondary Disclosure

The University will continue to meet its ongoing disclosure requirements as required under Rule 15c2-12 of the Securities and Exchange Commission. The University will submit financial reports, statistical data, and any other material events as required under outstanding bond indentures.

7. Tax-Exempt Debt – Post Issuance Considerations

7.1. Bond Proceeds Investment

The University will invest bond-funded construction funds, capitalized interest funds, and costs of issuance funds appropriately to achieve the highest return available under arbitrage limitations. When sizing bond transactions, the University will consider funding on either a net or gross basis.

7.2. Arbitrage

The University will comply with federal arbitrage requirements on invested tax-exempt bond proceeds, causing arbitrage rebate calculations to be performed annually and rebate payments to be remitted to the IRS periodically as required.

7.3. Private Use and Gifts

The University will monitor all arrangements with third parties to use bond-financed property, including the federal government and other colleges and universities, to ensure the tax-exempt status of the related debt. The University will monitor any sales of bond-financed property, and any lease management contracts, research arrangements and naming rights agreements to the extent such arrangements impact bond-financed property and will work closely with bond counsel in determining events/actions that may cause a bond issue to become taxable. The University will also work with the bond counsel to train University personnel in these matters.

To track arrangements that could potentially result in a loss of tax-exempt status of University debt, a record of financed facilities, including facilities financed by the State will be maintained.

The University will track gifts which are restricted to facilities financed, or to be financed with tax-exempt debt and will work with bond counsel to ensure that such gifts are used in a manner that complies with federal tax law limitations.

8. Responsibility

8.1. Assignment of Responsibilities

The Vice Chancellor for Administration and Finance is responsible for overseeing capital debt management and adhering to advice and guidelines adopted by the Board of Trustees.

8.2. Facilities Planning and Facilities Management

The Associate Vice Chancellor for Campus Operations will take the lead role in estimating and defining project costs and in maintaining a list of projects that are being considered. The Associate Vice Chancellor for Campus Operations will also lead the development of capital planning documents for the current year, current biennium, and the capital plan.

8.3. Treasury Management

The University Controller will maintain a schedule of current and forecasted debt and associated payment of principal, interest, and fees. The Associate Vice Chancellor for Financial Services is responsible for the administration of all aspects of debt financing, including accounting, and contracting with financial advisors, underwriters, and bond counsel to issue new debt or refinance existing debt.

8.4. Board of Trustees

The Board of Trustees will consider for approval each special obligation project of the University, in accordance with State law. The Board of Trustees will consider and approve this Debt Policy and any proposed changes to it.

9. Definitions

9.1. **A-1+ Rating** – Obligations rated A-1+ for short-term debt by Standard & Poor's Ratings Service are the highest rating assigned by Standard & Poor's.

9.2. **Annual debt service** – The principal and interest due on long-term debt in a fiscal year.

9.3. **Bridge financing** – Any type of financing used to "bridge" a period of time. For universities, it refers to financings that provide funding in advance of a long-term bond issue or the receipt of gift funding.

9.4. **Capital project** – Physical facilities or equipment or software that may be capitalized.

9.5. **Debt to Obligated Resources Ratio** – ECU's aggregate outstanding debt as compared to its obligated Resources – the funds legally available to service its debt. Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation.

9.6. **Debt Service to Operating Expenses Ratio** – ECU's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues. Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

9.7. **Five (5) Year Payout Ratio** – The percentage of ECU's debt scheduled to be retired in the next five years. Aggregate principal to be paid in the next five years is divided by aggregate debt.

9.8. **GAAP** – Generally Accepted Accounting Principles.

9.9. **GASB 34** – Government Accounting Standards Board Statement that establishes financial reporting standards for state and local governments that includes Management's discussion and analysis (MD&A) and basic financial statements.

9.10. **GASB 35** – Government Accounting Standards Board Statement that establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

9.11. **GASB 68** – Government Accounting Standards Board Statement that requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability.

9.12. **GASB 75** – Government Accounting Standards Board Statement intended to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

9.13. **Leverage** – Long-term debt as a component of the total assets of the University. "High leverage" indicates an institution that has a considerable portion of its assets that are debt financed.

9.14. **Competitive sale** – A sale of municipal securities by an issuer in which underwriters or syndicates of underwriters submit sealed bids to purchase the securities. The securities are won and purchased by the underwriter or syndicate of underwriters who submit the best bid according to guidelines in the notice of sale.

9.15. **Negotiated sale** – In a negotiated underwriting, the sale of bonds is by negotiation and agreement with an underwriter or underwriting syndicate selected by the issuer before the moment of sale. This contrasts with a competitive or an advertised sale.

9.16. **Advance refunding** – A financing structure under which new bonds are issued to repay an outstanding bond issue more than ninety (90) days from the date of issuance of the new issue. Generally, the proceeds of the new issue are invested in government securities, which are placed in escrow. The interest and principal repayments on these securities are then used to repay the old issue, usually on the first call date. Advance refundings are done to save interest, extend the maturity of the debt, or change existing restrictive covenants.

9.17. **Current refunding** – Sale of a new issue, the proceeds of which are to be used, within ninety (90) days, to retire an outstanding issue by, essentially, replacing the outstanding issues with the new issue. Current refundings are done to save interest cost, extend the maturity of the debt, or change existing restrictive covenants.

9.18. **Primary disclosure** – SEC Rule 15c2-12 obligates underwriters participating in primary (new) offerings of municipal securities (of $1,000,000 or more; are sold to more than 35 people; and have a

maturity greater than 9 months) to obtain, review, and distribute to investors copies of the issuer's official statement. While previously exempt, as of December 1, 2010, all new Variable Rate Demand Obligations will also be subject to Rule 15c2-12.

9.19. **P-1 Rating** – Obligations rated P-1 for short-term debt by Moody's Investors Service, Inc. are defines as having the highest quality, subject to the lowest level of risk.

9.20. **Secondary disclosure** – At the time bonds are offered, the issuer must outline the type of Annual Financial Information it will provide annually and the terms of its continuing disclosure agreement. Also, Rule 15c2-12 requires dealers acting as underwriters in offerings to reasonably determine that the issuer or obligated person has undertaken in a continuing disclosure agreement to provide event notices to the MSRB, in an electronic format and in a timely manner of not more than ten business days, when any of the following events with respect to the securities being offered occurs:

9.20.1. Principal and interest payment delinquencies with respect to the securities being offered.

9.20.2. Non-payment related defaults, if material.

9.20.3. Unscheduled draws on debt service reserves reflecting financial difficulties.

9.20.4. Unscheduled draws on credit enhancements reflecting financial difficulties.

9.20.5. Substitution of credit or liquidity providers, or their failure to perform.

9.20.6. Adverse tax opinions, Internal Revenue Service issuance of proposed or final determinations of taxability, notices of proposed issue, or other material notices or determinations with respect to the tax status of the security, or other material events affecting the status of the security.

9.20.7. Material modifications to rights of security holders.

9.20.8. Material bond calls, and tender offers.

9.20.9. Defeasances.

9.20.10. Release, substitution, or sale of property securing repayment of the securities, if material.

9.20.11. Rating changes.

9.20.12. Bankruptcy, insolvency, receivership, or similar event of the obligated person.

9.20.13. Consummation of a merger, consolidation, or acquisition; acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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 is terms, if material.

9.20.14. Appointment of a successor or additional trustee or the change of name of a trustee if material.

9.20.15. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

9.20.16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

May 14, 2025

Elizabeth City State University

Elizabeth City State University

Institution Report

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), Elizabeth City State University ("***ECSU***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. ECSU has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, ECSU, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily required ratios—**debt to obligated resources** and the **five-year payout ratio**—ECSU has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, ECSU's debt capacity reflects the amount of debt ECSU could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that ECSU intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- ECSU's current debt profile, including project descriptions financed with, and the sources of repayment for, ECSU's outstanding debt;
- ECSU's current credit profile, along with recommendations for maintaining or improving ECSU's credit rating; and
- A copy of any ECSU debt management policy currently in effect.

Overview of ECSU

For the fall 2024 semester, ECSU had a headcount student population of approximately 2,258, including 2,154 undergraduate students and 104 graduate students. ECSU's enrollment has increased 12.8 percent over the previous five years.

ECSU's average age of plant is 17.7 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

ECSU anticipates incurring $5 million in additional debt during the Study period, as summarized in **Section 3** below. ECSU has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on ECSU's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to ECSU by the federal government (discounted by an assumed 6.2% sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt ECSU expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below may overstate ECSU's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(50,772,602)	5,988,226	47,809,640		3,025,264
2021	(27,542,139)	6,951,194	43,947,330	672.04%	23,356,385
2022	(21,523,376)	5,572,644	40,487,721	5.05%	24,536,989
2023	(13,365,146)	5,575,612	34,757,338	9.91%	26,967,804
2024	(9,054,651)	6,886,529	33,140,545	14.85%	30,972,423
2025	31,870,623	-	-	2.90%	31,870,623
2026	32,667,389	-	-	2.50%	32,667,389
2027	33,484,074	-	-	2.50%	33,484,074
2028	34,321,175	-	-	2.50%	34,321,175
2029	35,179,205	-	-	2.50%	35,179,205

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	65,233,176	(3,664,603)	1,456,004		63,024,577
2021	69,506,517	(3,648,472)	1,639,776	7.10%	67,497,821
2022	89,695,412	(1,561,776)	1,742,373	33.15%	89,876,009
2023	83,724,277	(3,485,564)	3,674,012	-6.64%	83,912,725
2024	94,526,834	(5,056,905)	4,825,238	12.37%	94,295,167
2025	97,029,727	-	-	2.90%	97,029,727
2026	99,455,470	-	-	2.50%	99,455,470
2027	101,941,857	-	-	2.50%	101,941,857
2028	104,490,403	-	-	2.50%	104,490,403
2029	107,102,663	-	-	2.50%	107,102,663

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	1,493,255	1,125,727	2,618,982	33,055,681
2026	1,564,734	1,065,015	2,629,748	31,490,948
2027	1,632,763	1,001,182	2,633,944	29,858,185
2028	1,601,336	935,488	2,536,823	28,256,850
2029	1,679,502	870,251	2,549,753	26,577,347
2030	1,330,132	806,974	2,137,107	25,247,215
2031	1,245,567	758,212	2,003,779	24,001,649
2032	1,274,969	726,241	2,001,210	22,726,679
2033	1,306,504	690,557	1,997,060	21,420,176
2034	1,342,338	653,941	1,996,279	20,077,838
2035	1,383,415	615,239	1,998,654	18,694,423
2036	1,433,902	560,752	1,994,654	17,260,521
2037	1,491,305	502,349	1,993,654	15,769,216
2038	1,548,147	606,257	2,154,404	14,221,070
2039	1,610,255	271,149	1,881,404	12,610,815
2040	1,671,927	259,477	1,931,404	10,938,888
2041	575,279	246,125	821,404	10,363,609
2042	588,223	233,181	821,404	9,775,386
2043	601,458	219,946	821,404	9,173,928
2044	614,425	206,979	821,404	8,559,503
2045	628,815	192,589	821,404	7,930,688
2046	642,964	178,440	821,404	7,287,725
2047	657,430	163,974	821,404	6,630,294
2048	671,814	149,590	821,404	5,958,481
2049	687,338	134,066	821,404	5,271,143
2050	702,803	118,601	821,404	4,568,339
2051	718,616	102,788	821,404	3,849,723
2052	734,548	86,856	821,404	3,115,175
2053	751,313	70,091	821,404	2,363,862
2054	768,217	53,187	821,404	1,595,645
2055	785,502	35,902	821,404	810,143
2056	810,143	18,436	828,579	-

3. Proposed Debt Financings

The table below summarizes any legislatively approved projects that ECSU expects to finance during the Study Period. Using the assumptions outlined in the table below, the model has developed a tailored, but conservative, debt service schedule for each proposed financing and incorporated each pro forma debt service schedule into its calculations of the financial ratios as detailed in **Section 4** below.

Elizabeth City State University Proposed Debt Financings

FY Issued	Description		Borrowing Amount	Term	Principal Deferral	Structure	Rate
2025	Construction Loan	Residence Hall	5,000,000	15		Level D/S	4.98%

4. Financial Ratios

Debt to Obligated Resources

- **What does it measure?** ECSU's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

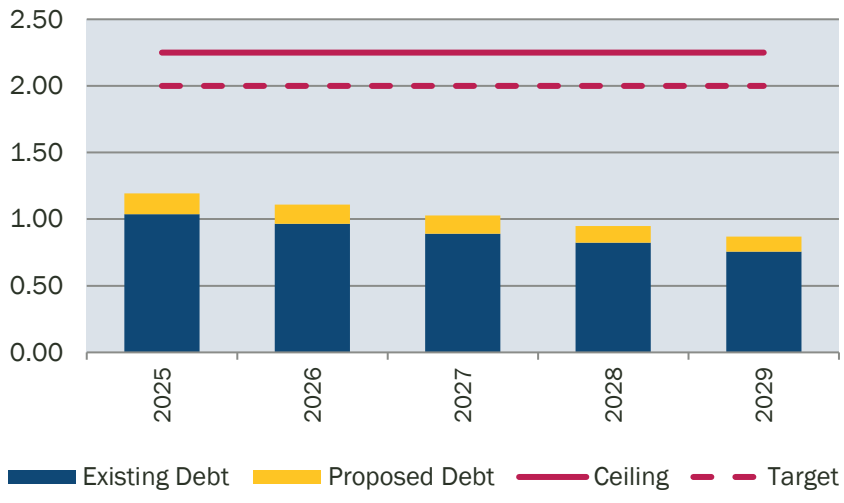
- Target Ratio: 2.00
- Ceiling Ratio: Not to exceed 2.25
- Projected 2025 Ratio: 1.19
- Highest Study Period Ratio: 1.19 (2025)

*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	31,870,623	2.90%	33,055,681	5,000,000	1.04	0.16	1.19
2026	32,667,389	2.50%	31,490,948	4,767,940	0.96	0.15	1.11
2027	33,484,074	2.50%	29,858,185	4,524,322	0.89	0.14	1.03
2028	34,321,175	2.50%	28,256,850	4,268,573	0.82	0.12	0.95
2029	35,179,205	2.50%	26,577,347	4,000,088	0.76	0.11	0.87

Debt to Obligated Resources



5-Year Payout Ratio Overview

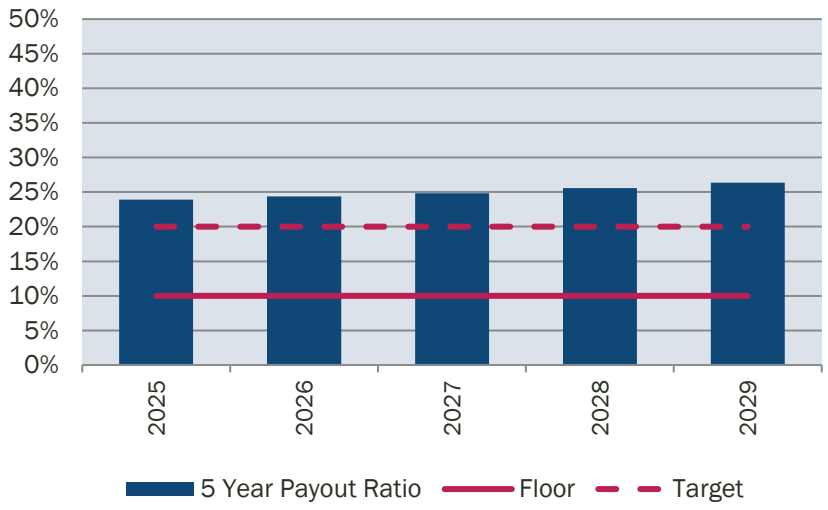
- **What does it measure?** The percentage of ECSU's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

- Target Ratio: 20%
- Floor Ratio: Not less than 10%
- Projected 2025 Ratio: 24%
- Lowest Study Period Ratio: 24% (2025,2026)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	38,055,681	24%
2026	36,258,887	24%
2027	34,382,508	25%
2028	32,525,423	26%
2029	30,577,435	26%

5-Year Payout Ratio



Debt Service to Operating Expenses

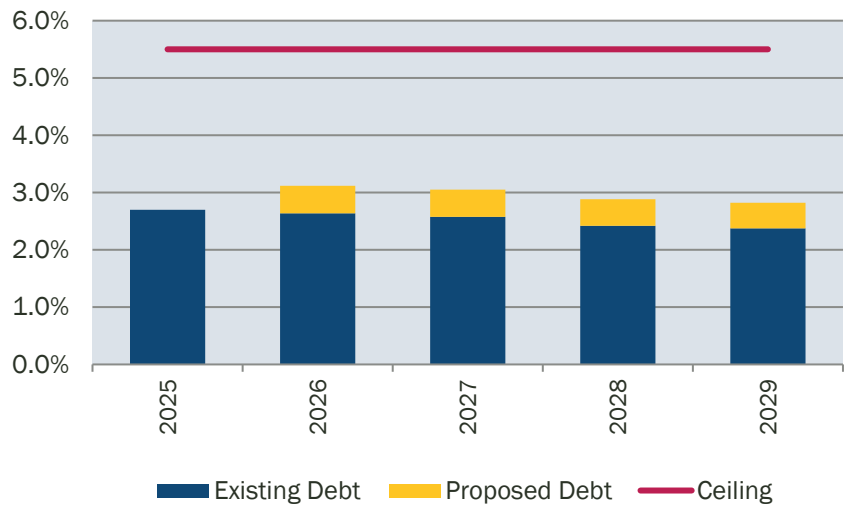
- **What does it measure?** ECSU's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 5.50%
- Projected 2025 Ratio: 2.70%
- Highest Study Period Ratio: 3.05% (2027)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	97,029,727	2.90%	2,618,982	-	2.70%	n/a	2.70%
2026	99,704,470	2.50%	2,629,748	481,060	2.64%	0.48%	3.12%
2027	102,179,300	2.50%	2,633,944	481,060	2.58%	0.47%	3.05%
2028	104,715,714	2.50%	2,536,823	481,060	2.42%	0.46%	2.88%
2029	107,315,238	2.50%	2,549,753	481,060	2.38%	0.45%	2.82%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, ECSU's debt capacity is based on the amount of debt ECSU could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Debt Capacity Calculation

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	1.19	2.25	33,653,221
2026	1.11	2.25	37,242,738
2027	1.03	2.25	40,956,658
2028	0.95	2.25	44,697,222
2029	0.87	2.25	48,575,776

Limitations on Debt Capacity, Credit Rating Implications, and Comment from ECSU

- The debt capacity calculation shown above provides a general indication of ECSU's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- Projecting the exact amount ECSU could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10%** of an issuer's overall score.
    - **The State's Impact**
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.
        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.
    - **Factor Interdependence**
        - The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
        - For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued

excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.

- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

ECSU's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2010 A ECSU	12/29/2010	285,000	04/01/2027	General Revenue	Refunding 2002B	Housing Receipts
2012 AB ECSU	06/30/2012	2,469,493	09/20/2029	Conservation Improvement (Note)	Energy Conservation	Housing Receipts
2019 ECSU	05/22/2019	13,200,000	04/01/2040	General Revenue	Refunding 2010B	Housing Receipts
2021 97-01 ECSU	05/10/2021	9,193,658	05/10/2056	USDA Loan	Refi. Viking Village Bonds; Bias Hall Renovations; Campus Master Plan 97-01	Housing Receipts
2021 97-02 ECSU	05/10/2021	9,400,785	05/10/2056	USDA Loan	Refi. Viking Village Bonds; Bias Hall Renovations; Campus Master Plan 97-02	Housing Receipts
	Total	**34,548,936**				

7. Credit Profile

The following page provides a snapshot of ECSU's current credit ratings, along with (1) a summary of various credit factors identified in ECSU's most recent rating report and (2) recommendations for maintaining and improving ECSU's credit ratings in the future.

Credit Profile of the University – (General Revenue)

Overview

- Moody's upgraded ECSU's rating on ECSU's general revenue bonds to Baa1. The outlook is stable.

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Non Investment Grade		

Key Information Noted in Rating Reports

Credit Strengths

- Very strong financial support from the Aaa-rated state
- Significant enrollment increases will provide increased operating appropriations from the state and more auxiliary revenue
- Since launch of NC Promise Program in Fall 2017, trend of enrollment growth has been improving

Credit Challenges

- High dependence on state appropriations which account for 43% of revenues (FY2021)
- Small size
- Thin operating performance and debt service coverage
- High dependence on availability of federal financial aid, serving a high proportion of Pell-eligible students

Recommendations & Observations

- As enrollment continues to grow, concentrated efforts to improve liquidity, monthly days cash on hand and other cash flow metrics will help improve the credit profile.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	Elizabeth City State University	Lincoln University	Alabama State University	Illinois State University	New Jersey City University
Most Senior Rating	Baa1	Baa3	Baa3	A2	Ba2
Total Long-Term Debt ($, in millions)	35	30	44	179	244
Total Cash &Investments ($, in millions)	80	48	74	325	17
Operating Revenue ($, in millions)	90	60	165	488	147
Operating Expenses ($, in millions)	92	79	147	491	155
Market Performance Ratios					
Annual Change in Operating Revenue (%)	8.7%	-22.6%	12.6%	-16.6%	-3.7%
Operating Ratios					
Operating Cash Flow Margin (%)	5.2%	-6.3%	19.6%	7.0%	6.1%
Wealth &Liquidity Ratios					
Total Cash &Investments to Operating Expenses (x)	0.9	0.6	0.5	0.7	0.1
Total Debt to Operating Expenses (x)	0.4	0.4	0.3	0.4	1.6
Monthly Days Cash on Hand (x)	77	31	133	258	44
Leverage Ratios					
Total Cash &Investments to Total Debt (x)	2.3	1.6	1.7	1.8	0.1
Debt Service to Operating Expenses (%)	3.0%	4.6%	4.5%	4.1%	5.2%
Total Debt-to-Cash Flow (x)	7.4	-7.9	1.4	5.2	27.2

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is most recent data available in the MFRA database.

Approved by the University of North Carolina Board of Governors on May 15, 2025

9. Debt Management Policies

ECSU's debt management policy is included in the following pages.

April 1, 2020

Debt Management Manual

Elizabeth City State University

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Introduction

Elizabeth City State University ("ECSU") views its debt capacity as a limited resource that should be used, when appropriate, to help fund the capital investments necessary for the successful implementation of ECSU's strategic vision to attract and retain a diverse and highly qualified faculty that will educate and lead our students to become productive members of a global and increasingly interdependent society. ECSU will continue to be a leading partner in enhancing educational and cultural opportunities and improving the economic strength in the region. ECSU recognizes the important role that debt-related strategies may play as it makes the necessary investments in its infrastructure in order to become and by maintaining a rigorous focus on academic excellence for dedicated students within their academic programs, engaged faculty and a nurturing campus environment.

This Manual has been developed to assist ECSU's efforts to manage its debt on a long-term, portfolio basis and in a manner consistent with ECSU's stated policies, objectives and core values. Like other limited resources, ECSU's debt capacity should be used and allocated strategically and equitably.

Specifically, the objective of this Manual is to provide a framework that will enable ECSU's Board of Trustees (the "Board") and finance staff to:

(i) Identify and prioritize projects eligible for debt financing;

(ii) Limit and manage risk within ECSU's debt portfolio;

(iii) Establish debt management guidelines and quantitative parameters for evaluating ECSU's financial health, debt affordability and debt capacity;

(iv) Manage and protect ECSU's credit profile in order to improve and maintain ECSU's credit rating at a strategically optimized level and maintain access to the capital markets; and

(v) Ensure ECSU remains in compliance with all of its post-issuance obligations and requirements.

This Manual is intended solely for ECSU's internal planning purposes. The Vice Chancellor for Business and Finance and/or the Controller will review this Manual annually and, if necessary, recommend changes to ensure that it remains consistent with University's strategic objectives and the evolving demands and accepted practices of the public higher education marketplace. Proposed changes to this Manual are subject to the Chancellor's approval.

2. Authorization and Oversight

ECSU's Vice Chancellor for Business and Finance is responsible for the day-to-day management of ECSU's financial affairs in accordance with the terms of this Manual and for all of ECSU's debt financing activities. Each University financing will conform to all applicable State and Federal laws.

The Board will consider for approval each proposed financing in accordance with the requirements of any applicable State law.

3. Process for Identifying and Prioritizing Capital Projects Requiring Debt

Only projects that directly or indirectly relate to the mission of ECSU will be considered for debt financing.

(i) Self-Liquidating Projects – A project that has a related revenue stream (self-liquidating project) will receive priority consideration. Each self-liquidating project financing must be supported by an achievable plan of finance that provides, or identifies sources of funds, sufficient to (1) service the debt associated with the project, (2) pay for any related infrastructure improvements, (3) cover any new or increased operating costs and (4) fund appropriate reserves for anticipated replacement and renovation costs.

(ii) Energy Conservation Projects – Each energy conservation project financing must provide annual savings sufficient to service the applicable debt and all related monitoring costs.

(iii) Other Projects – Other projects funded through budgetary savings, gifts and grants will be considered on a case-by-case basis. Any projects that will require gift financing or include a gift financing component must be approved by the Vice Chancellor for Business and Finance before any project-restricted donations are solicited. The fundraising goal for any project to be financed primarily with donations should also include, when feasible, an appropriately sized endowment for deferred maintenance and other ancillary ownership costs. In all cases, institutional strategy, and not donor capacity, must drive the decision to pursue any proposed project.

4. Benchmarks and Debt Ratios

Overview

When evaluating its current financial health and any proposed plan of finance, ECSU considers both its debt affordability and its debt capacity. Debt affordability focuses on ECSU's cash flows and measures ECSU's ability to service its debt through its operating budget and identified revenue streams. Debt capacity, on the other hand, focuses on the relationship between ECSU's net assets and its total debt outstanding.

Debt capacity and affordability are impacted by several factors, including ECSU's enrollment trends, reserve levels, operating performance, ability to generate additional revenues to support debt service, competing capital improvement or programmatic needs, and general market conditions. Because of the number of potential variables, ECSU's debt capacity cannot be calculated based on any single ratio or even a small handful of ratios.

ECSU believes, however, that it is important to consider and monitor objective metrics when evaluating ECSU's financial health and its ability to incur additional debt. To that end, ECSU has identified three key financial ratios that it will use to assess its ability to absorb additional debt based on its current and projected financial condition:

(i) Debt to Obligated Resources

(ii) Expendable Resources to Debt

(iii) Debt Service to Operating Expenses

Note that the selected financial ratios are also monitored as part of the debt capacity study for The University of North Carolina delivered each year under Article 5 of Chapter 116D of the North Carolina General Statutes

(the "UNC Debt Capacity Study"), which ECSU believes will promote clarity and consistency in ECSU's debt management and planning efforts.

ECSU has established for each ratio a floor or ceiling target, as the case may be, with the expectation that ECSU will operate within the parameters of those ratios most of the time. To the extent possible, the policy ratios established from time to time in this Manual should align with the ratios used in the report ECSU submits each year as part of the UNC Debt Capacity Study. The policy ratios have been established to help preserve ECSU's financial health and operating flexibility and to ensure ECSU is able to access the market to address capital needs or to take advantage of potential refinancing opportunities. Attaining or maintaining a specific credit rating is not an objective of this Manual.

ECSU recognizes that the policy ratios, while helpful, have limitations and should not be viewed in isolation of ECSU's strategic plan or other planning tools. In accordance with the recommendations set forth in the initial UNC Debt Capacity Study, ECSU has developed as part of this Manual specific criteria for evaluating and, if warranted, approving critical infrastructure projects even when ECSU has limited debt capacity as calculated by the UNC Debt Capacity Study or the benchmark ratios in this Manual. In such instances, the Board may approve the issuance of debt with respect to a proposed project based on one or more of the following findings:

(i) The proposed project would generate additional revenues (including, if applicable, dedicated student fees or grants) sufficient to support the financing, which revenues are not currently captured in the benchmark ratios.

(ii) The proposed project would be financed entirely with private donations based on pledges already in hand.

(iii) The proposed project is essential to the implementation of one of the Board's strategic priorities.

(iv) The proposed project addresses life and safety issues or addresses other critical infrastructure needs.

(v) Foregoing or delaying the proposed project would result in significant additional costs to ECSU or would negatively impact ECSU's credit rating.

At no point, however, should ECSU intentionally operate outside an established policy ratio without conscious and explicit planning.

Ratio 1 – Debt to Obligated Resources

What does it measure? ECSU's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt under the General Revenue Bond Statutes

Why is it tracked? The ratio, which is based on the legal structure proscribed by the General Revenue Bond Statutes, provides a general indication of ECSU's ability to absorb debt on its balance sheet and is the primary ratio used to calculate ECSU's "debt capacity" under the methodology used in the UNC Debt Capacity Study

How is it calculated? Aggregate debt divided by obligated resources*

Policy Ratio: Not to exceed 2.25x (UNC Debt Capacity Study Target Ratio = 2.00x)

*Available Funds, which is the concept commonly used to capture each UNC's campus's obligated resources in its loan and bond documentation, has been used as a proxy for obligated resources. The two concepts are generally identical, though

Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of ECSU's obligated resources.

Ratio 2 – Expendable Resources to Debt

What does it measure? The number of times ECSU's liquid and expendable net assets covers its aggregate debt

Why is it tracked? The ratio, which is widely tracked by rating agencies and other capital market participants, is a basic measure of financial health and assesses ECSU's ability to settle its debt obligations using only its available net assets as of a particular date

How is it calculated? The sum of (1) Adjusted Unrestricted Net Assets and (2) Restricted Expendable Net Assets divided by aggregate debt

Policy Ratio: 0.50x

Ratio 3 – Debt Service to Operating Expenses

What does it measure? ECSU's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues

Why is it tracked? The ratio, which is widely tracked by rating agencies and other capital market participants, evaluates ECSU's relative cost of borrowing to its overall expenditures and provides a measure of ECSU's budgetary flexibility

How is it calculated? Annual debt service divided by annual operating expenses

Policy Ratio: Not to exceed 5.50%

Reporting

The Vice Chancellor for Business and Finance will review each ratio in connection with the delivery of the University's audited financials and will provide an annual report to the Board substantially in the form of **Appendix B** detailing (1) the calculation of each ratio for that fiscal year and (2) an explanation for any ratio that falls outside the University's stated policy ratio, along with (a) any applicable recommendations, strategies and an expected timeframe for aligning such ratio with the University's stated policy or (b) the rationale for any recommended changes to any such stated policy ratio going forward (including any revisions necessitated by changes in accounting standards or rating agency methodologies).

5. Debt Portfolio Management and Transaction Structure Considerations

Generally

Numerous types of financing structures and funding sources are available, each with specific benefits, risks, and costs. Potential funding sources and structures will be reviewed and considered by the Vice Chancellor for Business and Finance within the context of this Manual and the overall portfolio to ensure that any financial product or structure is consistent with ECSU's stated objectives. As part of effective debt management, ECSU must also consider its investment and cash management strategies, which influence the desired structure of the debt portfolio.

Method of Sale

ECSU will consider various methods of sale on a transaction-by-transaction basis to determine which method of sale (i.e., competitive, negotiated or private placement) best serves ECSU's strategic plan and financing objectives. In making that determination, ECSU will consider, among other factors: (1) the size and complexity of the issue, (2) the current interest rate environment and other market factors (such as bank and investor appetite) that might affect ECSU's cost of funds, and (3) possible risks associated with each method of sale (e.g., rollover risk associated with a financing that is privately placed with a bank for a committed term that is less than the term of the financing).

Tax Treatment

When feasible and appropriate for the particular project, the use of tax-exempt debt is generally preferable to taxable debt. Issuing taxable debt may reduce ECSU's overall debt affordability due to higher rates but may be appropriate for projects that do not qualify for tax-exemption, or that may require interim funding. For example, taxable debt may be justified if it sufficiently mitigates ECSU's ongoing administrative and compliance risks. When used, taxable debt should be structured to provide maximum repayment flexibility and rapid principal amortization.

Structure and Maturity

To the extent practicable, ECSU should structure its debt to provide for level annual payments of debt service, though ECSU may elect alternative structures when the Vice Chancellor for Business and Finance determines it to be in ECSU's best interest. In addition, when financing projects that are expected to be self-supporting (such as a revenue-producing facility or a facility to be funded entirely through a dedicated fundraising campaign), the debt service may be structured to match future anticipated receipts.

ECSU will use maturity structures that correspond with the life of the facilities financed, not to exceed [30] years. Equipment should be financed for a period not to exceed [120]% of its useful life. Such determinations may be made on a blended basis, taking into account all assets financed as part of a single debt offering. As market dynamics change, maturity structures should be reevaluated. Call features should be structured to provide the highest degree of flexibility relative to cost.

Variable Rate Debt

ECSU recognizes that a degree of exposure to variable interest rates within ECSU's debt portfolio may be desirable in order to (1) take advantage of repayment or restructuring flexibility, (2) benefit from historically lower average interest costs and (3) provide a "match" between debt service requirements and the projected cash flows from ECSU's assets. ECSU's debt portfolio should be managed to ensure that no more than [20%] of ECSU's total debt bears interest at an unhedged variable rate.

ECSU's finance staff will monitor overall interest rate exposure and will analyze and quantify potential risks, including interest rate, liquidity and rollover risks. ECSU may manage the liquidity risk of variable rate debt either through its own working capital/investment portfolio, the type of instrument used, or by using third party sources of liquidity. ECSU may manage interest rate risk in its portfolio through specific budget and central bank management strategies or through the use of derivative instruments.

[Public Private Partnerships]

To address ECSU's anticipated capital needs as efficiently and prudently as possible, ECSU may choose to explore and consider opportunities for alternative and non-traditional transaction structures (collectively, "P3 Arrangements").

Due to their higher perceived risk and increased complexity, and because the cash flows for the project must satisfy the private partner's expected risk-adjusted rate of return, the financing and initial transaction costs for projects acquired through P3 Arrangements are generally higher than projects financed with proceeds of traditional debt instruments. P3 Arrangements should therefore be pursued only when ECSU has determined that (1) a traditional financing alternative is not feasible, (2) a P3 Arrangement will likely produce construction or overall operating results that are superior, faster or more efficient than a traditional delivery model or (3) a P3 Arrangement serves one of the Board's broader strategic objectives (e.g., a decision that operating a particular auxiliary function is no longer consistent with ECSU's core mission).

Absent a compelling strategic reason to the contrary, P3 Arrangements should not be considered if the Vice Chancellor for business and Finance determines, in consultation with ECSU's advisors, that the P3 Arrangement will be viewed as "on-credit" (i.e., treated as University debt) by ECSU's auditors or outside rating agencies. When evaluating whether the P3 Arrangement should be viewed as "on-credit," rating agencies consider ECSU's economic interest in the project and the level of control it exerts over the project. Further, rating agencies will generally treat a P3 Arrangement as University debt if the project is located on ECSU's campus or if the facility is to be used for an essential University function. For this reason, any P3 Arrangement for a university-related facility to be located on land owned by the State, ECSU or a ECSU affiliate must be approved in advance by the Chancellor.

Refunding Considerations

ECSU will actively monitor its outstanding debt portfolio for refunding or restructuring opportunities. Absent a compelling economic or strategic reason to the contrary, ECSU should evaluate opportunities to issue bonds for the purpose of refunding existing debt obligations of ECSU ("Refunding Bonds") using the following general guidelines:

(i) The life of the Refunding Bonds should not exceed the remaining life of the bonds being refunded.

(ii) Refunding Bonds issued to achieve debt service savings should have a target savings level measured on a present net value basis of at least [3]% of the par amount refunded.

(iii) Refunding Bonds that do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling interest.

(iv) Refunding Bonds may also be issued to relieve ECSU of certain limitations, covenants, payment obligations or reserve requirements that reduce operational flexibility.

6. Derivative Products

ECSU recognizes that derivative products may provide for more flexible management of the debt portfolio. In certain circumstances, interest rate swaps and other derivatives permit ECSU to adjust its mix of fixed- and variable-rate debt and manage its interest rate exposures. Derivatives may also be an effective way to manage liquidity risks. ECSU will use derivatives only to manage and mitigate risk; ECSU will not use derivatives to create leverage or engage in speculative transactions.

As with underlying debt, ECSU's finance staff will evaluate any derivative product comprehensively, taking into account its potential costs, benefits and risks, including, without limitation, any tax risk, interest rate risk, liquidity risk, credit risk, basis risk, rollover risk, termination risk, counterparty risk, and amortization risk. Before entering into any derivative product, the Vice Chancellor for Business and Finance must (1) conclude, based on the advice of a reputable swap advisor, that the terms of any swap transaction are fair and reasonable under current market conditions and (2) ensure that ECSU's finance staff has a clear understanding of the proposed transaction's costs, cash flow impact and reporting treatment.

ECSU will use derivatives only when the Vice Chancellor for Business and Finance determines, based on the foregoing analysis, that the instrument provides the most effective method for accomplishing ECSU's strategic objectives without imposing inappropriate risks on ECSU.

7. Post-Issuance Compliance Matters

On their adoption, the Vice Chancellor for Business and Finance will attach as **Appendix A** to this Strategy any policies relating to post-issuance compliance.

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

Fayetteville State University

Institution Report

Fayetteville State University

[Type here]

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), Fayetteville State University ("***FSU***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. FSU has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, FSU, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily-required ratios—**debt to obligated resources** and the **five-year payout ratio**—FSU has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, FSU's debt capacity reflects the amount of debt FSU could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that FSU intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- FSU's current debt profile, including project descriptions financed with, and the sources of repayment for, FSU's outstanding debt;
- FSU's current credit profile, along with recommendations for maintaining or improving FSU's credit rating; and
- A copy of any FSU debt management policy currently in effect.

Overview of FSU

For the fall 2024 semester, FSU had a headcount student population of approximately 7,107, including 6,075 undergraduate students and 1,032 graduate students. Over the past five years, FSU's enrollment has increased 5.7 percent.

FSU anticipates issuing $6 million in debt during the Study period, as summarized in **Section 3** below. FSU has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on FSU's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to FSU by the federal government (discounted by an assumed 6.2% sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt FSU expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below may overstate FSU's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(108,071,516)	12,533,723	111,658,047		16,120,253
2021	(95,654,586)	14,798,692	104,135,645	44.41%	23,279,751
2022	(72,606,493)	11,331,250	96,075,810	49.49%	34,800,567
2023	(53,866,887)	9,894,007	82,948,323	12.00%	38,975,443
2024	(60,998,983)	11,956,449	77,256,289	-27.61%	28,213,755
2025	29,031,954	-	-	2.90%	29,031,954
2026	29,757,753	-	-	2.50%	29,757,753
2027	30,501,697	-	-	2.50%	30,501,697
2028	31,264,239	-	-	2.50%	31,264,239
2029	32,045,845	-	-	2.50%	32,045,845

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	119,110,192	(3,912,306)	3,907,543		119,105,429
2021	125,792,799	(2,264,969)	6,181,088	8.90%	129,708,918
2022	142,175,786	3,401,350	7,528,686	18.04%	153,105,822
2023	152,602,543	1,334,287	12,420,331	8.66%	166,357,161
2024	161,865,561	(2,094,861)	5,588,002	-0.60%	165,358,702
2025	170,154,104	-	-	2.90%	170,154,104
2026	174,407,957	-	-	2.50%	174,407,957
2027	178,768,156	-	-	2.50%	178,768,156
2028	183,237,360	-	-	2.50%	183,237,360
2029	187,818,294	-	-	2.50%	187,818,294

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	1,383,000	1,666,778	3,049,778	34,685,000
2026	1,465,000	1,611,560	3,076,560	33,220,000
2027	1,548,000	1,549,182	3,097,182	31,672,000
2028	1,631,000	1,482,978	3,113,978	30,041,000
2029	1,715,000	1,412,932	3,127,932	28,326,000
2030	1,804,000	1,339,028	3,143,028	26,522,000
2031	1,909,000	1,261,000	3,170,000	24,613,000
2032	2,015,000	1,178,066	3,193,066	22,598,000
2033	2,126,000	1,090,210	3,216,210	20,472,000
2034	2,242,000	997,182	3,239,182	18,230,000
2035	1,555,000	911,500	2,466,500	16,675,000
2036	1,660,000	833,750	2,493,750	15,015,000
2037	1,775,000	750,750	2,525,750	13,240,000
2038	1,885,000	662,000	2,547,000	11,355,000
2039	2,005,000	567,750	2,572,750	9,350,000
2040	2,135,000	467,500	2,602,500	7,215,000
2041	2,265,000	360,750	2,625,750	4,950,000
2042	2,400,000	247,500	2,647,500	2,550,000
2043	2,550,000	127,500	2,677,500	-
2044			-	-
2045			-	-
2046			-	-
2047			-	-
2048			-	-

3. Proposed Debt Financings

The table below summarizes any legislatively approved projects that Fayetteville State University expects to finance during the Study Period. Using the assumptions outlined in the table below, the model has developed a tailored, but conservative, debt service schedule for each proposed financing and incorporated each pro forma debt service schedule into its calculations of the financial ratios as detailed in **Section 4** below.

Fayetteville State University Proposed Debt Financings

FY Issued	Description		Borrowing Amount	Term	Principal Deferral	Structure	Rate
2025	Series 2025		6,000,000	7		Level D/S	3.96%

4. Financial Ratios

Debt to Obligated Resources

- **What does it measure?** FSU's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

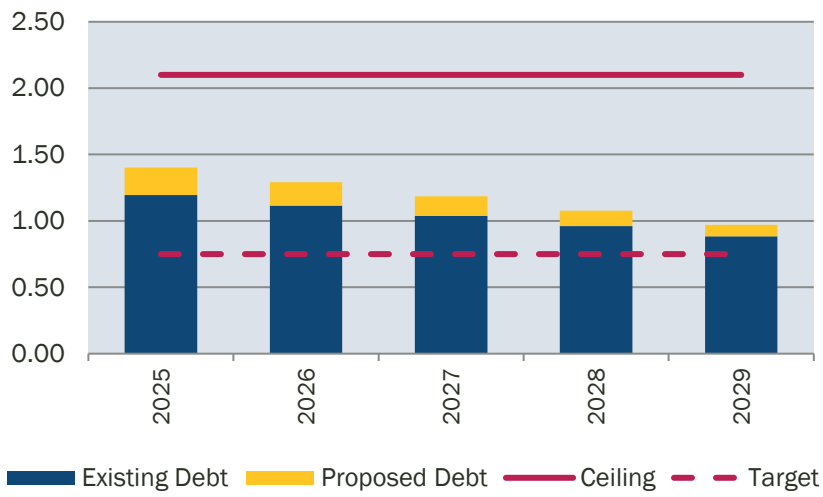
- Target Ratio: 0.75
- Ceiling Ratio: Not to exceed 2.10
- Projected 2025 Ratio: 1.40
- Highest Study Period Ratio: 1.40 (2025)

*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	29,031,954	2.90%	34,685,000	6,000,000	1.19	0.21	1.40
2026	29,757,753	2.50%	33,220,000	5,239,420	1.12	0.18	1.29
2027	30,501,697	2.50%	31,672,000	4,448,720	1.04	0.15	1.18
2028	31,264,239	2.50%	30,041,000	3,626,709	0.96	0.12	1.08
2029	32,045,845	2.50%	28,326,000	2,772,146	0.88	0.09	0.97

Debt to Obligated Resources



5-Year Payout Ratio Overview

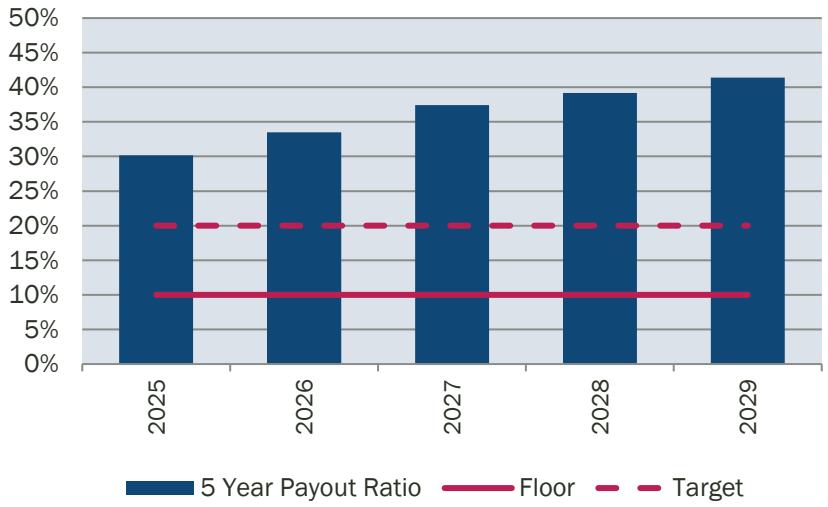
- **What does it measure?** The percentage of FSU's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

- Target Ratio: 20%
- Floor Ratio: Not less than 10%
- Projected 2025 Ratio: 30%
- Lowest Study Period Ratio: 30% (2025)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	40,685,000	30%
2026	38,459,420	34%
2027	36,120,720	37%
2028	33,667,709	39%
2029	31,098,146	41%

5-Year Payout Ratio



Debt Service to Operating Expenses

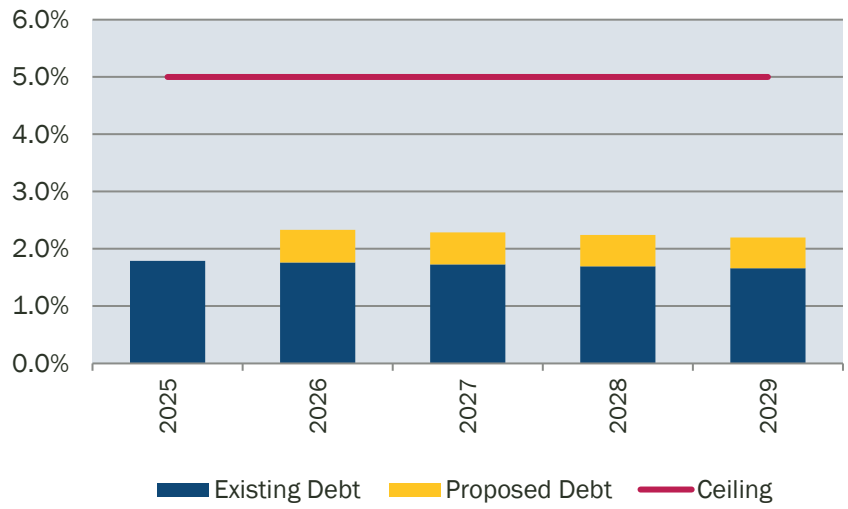
- **What does it measure?** FSU's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

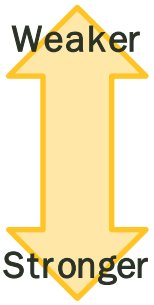
- Policy Ratio: Not to exceed 5.00%
- Projected 2025 Ratio: 1.79%
- Highest Study Period Ratio: 2.33% (2026)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	170,154,104	2.90%	3,049,778	-	1.79%	n/a	1.79%
2026	174,645,557	2.50%	3,076,560	998,180	1.76%	0.57%	2.33%
2027	178,975,637	2.50%	3,097,182	998,180	1.73%	0.56%	2.29%
2028	183,413,529	2.50%	3,113,978	998,180	1.70%	0.54%	2.24%
2029	187,961,911	2.50%	3,127,932	998,180	1.66%	0.53%	2.20%

Debt Service to Operating Expenses





Approved by the University of North Carolina Board of Governors on May 15, 2025

5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, FSU's debt capacity is based on the amount of debt FSU could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	1.40	2.10	20,282,103
2026	1.29	2.10	24,031,861
2027	1.18	2.10	27,932,843
2028	1.08	2.10	31,987,193
2029	0.97	2.10	36,198,128

Limitations on Debt Capacity, Credit Rating Implications, and Comment from FSU

- The debt capacity calculation shown above provides a general indication of FSU's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- **If FSU were to use all of its calculated debt capacity during the Study Period, FSU's credit ratings may face significant downward pressure**.
- Projecting the exact amount FSU could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **The State's Impact**
        - In assessing each institution's credit rating, rating agencies also consider the State's credit rating and demographic trends, the health of its pension system, the level of support it has historically provided to the institution, and any legislation or policies affecting campus operations.
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.
        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.

- **Factor Interdependence**
  - The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
  - For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.
- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

FSU's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2017 FSU	02/15/2017	6,868,000	11/01/2033	Housing Revenue	Restructure 2001 Bonds	Housing Revenue
2021 FSU	05/27/2021	13,620,000	04/01/2043	Limited Obligation	Refunding 2011	Housing Revenue
2023 FSU	01/13/2023	15,580,000	04/01/2043	General Revenue	Refunding 2013A	Debt Service Fee
	Total	**36,068,000**				

7. Credit Profile

The following page provides a snapshot of FSU's current credit ratings, along with (1) a summary of various credit factors identified in FSU's most recent rating report and (2) recommendations for maintaining and improving FSU's credit ratings in the future.

Credit Profile of the University – (General Revenue)

Overview

- In December 2022, Standard and Poor's upgraded FSU's rating from BBB+ to A- on FSU's general revenue bonds. S&P maintained its' outlook of stable.
- Fitch maintained it's rating on FSU's general revenue bonds of A with a stable outlook.

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Non Investment Grade		

Key Information Noted in Rating Reports

Credit Strengths

- Substantial operating and capital support from the state of North Carolina
- Despite COVID, stabilized full-time enrollment given the success of the strategic initiatives and slight growth in headcount
- Expected to maintain adequate liquidity and sufficient excess cash flow
- Receives comprehensive oversight and regular monitoring of operations and liquidity from the System Office

Credit Challenges

- Off-campus competition for housing, with three alternatives in close proximity to campus
- Lower available resources and slim financial reserves and cash flow margins make debt affordability more difficult
- Very low level of adjusted unrestricted net assets (UNA) relative to total adjusted operating expense
- Declining pledged revenues including student union fees put greater reliance on fund reserve balances and housing/ dining to meet debt service

Recommendations & Observations

- Continue to develop and implement strategies and policies to meet FSU's unique challenges, including strategies to stabilize and improve enrollment, operating revenue, and financial reserves.
- Differential between the student union fee and debt service will improve as enrollment grows and this fee gets applied to broader number of students.
- Failure to generate growing available funds which are pledged to FSU's debt will continue to put pressure on FSU's credit outlook.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data		
Peer Institution	**Fayetteville State University**	**Alabama State University**	**Illinois State University**	**Lincoln University**
Most Senior Rating	**A3***	**Baa3**	**A2**	**Baa3**
Total Long-Term Debt ($, in millions)	48	44	179	30
Total Cash & Investments ($, in millions)	74	74	325	48
Operating Revenue ($, in millions)	115	165	488	60
Operating Expenses ($, in millions)	162	147	491	79
Market Performance Ratios				
Annual Change in Operating Revenue (%)	2.2%	12.6%	-16.6%	-22.6%
Wealth & Liquidity Ratios				
Total Cash & Investments to Operating Expenses (x)	0.5	0.5	0.7	0.6
Total Debt to Operating Expenses (x)	0.3	0.3	0.4	0.4
Leverage Ratios				
Total Cash & Investments to Total Debt (x)	1.5	1.7	1.8	1.6
Debt Service to Operating Expenses (%)	1.9%	4.5%	4.1%	4.6%

Note: Moody's does not rate FSU. The rating is based on the comparable rating from Standard and Poor's. Peers chosen from BOG approved peers. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available from Moody's MFRA database.

9. Debt Management Policies

FSU's current debt policy is included in the following pages.

Debt Management Policy

Fayetteville State University

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Introduction

Fayetteville State University ("FSU") views its debt capacity as a limited resource that should be used, when appropriate, to help fund the capital investments necessary for the successful implementation of FSU's strategic vision to be a leading institution of opportunity and diversity committed to developing learned and responsible global citizens. FSU recognizes the important role that debt-related strategies may play as it makes the necessary investments in its infrastructure in order to become and remain the destination institution for dedicated students seeking challenging academic programs, engaged faculty and a vibrant campus culture.

This Policy has been developed to assist FSU's efforts to manage its debt on a long-term, portfolio basis and in a manner consistent with FSU's stated policies, objectives and core values. Like other limited resources, FSU's debt capacity should be used and allocated strategically and equitably.

Specifically, the objective of this Policy is to provide a framework that will enable FSU's Board of Trustees (the "Board") and finance staff to:

(i) Identify and prioritize projects eligible for debt financing;

(ii) Limit and manage risk within FSU's debt portfolio;

(iii) Establish debt management guidelines and quantitative parameters for evaluating FSU's financial health, debt affordability and debt capacity;

(iv) Manage and protect FSU's credit profile in order to maintain FSU's credit rating at a strategically optimized level and maintain access to the capital markets; and

(v) Ensure FSU remains in compliance with all of its post-issuance obligations and requirements.

This Policy is intended solely for FSU's internal planning purposes. The Vice Chancellor for Business and Finance will review this Policy annually and, if necessary, recommend changes to ensure that it remains consistent with University's strategic objectives and the evolving demands and accepted practices of the public higher education marketplace. Proposed changes to this Policy are subject to the Board's approval.

2. Authorization and Oversight

FSU's Vice Chancellor for Business and Finance is responsible for the day-to-day management of FSU's financial affairs in accordance with the terms of this Policy and for all of FSU's debt financing activities. Each University financing will conform to all applicable State and Federal laws.

The Board will consider for approval each proposed financing in accordance with the requirements of any applicable State law.

3. Process for Identifying and Prioritizing Capital Projects Requiring Debt

Only projects that directly or indirectly relate to the mission of FSU will be considered for debt financing.

(i) Self-Liquidating Projects – A project that has a related revenue stream (self-liquidating project) will receive priority consideration. Each self-liquidating project financing must be supported by an achievable plan of finance that provides, or identifies sources of funds, sufficient to (1) service the debt associated with the project, (2) pay for any related infrastructure improvements, (3) cover any new or increased operating costs and (4) fund appropriate reserves for anticipated replacement and renovation costs.

(ii) Energy Conservation Projects – Each energy conservation project financing must provide annual savings sufficient to service the applicable debt and all related monitoring costs.

(iii) Other Projects – Other projects funded through budgetary savings, gifts and grants will be considered on a case-by-case basis. Any projects that will require gift financing or include a gift financing component must be jointly approved by the Vice Chancellor for Business and Finance and the Foundation Assistant before any project-restricted donations are solicited. The fundraising goal for any project to be financed primarily with donations should also include, when feasible, an appropriately-sized endowment for deferred maintenance and other ancillary ownership costs. In all cases, institutional strategy, and not donor capacity, must drive the decision to pursue any proposed project.

4. Benchmarks and Debt Ratios

Overview

When evaluating its current financial health and any proposed plan of finance, FSU takes into account both its debt affordability and its debt capacity. Debt affordability focuses on FSU's cash flows and measures FSU's ability to service its debt through its operating budget and identified revenue streams. Debt capacity, on the other hand, focuses on the relationship between FSU's net assets and its total debt outstanding.

Debt capacity and affordability are impacted by a number of factors, including FSU's enrollment trends, reserve levels, operating performance, ability to generate additional revenues to support debt service, competing capital improvement or programmatic needs, and general market conditions. Because of the number of potential variables, FSU's debt capacity cannot be calculated based on any single ratio or even a small handful of ratios.

FSU believes, however, that it is important to consider and monitor objective metrics when evaluating FSU's financial health and its ability to incur additional debt. To that end, FSU has identified three key financial ratios that it will use to assess its ability to absorb additional debt based on its current and projected financial condition:

(i) Debt to Obligated Resources

(ii) Expendable Resources to Debt

(iii) Debt Service to Operating Expenses

Note that the selected financial ratios are also monitored as part of the debt capacity study for The University of North Carolina delivered each year under Article 5 of Chapter 116D of the North Carolina General Statutes (the "UNC Debt Capacity Study"), which FSU believes will promote clarity and consistency in FSU's debt management and planning efforts.

FSU has established for each ratio a floor or ceiling target, as the case may be, with the expectation that FSU will operate within the parameters of those ratios most of the time. To the extent possible, the policy ratios established from time to time in this Policy should align with the ratios used in the report FSU submits each year as part of the UNC Debt Capacity Study. The policy ratios have been established to help preserve FSU's financial health and operating flexibility and to ensure FSU is able to access the market to address capital needs or to take advantage of potential refinancing opportunities. Attaining or maintaining a specific credit rating is not an objective of this Policy.

FSU recognizes that the policy ratios, while helpful, have limitations and should not be viewed in isolation of FSU's strategic plan or other planning tools. In accordance with the recommendations set forth in the initial UNC Debt Capacity Study delivered April 1, 2016, FSU has developed as part of this Policy specific criteria for evaluating and, if warranted, approving critical infrastructure projects even when FSU has limited debt capacity as calculated by the UNC Debt Capacity Study or the benchmark ratios in this Policy. In such instances, the Board may approve the issuance of debt with respect to a proposed project based on one or more of the following findings:

(i) The proposed project would generate additional revenues (including, if applicable, dedicated student fees or grants) sufficient to support the financing, which revenues are not currently captured in the benchmark ratios.

(ii) The proposed project would be financed entirely with private donations based on pledges already in hand.

(iii) The proposed project is essential to the implementation of one of the Board's strategic priorities.

(iv) The proposed project addresses life and safety issues or addresses other critical infrastructure needs.

(v) Foregoing or delaying the proposed project would result in significant additional costs to FSU or would negatively impact FSU's credit rating.

At no point, however, should FSU intentionally operate outside an established policy ratio without conscious and explicit planning.

Ratio 1 – Debt to Obligated Resources

What does it measure? FSU's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt under the General Revenue Bond Statutes

Why is it tracked? The ratio, which is based on the legal structure proscribed by the General Revenue Bond Statutes, provides a general indication of FSU's ability to absorb debt on its balance sheet and is the primary ratio used to calculate FSU's "debt capacity" under the methodology used in the UNC Debt Capacity Study

How is it calculated? Aggregate debt divided by obligated resources*

Policy Ratio: Not to exceed 2.10x (UNC Debt Capacity Study Target Ratio = 1.80x)

*Available Funds, which is the concept commonly used to capture each UNC's campus's obligated resources in its loan and bond documentation, has been used as a proxy for obligated resources. The two concepts are generally identical, though

Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of FSU's obligated resources.

Ratio 2 – Expendable Resources to Debt

What does it measure? The number of times FSU's liquid and expendable net assets covers its aggregate debt

Why is it tracked? The ratio, which is widely tracked by rating agencies and other capital market participants, is a basic measure of financial health and assesses FSU's ability to settle its debt obligations using only its available net assets as of a particular date

How is it calculated? The sum of (1) Adjusted Unrestricted Net Assets and (2) Restricted Expendable Net Assets divided by aggregate debt

Policy Ratio: Not less than 0.35x

Ratio 3 – Debt Service to Operating Expenses

What does it measure? FSU's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues

Why is it tracked? The ratio, which is widely tracked by rating agencies and other capital market participants, evaluates FSU's relative cost of borrowing to its overall expenditures and provides a measure of FSU's budgetary flexibility

How is it calculated? Annual debt service divided by annual operating expenses

Policy Ratio: Not to exceed 5.00%

Reporting

The Vice Chancellor for Business and Finance will review each ratio in connection with the delivery of the University's audited financials and will provide an annual report to the Board substantially in the form of **Appendix A** detailing (1) the calculation of each ratio for that fiscal year and (2) an explanation for any ratio that falls outside the University's stated policy ratio, along with (a) any applicable recommendations, strategies and an expected timeframe for aligning such ratio with the University's stated policy or (b) the rationale for any recommended changes to any such stated policy ratio going forward (including any revisions necessitated by changes in accounting standards or rating agency methodologies).

5. Debt Portfolio Management and Transaction Structure Considerations

Generally

Numerous types of financing structures and funding sources are available, each with specific benefits, risks, and costs. Potential funding sources and structures will be reviewed and considered by the Vice Chancellor for Business and Finance within the context of this Policy and the overall portfolio to ensure that any financial product or structure is consistent with FSU's stated objectives. As part of effective debt management, FSU must

also consider its investment and cash management strategies, which influence the desired structure of the debt portfolio.

Method of Sale

FSU will consider various methods of sale on a transaction-by-transaction basis to determine which method of sale (i.e., competitive, negotiated or private placement) best serves FSU's strategic plan and financing objectives. In making that determination, FSU will consider, among other factors: (1) the size and complexity of the issue, (2) the current interest rate environment and other market factors (such as bank and investor appetite) that might affect FSU's cost of funds, and (3) possible risks associated with each method of sale (e.g., rollover risk associated with a financing that is privately placed with a bank for a committed term that is less than the term of the financing).

Tax Treatment

When feasible and appropriate for the particular project, the use of tax-exempt debt is generally preferable to taxable debt. Issuing taxable debt may reduce FSU's overall debt affordability due to higher rates but may be appropriate for projects that do not qualify for tax-exemption, or that may require interim funding. For example, taxable debt may be justified if it sufficiently mitigates FSU's ongoing administrative and compliance risks. When used, taxable debt should be structured to provide maximum repayment flexibility and rapid principal amortization.

Structure and Maturity

To the extent practicable, FSU should structure its debt to provide for level annual payments of debt service, though FSU may elect alternative structures when the Vice Chancellor for Business and Finance determines it to be in FSU's best interest. In addition, when financing projects that are expected to be self-supporting (such as a revenue-producing facility or a facility to be funded entirely through a dedicated fundraising campaign), the debt service may be structured to match future anticipated receipts.

FSU will use maturity structures that correspond with the life of the facilities financed, not to exceed 30 years. Equipment should be financed for a period not to exceed 120% of its useful life. Such determinations may be made on a blended basis, taking into account all assets financed as part of a single debt offering. As market dynamics change, maturity structures should be reevaluated. Call features should be structured to provide the highest degree of flexibility relative to cost.

Variable Rate Debt

FSU recognizes that a degree of exposure to variable interest rates within FSU's debt portfolio may be desirable in order to (1) take advantage of repayment or restructuring flexibility, (2) benefit from historically lower average interest costs and (3) provide a "match" between debt service requirements and the projected cash flows from FSU's assets. FSU's debt portfolio should be managed to ensure that no more than 20% of FSU's total debt bears interest at an unhedged variable rate.

FSU's finance staff will monitor overall interest rate exposure and will analyze and quantify potential risks, including interest rate, liquidity and rollover risks. FSU may manage the liquidity risk of variable rate debt either through its own working capital/investment portfolio, the type of instrument used, or by using third party sources of liquidity. FSU may manage interest rate risk in its portfolio through specific budget and central bank management strategies or through the use of derivative instruments.

Refunding Considerations

FSU will actively monitor its outstanding debt portfolio for refunding or restructuring opportunities. Absent a compelling economic or strategic reason to the contrary, FSU should evaluate opportunities to issue bonds for the purpose of refunding existing debt obligations of FSU ("Refunding Bonds") using the following general guidelines:

(i) The life of the Refunding Bonds should not exceed the remaining life of the bonds being refunded.

(ii) Refunding Bonds issued to achieve debt service savings should have a target savings level measured on a present net value basis of at least 3% of the par amount refunded.

(iii) Refunding Bonds that do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling interest.

(iv) Refunding Bonds may also be issued to relieve FSU of certain limitations, covenants, payment obligations or reserve requirements that reduce operational flexibility.

6. Derivative Products

FSU recognizes that derivative products may provide for more flexible management of the debt portfolio. In certain circumstances, interest rate swaps and other derivatives permit FSU to adjust its mix of fixed- and variable-rate debt and manage its interest rate exposures. Derivatives may also be an effective way to manage liquidity risks. FSU will use derivatives only to manage and mitigate risk; FSU will not use derivatives to create leverage or engage in speculative transactions.

As with underlying debt, FSU's finance staff will evaluate any derivative product comprehensively, taking into account its potential costs, benefits and risks, including, without limitation, any tax risk, interest rate risk, liquidity risk, credit risk, basis risk, rollover risk, termination risk, counterparty risk, and amortization risk. Before entering into any derivative product, the Vice Chancellor for Business and Finance must (1) conclude, based on the advice of a reputable swap advisor, that the terms of any swap transaction are fair and reasonable under current market conditions and (2) ensure that FSU's finance staff has a clear understanding of the proposed transaction's costs, cash flow impact and reporting treatment.

FSU will use derivatives only when the Vice Chancellor for Business and Finance determines, based on the foregoing analysis, that the instrument provides the most effective method for accomplishing FSU's strategic objectives without imposing inappropriate risks on FSU.

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

North Carolina A&T State University

Institution Report

Approved by the University of North Carolina Board of Governors on May 15, 2025

North Carolina A&T State University

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1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), North Carolina A&T State University ("***N.C. A&T***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. N.C. A&T has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, N.C. A&T, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily required ratios—**debt to obligated resources** and the **five-year payout ratio**—N.C. A&T has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, N.C. A&T's debt capacity reflects the amount of debt N.C. A&T could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that N.C. A&T intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- N.C. A&T's current debt profile, including project descriptions financed with, and the sources of repayment for, N.C. A&T's outstanding debt;
- N.C. A&T's current credit profile, along with recommendations for maintaining or improving N.C. A&T's credit rating; and
- A copy of any N.C. A&T debt management policy currently in effect.

Overview of N.C. A&T

For the fall 2024 semester, N.C. A&T had a headcount student population of 14,311, including 12,497 undergraduate students and 1,814 graduate students. Over the past five years, N.C. A&T's enrollment has increased 12.2 percent.

N.C. A&T's average age of plant is 12.5 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

N.C. A&T does not anticipate additional borrowing during the Study period. N.C. A&T has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on N.C. A&T's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to N.C. A&T by the federal government (discounted by an assumed 6.2 percent sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt N.C. A&T expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below may overstate N.C. A&T's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(135,052,538)	23,726,054	236,896,849		125,570,365
2021	(58,628,913)	29,052,910	219,703,421	51.41%	190,127,418
2022	(24,174,015)	23,806,717	204,137,773	7.18%	203,770,475
2023	7,513,366	23,833,534	176,519,063	2.01%	207,865,963
2024	43,814,213	26,393,669	166,155,047	13.71%	236,362,929
2025	243,217,454	-	-	2.90%	243,217,454
2026	249,297,890	-	-	2.50%	249,297,890
2027	255,530,337	-	-	2.50%	255,530,337
2028	261,918,596	-	-	2.50%	261,918,596
2029	268,466,561	-	-	2.50%	268,466,561

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	305,148,378	(7,587,829)	12,485,997		310,046,546
2021	302,192,252	(5,326,856)	14,251,726	0.35%	311,117,122
2022	341,446,075	5,246,193	14,389,989	16.06%	361,082,257
2023	391,180,097	(26,817)	26,090,058	15.55%	417,243,338
2024	407,620,681	(2,560,135)	10,162,874	-0.48%	415,223,420
2025	427,264,899	-	-	2.90%	427,264,899
2026	437,946,521	-	-	2.50%	437,946,521
2027	448,895,185	-	-	2.50%	448,895,185
2028	460,117,564	-	-	2.50%	460,117,564
2029	471,620,503	-	-	2.50%	471,620,503

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	2,775,000	6,283,157	9,058,157	138,095,000
2026	3,860,000	6,143,231	10,003,231	134,235,000
2027	4,030,000	5,970,707	10,000,707	130,205,000
2028	4,370,000	5,784,267	10,154,267	125,835,000
2029	4,545,000	5,611,017	10,156,017	121,290,000
2030	4,695,000	5,454,916	10,149,916	116,595,000
2031	4,860,000	5,288,678	10,148,678	111,735,000
2032	5,065,000	5,086,908	10,151,908	106,670,000
2033	5,085,000	4,851,206	9,936,206	101,585,000
2034	5,305,000	4,630,945	9,935,945	96,280,000
2035	5,040,000	4,411,515	9,451,515	91,240,000
2036	5,280,000	4,168,008	9,448,008	85,960,000
2037	5,535,000	3,912,499	9,447,499	80,425,000
2038	5,810,000	3,644,175	9,454,175	74,615,000
2039	5,450,000	3,370,450	8,820,450	69,165,000
2040	5,730,000	3,090,950	8,820,950	63,435,000
2041	6,025,000	2,797,075	8,822,075	57,410,000
2042	6,315,000	2,509,225	8,824,225	51,095,000
2043	6,595,000	2,228,625	8,823,625	44,500,000
2044	6,885,000	1,935,500	8,820,500	37,615,000
2045	7,190,000	1,629,275	8,819,275	30,425,000
2046	7,510,000	1,309,275	8,819,275	22,915,000
2047	2,805,000	1,075,625	3,880,625	20,110,000
2048	2,945,000	931,875	3,876,875	17,165,000
2049	3,100,000	780,750	3,880,750	14,065,000
2050	3,255,000	621,875	3,876,875	10,810,000
2051	3,425,000	454,875	3,879,875	7,385,000
2052	3,600,000	279,250	3,879,250	3,785,000
2053	3,785,000	94,625	3,879,625	-

3. Proposed Debt Financings

While N.C. A&T evaluates its capital investment needs on a regular basis, N.C. A&T currently has no legislatively approved projects that it anticipates financing during the Study Period.

4. Financial Ratios

Debt to Obligated Resources

- **What does it measure?** N.C. A&T's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

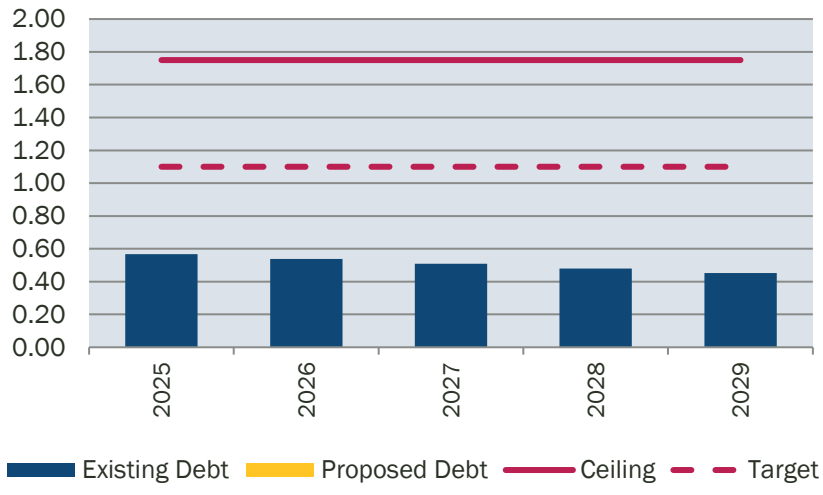
- Target Ratio: 1.10
- Ceiling Ratio: Not to exceed 1.75
- Projected 2025 Ratio: 0.57
- Highest Study Period Ratio: 0.57 (2025)

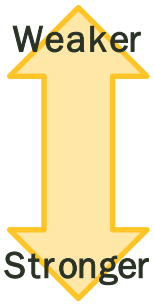
*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	243,217,454	2.90%	138,095,000	-	0.57	n/a	0.57
2026	249,297,890	2.50%	134,235,000	-	0.54	n/a	0.54
2027	255,530,337	2.50%	130,205,000	-	0.51	n/a	0.51
2028	261,918,596	2.50%	125,835,000	-	0.48	n/a	0.48
2029	268,466,561	2.50%	121,290,000	-	0.45	n/a	0.45

Debt to Obligated Resources





5-Year Payout Ratio Overview

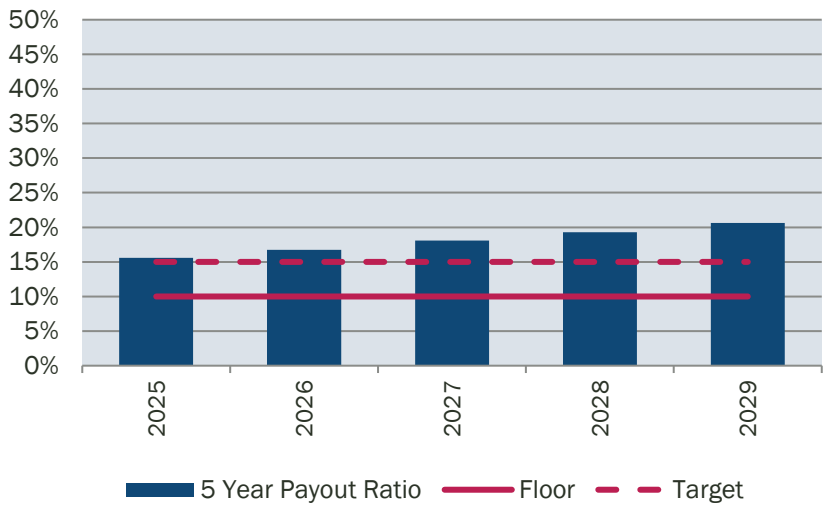
- **What does it measure?** The percentage of N.C. A&T's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

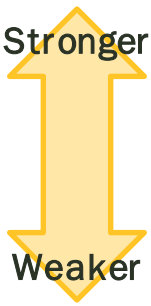
- Target Ratio: 15%
- Floor Ratio: Not less than 10%
- Projected 2025 Ratio: 16%
- Lowest Study Period Ratio: 16% (2025)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	138,095,000	16%
2026	134,235,000	17%
2027	130,205,000	18%
2028	125,835,000	19%
2029	121,290,000	21%

5-Year Payout Ratio





Debt Service to Operating Expenses

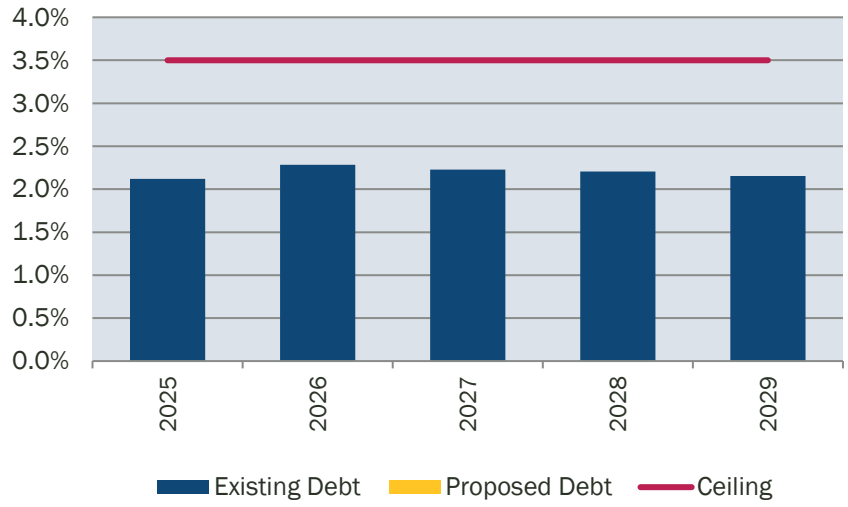
- **What does it measure?** N.C. A&T's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 3.50%
- Projected 2025 Ratio: 2.12%
- Highest Study Period Ratio: 2.28% (2026)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	427,264,899	2.90%	9,058,157	-	2.12%	n/a	2.12%
2026	437,946,521	2.50%	10,003,231	-	2.28%	n/a	2.28%
2027	448,895,185	2.50%	10,000,707	-	2.23%	n/a	2.23%
2028	460,117,564	2.50%	10,154,267	-	2.21%	n/a	2.21%
2029	471,620,503	2.50%	10,156,017	-	2.15%	n/a	2.15%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, N.C. A&T's debt capacity is based on the amount of debt N.C. A&T could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	0.57	1.75	287,535,544
2026	0.54	1.75	302,036,308
2027	0.51	1.75	316,973,090
2028	0.48	1.75	332,522,543
2029	0.45	1.75	348,526,481

Limitations on Debt Capacity and Credit Rating Implications

- The debt capacity calculation shown above provides a general indication of N.C. A&T's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- Projecting the exact amount N.C. A&T could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **The State's Impact**
        - In assessing each institution's credit rating, rating agencies also consider the State's credit rating and demographic trends, the health of its pension system, the level of support it has historically provided to the institution, and any legislation or policies affecting campus operations.
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.
        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.
    - **Factor Interdependence**

- The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
- For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.

- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

N.C. A&T's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2015 A NC A&T	11/24/2015	73,270,000.00	10/01/2045	General Revenue	Student Center	Auxiliary Revenues; Athletics Revenues; Gifts, Investment Revenues
2020 NC A&T	08/27/2020	9,150,000.00	10/01/2037	General Revenue	Refunding 2011C and 2013	Auxiliary Revenues; Athletics Revenues; Gifts, Investment Revenues
2023 NC A&T	12/07/2023	58,450,000.00	10/01/2052	General Revenue	Bluford Street Residence Hall	Housing Revenues
	Total	**140,870,000.00**				

7. Credit Profile

The following page provides a snapshot of N.C. A&T's current credit ratings, along with (1) a summary of various credit factors identified in N.C. A&T's most recent rating report and (2) recommendations for maintaining and improving N.C. A&T's credit ratings in the future.

Credit Profile of the University – (General Revenue)

NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY

Overview

- Rating opinions from Moody's and Fitch reflect recent credit reviews as of July 2023.
- Moody's upgraded N.C. A&T's rating from "A1" to "Aa3" with a stable outlook.
- Fitch affirmed N.C. A&T's rating of "AA-" and revised the outlook to positive from stable.

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Non Investment Grade		

Key Information Noted in Rating Reports

Credit Strengths

- Market niche as a STEM-focused HBCU (historically Black college or university) attracting students from many states
- Over past five years, enrollment has grown by approximately 11 percent, which indicates strengthening student demand
- Improved financial position from higher financial reserves and consistent fundraising efforts; total wealth and liquidity has improved from strengthening operating performance

Credit Challenges

- Competitive student market environment may limit revenue growth expectations
- Leverage relative to wealth is somewhat elevated
- Operating appropriations from the state is stable despite enrollment growth over the past five years

Recommendations & Observations

- Pursue strategies, working within the existing statutory framework relating to reversions, to further increase liquidity through growth in cash reserves.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**N.C. Agricultural & Technical State University**	**North Dakota State University**	**Wichita State University**	**Montana State University**	**New Mexico State University**
Most Senior Rating	**Aa3**	**A1**	**Aa3**	**Aa3**	**A1**
Total Long-Term Debt ($, in millions)	279	141	217	248	129
Total Cash & Investments ($, in millions)	510	204	68	367	334
Operating Revenue ($, in millions)	456	465	601	736	644
Operating Expenses ($, in millions)	403	464	602	694	629
Market Performance Ratios					
Annual Change in Operating Revenue (%)	10.9%	2.6%	4.6%	10.1%	7.2%
Operating Ratios					
Operating Cash Flow Margin (%)	17.5%	7.7%	7.4%	12.9%	9.4%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	1.3	0.4	0.1	0.5	0.5
Total Debt to Operating Expenses (x)	0.7	0.3	0.4	0.4	0.2
Monthly Days Cash on Hand (x)	227	171	33	155	155
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	1.9	1.4	0.3	1.5	2.6
Debt Service to Operating Expenses (%)	2.1%	3.2%	2.0%	3.5%	2.1%
Total Debt-to-Cash Flow (x)	3.5	3.9	4.9	2.6	2.1

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Approved by the University of North Carolina Board of Governors on May 15, 2025

9. Debt Management Policies

A copy of N.C. A&T's Strategic Debt Management Policy is included on the following pages.

NEW POLICY: Sets out the general limitations under which A&T will issue debt.

NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY

SEC. VI —FINANCE 1.0

Debt Management

UNIVERSITY POLICY

I. INTRODUCTION

North Carolina Agricultural and Technical State University ("A&T") views its debt capacity as a limited resource that should be used, when appropriate, to help fund the capital investments necessary for the successful implementation of A&T's strategic vision to provide its students a quality environment of exemplary teaching and learning, scholarly and creative research, and effective community engagement and public service within a diverse and inclusive community, while preserving the operational flexibility and resources necessary to support A&T's current and future programming. A&T recognizes the important role that the responsible stewardship of its financial resources will play as A&T seeks to invest in its campus and related infrastructure in a manner that is economically, socially, and environmentally sustainable.

This Policy has been developed to assist A&T's efforts to manage its debt on a long-term, portfolio basis and in a manner consistent with A&T's capital improvement plan, stated policies, objectives and core values. Like other limited resources, A&T's debt capacity should be used and allocated strategically and equitably, taking into account the benefits and burdens for both current and future students.

Specifically, the objective of this Policy is to provide a framework that will enable A&T's Board of Trustees (the "Board") and finance staff to:

- Identify and prioritize projects eligible for debt financing;

- Limit and manage risk within A&T's debt portfolio;

- Establish debt management guidelines and quantitative parameters for evaluating A&T's financial health, debt affordability and debt capacity;

- Manage and protect A&T's credit profile in order to maintain A&T's credit rating at a strategically optimized level and maintain access to the capital markets; and

- Ensure A&T remains in compliance with all of its post-issuance obligations and requirements.

This Policy is intended solely for A&T's internal planning purposes. The Vice Chancellor for Business and Finance, in consultation with the Chancellor, will review this Policy annually and, if necessary, recommend changes to ensure that it remains consistent with University's strategic objectives and the evolving demands and accepted practices of the public higher education marketplace. Proposed changes to this Policy are subject to the Board's approval.

II. Authorization and Oversight

A&T's Vice Chancellor for Business and Finance, in consultation with the Chancellor, is responsible for all of A&T's debt financing activities. A&T's Vice Chancellor for Business and Finance is responsible for the day-to-day management of A&T's financial affairs in accordance with the terms of this Policy. Each University financing will conform to all applicable State and Federal laws.

The Board will consider for approval each proposed financing in accordance with the requirements of any applicable State law.

A. Process for Identifying and Prioritizing Capital Projects Requiring Debt

Only projects that directly or indirectly relate to the mission of A&T will be considered for debt financing.

1. Self-Liquidating Projects_– A project that has a related revenue stream (self-liquidating project) will receive priority consideration. Each self-liquidating project financing must be supported by an achievable plan of finance that provides, or identifies sources of funds, sufficient to (1) service the debt associated with the project, (2) pay for any related infrastructure improvements, (3) cover any new or increased operating costs and (4) fund appropriate reserves for anticipated replacement and renovation costs.

2. Energy Conservation Projects_– Each energy conservation

project financing must provide annual savings sufficient to service the applicable debt and all related monitoring costs.

3. Other Projects – Other projects funded through budgetary savings, gifts and grants will be considered on a case-by-case basis. Any projects that will require gift financing or include a gift financing component must be jointly approved by the Vice Chancellor for University Advancement and the Vice Chancellor for Business and Finance before any project-restricted donations are solicited. The fundraising goal for any project to be financed primarily with donations should also include, when feasible, an appropriately-sized endowment for deferred maintenance and other ancillary ownership costs. In all cases, institutional strategy, and not donor capacity, must drive the decision to pursue any proposed project.

B. Benchmarks and Debt Ratios

Overview

When evaluating its current financial health and any proposed plan of finance, A&T takes into account both its debt affordability and its debt capacity. Debt affordability focuses on A&T's cash flows and measures A&T's ability to service its debt through its operating budget and identified revenue streams. Debt capacity, on the other hand, focuses on the relationship between A&T's net assets and its total debt outstanding.

Debt capacity and affordability are impacted by a number of factors, including A&T's enrollment trends, reserve levels, operating performance, ability to generate additional revenues to support debt service, competing capital improvement or programmatic needs, and general market conditions. Because of the number of potential variables, A&T's debt capacity cannot be calculated based on any single ratio or even a small handful of ratios.

A&T believes, however, that it is important to consider and monitor objective metrics when evaluating A&T's financial health and its ability to incur additional debt. To that end, A&T has identified four key financial ratios that it will use to assess its ability to absorb additional debt based on its current and projected financial condition:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Expendable Resources to Debt
- Debt Service to Operating Expenses

Note that the selected financial ratios are the same benchmarks monitored as part of the debt capacity study for The University of North Carolina delivered each year under

Article 5 of Chapter 116D of the North Carolina General Statutes (the "UNC Debt Capacity Study"), which A&T believes will promote clarity and consistency in A&T's debt management and planning efforts.

A&T has established for each ratio a floor or ceiling target, as the case may be, with the expectation that A&T will operate within the parameters of those ratios most of the time. To the extent possible, the policy ratios established from time to time in this policy should align with the ratios used in the report A&T submits each year as part of the UNC Debt Capacity Study. The policy ratios have been established to help preserve A&T's financial health and operating flexibility and to ensure A&T is able to access the market to address capital needs or to take advantage of potential refinancing opportunities. Attaining or maintaining a specific credit rating is not an objective of this policy.

A&T recognizes that the policy ratios, while helpful, have limitations and should not be viewed in isolation of A&T's strategic plan or other planning tools. In accordance with the recommendations set forth in the initial UNC Debt Capacity Study delivered April 1, 2016, A&T has developed as part of this policy specific criteria for evaluating and, if warranted, approving critical infrastructure projects even when A&T has limited debt capacity as calculated by the UNC Debt Capacity Study or the benchmark ratios in this policy. In such instances, the Board may approve the issuance of debt with respect to a proposed project based on one or more of the following findings:

- The proposed project would generate additional revenues (including, if applicable, dedicated student fees or grants) sufficient to support the financing, which revenues are not currently captured in the benchmark ratios.

- The proposed project would be financed entirely with private donations based on pledges already in hand.

- The proposed project is essential to the implementation of one of the Board's strategic priorities.

- The proposed project addresses life and safety issues or addresses other critical infrastructure needs.

- Foregoing or delaying the proposed project would result in significant additional costs to A&T or would negatively impact A&T's credit rating.

At no point, however, should A&T intentionally operate outside an established policy ratio without conscious and explicit planning.

Ratio 1 – Debt to Obligated Resources

What does it measure? A&T's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service

	its debt under the General Revenue Bond Statutes
Why is it tracked?	The ratio, which is based on the legal structure proscribed by the General Revenue Bond Statutes, provides a general indication of A&T's ability to absorb debt on its balance sheet and is the primary ratio used to calculate A&T's "debt capacity" under the methodology used in the UNC Debt Capacity Study
How is it calculated?	Aggregate debt* divided by obligated resources**
Policy Ratio:	Not to exceed 1.75x (UNC Debt Capacity Study Target Ratio = 1.50x)

* As used throughout this Policy, "aggregate debt" includes A&T's energy savings contracts, which, in accordance with State law, are excluded from the UNC Debt Capacity Study.

* "Available Funds," which is the concept commonly used to capture each UNC's campus's obligated resources in its loan and bond documentation, has been used as a proxy for "obligated resources." The two concepts are generally identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of A&T's obligated resources.

Ratio 2 – Five-Year Payout Ratio Overview

What does it measure?	The percentage of A&T's debt scheduled to be retired in the next five years
Why is it tracked?	The ratio measures how aggressively A&T is amortizing its debt and is a ratio that is monitored in the UNC Debt Capacity
How is it calculated?	Aggregate principal to be paid in the next five years divided by aggregate debt
Policy Ratio:	Not less than 10% (UNC Debt Capacity Study Target Ratio = 15%)

Ratio 3 – Expendable Resources to Debt

What does it measure?	The number of times A&T's liquid and expendable net assets covers its aggregate debt
Why is it tracked?	The ratio, which is widely tracked by rating agencies and other capital market participants, is a basic measure of financial health and assesses A&T's ability to settle its debt obligations using only its available net assets as of a particular date

How is it calculated?	The sum of (1) Adjusted Unrestricted Net Assets and (2) Restricted Expendable Net Assets divided by aggregate debt
Policy Ratio:	Not less than 0.70x

Ratio 4 – Debt Service to Operating Expenses

What does it measure?	A&T's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues
Why is it tracked?	The ratio, which is widely tracked by rating agencies and other capital market participants, evaluates A&T's relative cost of borrowing to its overall expenditures and provides a measure of A&T's budgetary flexibility
How is it calculated?	Annual debt service divided by annual operating expenses
Policy Ratio:	Not to exceed 3.50%

The Vice Chancellor for Business and Finance will review each ratio in connection with the delivery of the University's audited financials and will provide an annual report to the Board detailing (1) the calculation of each ratio for that fiscal year and (2) an explanation for any ratio that falls outside the University's stated policy ratio, along with (a) any applicable recommendations, strategies and an expected timeframe for aligning such ratio with the University's stated policy or (b) the rationale for any recommended changes to any such stated policy ratio going forward (including any revisions necessitated by changes in accounting standards or rating agency methodologies).

C. Debt Portfolio Management and Transaction Structure Considerations

Generally

Numerous types of financing structures and funding sources are available, each with specific benefits, risks, and costs. Potential funding sources and structures will be reviewed and considered by the Vice Chancellor for Business and Finance, in conjunction with the Chancellor, within the context of this Policy and the overall portfolio to ensure that any financial product or structure is consistent with A&T's stated objectives. As part of effective debt management, A&T must also consider its investment and cash management strategies, which influence the desired structure of the debt portfolio.

Method of Sale

A&T will consider various methods of sale on a transaction-by-transaction basis to determine which method of sale (i.e., competitive, negotiated or private placement) best serves A&T's strategic plan and financing objectives. In making that determination, A&T will consider, among other factors: (1) the size and complexity of the issue, (2) the current interest rate environment and other market factors (such as bank and investor appetite) that might affect A&T's cost of funds, and (3) possible risks associated with each method of sale (e.g., rollover risk associated with a financing that is privately placed with a bank for a committed term that is less than the term of the financing).

Tax Treatment

When feasible and appropriate for the particular project, the use of tax-exempt debt is generally preferable to taxable debt. Issuing taxable debt may reduce A&T's overall debt affordability due to higher rates but may be appropriate for projects that do not qualify for tax-exemption, or that may require interim funding. For example, taxable debt may be justified if it sufficiently mitigates A&T's ongoing administrative and compliance risks. When used, taxable debt should be structured to provide maximum repayment flexibility and rapid principal amortization.

Structure and Maturity

To the extent practicable, A&T should structure its debt to provide for level annual payments of debt service, though A&T may elect alternative structures when the Vice Chancellor for Business and Finance, in consultation with the Chancellor, determine it to be in A&T's best interest. In addition, when financing projects that are expected to be self-supporting (such as a revenue-producing facility or a facility to be funded entirely through a dedicated fundraising campaign), the debt service may be structured to match future anticipated receipts.

A&T will use maturity structures that correspond with the life of the facilities financed, not to exceed the maximum term authorized under applicable State law (currently 30 years). Equipment should be financed for a period not to exceed 120% of its useful life. Such determinations may be made on a blended basis, taking into account all assets financed as part of a single debt offering. As market dynamics change, maturity structures should be reevaluated. Call features should be structured to provide the highest degree of flexibility relative to cost.

Variable Rate Debt

A&T recognizes that a degree of exposure to variable interest rates within A&T's debt portfolio may be desirable in order to (1) take advantage of repayment or restructuring flexibility, (2) benefit from historically lower average interest costs and (3) provide a "match" between debt service requirements and the projected cash flows from A&T's assets. A&T's debt portfolio should be managed to ensure that no more than 20% of A&T's total debt bears interest at an unhedged variable rate.

A&T's finance staff will monitor overall interest rate exposure and will analyze and quantify potential risks, including interest rate, liquidity and rollover risks. A&T may manage the liquidity risk of variable rate debt either through its own working capital/investment portfolio, the type of instrument used, or by using third party sources of liquidity. A&T may manage interest rate risk in its portfolio through specific budget and central bank management strategies or through the use of derivative instruments.

Debt Related to Public Private Partnerships

To address A&T's anticipated capital needs as efficiently and prudently as possible, A&T may choose to explore and consider opportunities for alternative and non-traditional transaction structures (collectively, "P3 Arrangements").

A&T will pursue P3 Arrangements only when A&T has determined that (1) a traditional financing alternative is not feasible, (2) a P3 Arrangement will likely produce construction or overall operating results that are superior, faster or more efficient than a traditional delivery model or (3) a P3 Arrangement serves one of the Board's broader strategic objectives (e.g., a decision that operating a particular auxiliary function is no longer consistent with A&T's core mission).

P3 Arrangements will receive increased scrutiny if the Vice Chancellor for Business and Finance determines, in consultation with A&T's advisors, that the P3 Arrangement will be viewed as "on-credit" (i.e., treated as University debt) by A&T's auditors or outside rating agencies. When evaluating whether the P3 Arrangement should be viewed as "on-credit," rating agencies consider A&T's economic interest in the project and the level of control it exerts over the project. Further, rating agencies will generally treat a P3 Arrangement as University debt if the project is located on A&T's campus or if the facility is to be used for an essential University function. For this reason, any P3 Arrangement for a university-related facility to be located on land owned by the State, A&T or an A&T affiliate must be approved in advance by the Vice Chancellor for Business and Finance, in consultation with the Chancellor.

Refunding Considerations

A&T will actively monitor its outstanding debt portfolio for refunding or restructuring opportunities. Absent a compelling economic or strategic reason to the contrary, A&T should evaluate opportunities to issue bonds for the purpose of refunding existing debt obligations of A&T ("Refunding Bonds") using the following general guidelines:

(i) The life of the Refunding Bonds should not exceed the remaining life of the bonds being refunded.

(ii) Refunding Bonds issued to achieve debt service savings should have a target savings level measured on a present net value basis of at least 3% of the par amount refunded.

(iii) Refunding Bonds that do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling interest.

(iv) Refunding Bonds may also be issued to relieve A&T of certain limitations, covenants, payment obligations or reserve requirements that reduce operational flexibility.

Financing Team Professionals

A&T will generally select its financial advisors, underwriters, lenders and bond counsel through a request for proposal process. Firms providing financial advisory and bond counsel services are generally selected for a specific period of time rather than for individual transactions, while underwriters and lenders will be selected on a transaction-by-transaction basis. Additionally, A&T may use the financial advisors, underwriters and bond counsel selected by General Administration through its own similar competitive process.

D. Derivative Products

A&T recognizes that derivative products may provide for more flexible management of the debt portfolio. In certain circumstances, interest rate swaps and other derivatives permit A&T to adjust its mix of fixed- and variable-rate debt and manage its interest rate exposures. Derivatives may also be an effective way to manage liquidity risks. A&T will use derivatives only to manage and mitigate risk; A&T will not use derivatives to create leverage or engage in speculative transactions.

As with underlying debt, A&T's finance staff will evaluate any derivative product comprehensively, taking into account its potential costs, benefits and risks, including, without limitation, any tax risk, interest rate risk, liquidity risk, credit risk, basis risk, rollover risk, termination risk, counterparty risk, and amortization risk. Before entering into any derivative product, the Vice Chancellor for Business and Finance must (1) conclude, based on the advice of a reputable swap advisor, that the terms of any swap transaction are fair and reasonable under current market conditions and (2) ensure that A&T's finance staff has a clear understanding of the proposed transaction's costs, cash flow impact and reporting treatment.

A&T will use derivatives only when the Vice Chancellor for Business and Finance, in consultation with the Chancellor, determine based on the foregoing analysis, that the instrument provides the most effective method for accomplishing A&T's strategic objectives without imposing inappropriate risks on A&T.

E. Post-Issuance Compliance Matters

To the extent A&T adopts any formal policies relating to post-issuance compliance matters after the effective date of this Policy, the Vice Chancellor for Business and Business & Finance will attach each such policy as Appendix A to this Policy.

Appendix A – Post-Issuance Compliance Policies

TBD

Approved by the Board of Trustees
First approved: February 16, 2018
Revised:

_____ _____
Harold L. Martin, Sr. date signed for final posting
Chancellor

_____ _____
Robert Pompey, Jr. date signed for final posting
Vice Chancellor for Business and Finance

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

North Carolina Central University
Institution Report

North Carolina Central University

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), North Carolina Central University ("***NCCU***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. NCCU has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, NCCU, in consultation with the UNC System Office, agreed to certain ceilings and floors for each model ratio. For the two statutorily required ratios—**debt to obligated resources** and the **five-year payout ratio**—NCCU has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, NCCU's debt capacity reflects the amount of debt NCCU could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that NCCU intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- NCCU's current debt profile, including project descriptions financed with, and the sources of repayment for, NCCU's outstanding debt;
- NCCU's current credit profile, along with recommendations for maintaining or improving NCCU's credit rating; and
- A copy of any NCCU debt management policy currently in effect.

Overview of NCCU

For the fall 2024 semester, NCCU had a headcount student population of approximately 8,579, including 6,595 undergraduate students and 1,984 graduate students. Over the past five years, NCCU's enrollment has increased by 6.2percent.

NCCU's average age of plant is 15.1 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

NCCU anticipates incurring no additional debt during the Study period, as summarized in **Section 3** below. NCCU has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on NCCU's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to NCCU by the federal government (discounted by an assumed 6.2% sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt NCCU expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below may overstate NCCU's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(163,068,927)	19,786,874	185,848,251		42,566,198
2021	(127,213,889)	23,488,411	170,963,664	57.96%	67,238,186
2022	(99,930,467)	18,513,901	156,707,707	11.98%	75,291,141
2023	(104,061,224)	18,472,591	133,935,155	-35.79%	48,346,522
2024	(64,457,171)	20,903,388	122,732,799	63.77%	79,179,016
2025	81,475,207	-	-	2.90%	81,475,207
2026	83,512,088	-	-	2.50%	83,512,088
2027	85,599,890	-	-	2.50%	85,599,890
2028	87,739,887	-	-	2.50%	87,739,887
2029	89,933,384	-	-	2.50%	89,933,384

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	213,283,407	(4,615,597)	11,101,198		219,769,008
2021	215,670,896	(3,701,537)	12,823,785	2.29%	224,793,144
2022	265,509,043	(4,974,510)	13,819,892	22.05%	274,354,425
2023	237,566,676	(58,314)	21,644,338	-5.54%	259,152,700
2024	256,086,830	2,430,797	11,070,139	4.03%	269,587,766
2025	277,405,811	-	-	2.90%	277,405,811
2026	284,340,956	-	-	2.50%	284,340,956
2027	291,449,480	-	-	2.50%	291,449,480
2028	298,735,717	-	-	2.50%	298,735,717
2029	306,204,110	-	-	2.50%	306,204,110

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	4,710,000	3,550,729	8,260,729	85,168,200
2026	4,945,000	3,329,846	8,274,846	80,223,200
2027	5,210,000	3,097,681	8,307,681	75,013,200
2028	5,480,000	2,853,291	8,333,291	69,533,200
2029	5,570,000	2,618,884	8,188,884	63,963,200
2030	5,820,000	2,395,866	8,215,866	58,143,200
2031	6,065,000	2,182,371	8,247,371	52,078,200
2032	6,295,000	1,979,514	8,274,514	45,783,200
2033	6,540,000	1,768,701	8,308,701	39,243,200
2034	6,743,200	1,550,091	8,293,291	32,500,000
2035	5,645,000	1,341,800	6,986,800	26,855,000
2036	1,395,000	1,210,750	2,605,750	25,460,000
2037	1,460,000	1,141,000	2,601,000	24,000,000
2038	1,535,000	1,068,000	2,603,000	22,465,000
2039	1,610,000	991,250	2,601,250	20,855,000
2040	1,675,000	926,850	2,601,850	19,180,000
2041	1,760,000	843,100	2,603,100	17,420,000
2042	1,850,000	755,100	2,605,100	15,570,000
2043	1,940,000	662,600	2,602,600	13,630,000
2044	2,040,000	565,600	2,605,600	11,590,000
2045	2,140,000	463,600	2,603,600	9,450,000
2046	2,225,000	378,000	2,603,000	7,225,000
2047	2,315,000	289,000	2,604,000	4,910,000
2048	2,405,000	196,400	2,601,400	2,505,000
2049	2,505,000	100,200	2,605,200	-

3. Proposed Debt Financings

While NCCU evaluates its capital investment needs on a regular basis, NCCU has no legislatively approved projects that it anticipates financing during the study period.

4. Financial Ratios

Debt to Obligated Resources

- **What does it measure?** NCCU's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

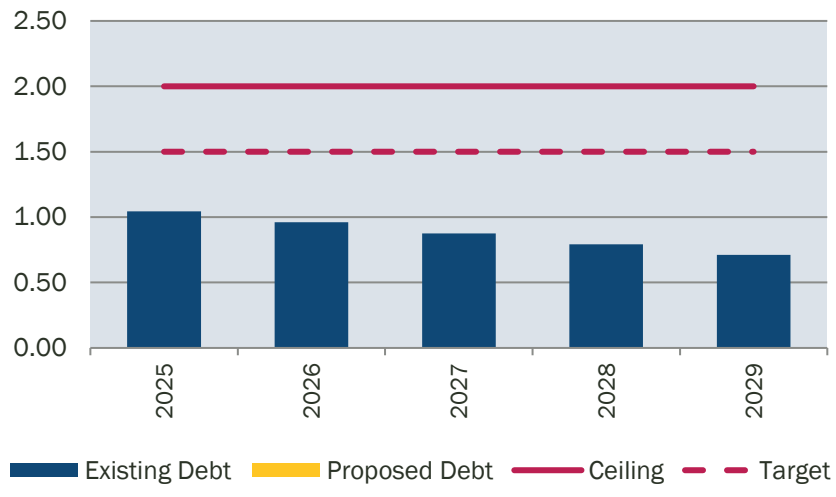
- Target Ratio: 1.50
- Ceiling Ratio: Not to exceed 2.00
- Projected 2025 Ratio: 1.05
- Highest Study Period Ratio: 1.05 (2025)

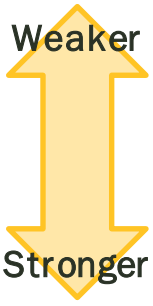
*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	81,475,207	2.90%	85,168,200	-	1.05	n/a	1.05
2026	83,512,088	2.50%	80,223,200	-	0.96	n/a	0.96
2027	85,599,890	2.50%	75,013,200	-	0.88	n/a	0.88
2028	87,739,887	2.50%	69,533,200	-	0.79	n/a	0.79
2029	89,933,384	2.50%	63,963,200	-	0.71	n/a	0.71

Debt to Obligated Resources





5-Year Payout Ratio Overview

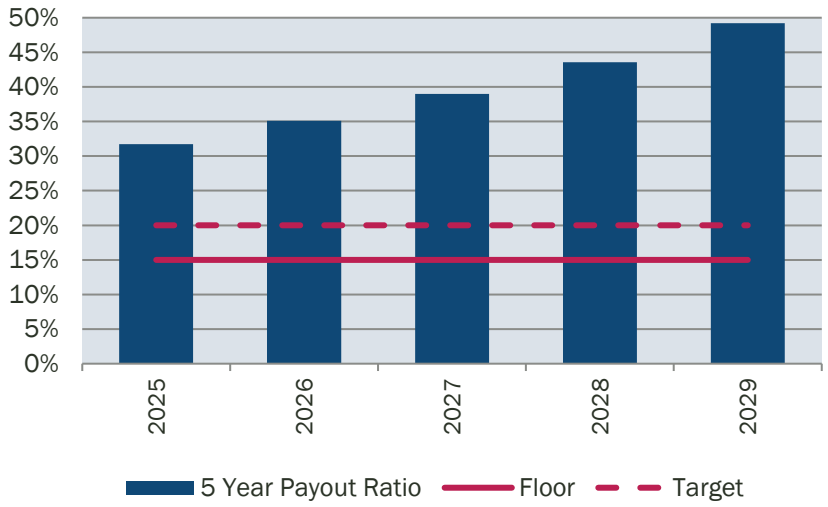
- **What does it measure?** The percentage of NCCU's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

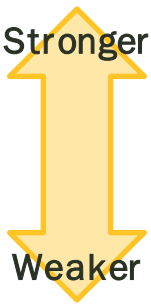
- Target Ratio: 20%
- Floor Ratio: Not less than 15%
- Projected 2025 Ratio: 32%
- Lowest Study Period Ratio: 32% (2025)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	85,168,200	32%
2026	80,223,200	35%
2027	75,013,200	39%
2028	69,533,200	44%
2029	63,963,200	49%

5-Year Payout Ratio





Debt Service to Operating Expenses

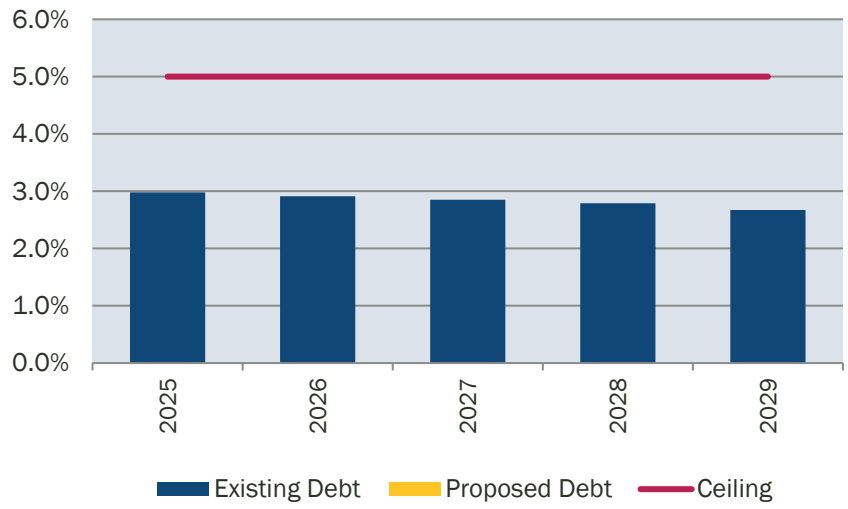
- **What does it measure?** NCCU's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 5.00%
- Projected 2025 Ratio: 2.98%
- Highest Study Period Ratio: 2.98% (2025)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	277,405,811	2.90%	8,260,729	-	2.98%	n/a	2.98%
2026	284,340,956	2.50%	8,274,846	-	2.91%	n/a	2.91%
2027	291,449,480	2.50%	8,307,681	-	2.85%	n/a	2.85%
2028	298,735,717	2.50%	8,333,291	-	2.79%	n/a	2.79%
2029	306,204,110	2.50%	8,188,884	-	2.67%	n/a	2.67%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, NCCU's debt capacity is based on the amount of debt NCCU could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	1.05	2.00	77,782,215
2026	0.96	2.00	86,800,975
2027	0.88	2.00	96,186,580
2028	0.79	2.00	105,946,574
2029	0.71	2.00	115,903,569

Limitations on Debt Capacity, Credit Rating Implications, and Comment from NCCU

- The debt capacity calculation shown above provides a general indication of NCCU's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- Projecting the exact amount NCCU could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **The State's Impact**
        - In assessing each institution's credit rating, rating agencies also consider the State's credit rating and demographic trends, the health of its pension system, the level of support it has historically provided to the institution, and any legislation or policies affecting campus operations.
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.
        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.
    - **Factor Interdependence**

- The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
- For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.

- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

NCCU's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2003 A NCCU	10/31/2019	10,593,200.00	10/01/2033	Housing Revenue	Eagle Landing	Housing Receipts
2016 NCCU	06/01/2016	40,855,000.00	10/01/2034	General Revenue	Deferred Maintenance	Housing Receipts; Parking Receipts; Debt Service Fee
2019 NCCU	04/18/2019	38,430,000.00	04/01/2049	General Revenue	Student Center	Debt Service Fee
	Total	**89,878,200.00**				

7. Credit Profile

The following page provides a snapshot of NCCU's current credit ratings, along with (1) a summary of various credit factors identified in NCCU's most recent rating report and (2) recommendations for maintaining and improving NCCU's credit ratings in the future.

Credit Profile of the University– (General Revenue)

Overview

- Moody's maintains an A3 rating on NCCU's general revenue bonds. The outlook is stable

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

Non Investment Grade

Key Information Noted in Rating Reports

Credit Strengths

- Strong funding from the Aaa -rated State of North Carolina which has increased 6% since FY 2014
- Wealth and liquidity have improved dramatically since FY 2014
- Enrollment growth that has supported growth in net tuition and fee revenue
- Enrollment, net tuition revenue, and state appropriations expected to continue increasing

Credit Challenges

- Debt will stress the university's financial leverage relative to peers
- Need to increase cash from operations to service the debt obligations
- Relative to A3 median peers, NCCU's ability to control expenses will be important to improve thin operating margins
- Competitive niche as one of five historically black colleges and universities (HBCUs) in the UNC system

Recommendations & Observations

- Continue to develop and implement strategies and policies to meet NCCU's unique challenges, including strategies to stabilize and improve enrollment and retention.
- During COVID, continued assessment of operating cash flows and reserves can improve performance margins and debt affordability.
- Credit outlook expectations assume continued enrollment growth, increases to operating revenues and controlling expenses to better service NCCU's debt obligations.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**North Carolina Central University**	**New Jersey City University**	**Alabama State University**	**Morgan State University**	**University of North Florida**
Most Senior Rating	**A3**	**Ba2**	**Baa3**	**N/A**	**A2**
Total Long-Term Debt ($, in millions)	103	203	48	67	116
Total Cash & Investments ($, in millions)	123	24	152	148	332
Operating Revenue ($, in millions)	231	152	146	365	318
Operating Expenses ($, in millions)	246	165	137	387	312
Market Performance Ratios					
Annual Change in Operating Revenue (%)	9.6%	-5.5%	1.0%	25.3%	0.9%
Operating Ratios					
Operating Cash Flow Margin (%)	-0.7%	4.3%	17.0%	5.2%	10.5%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	0.5	0.1	1.1	0.4	1.1
Total Debt to Operating Expenses (x)	0.4	1.2	0.4	0.2	0.4
Monthly Days Cash on Hand (x)	65	58	99	155	201
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	1.2	0.1	3.2	2.2	2.9
Debt Service to Operating Expenses (%)	3.7%	4.9%	6.0%	1.1%	4.0%
Total Debt-to-Cash Flow (x)	-61.9	36.9	1.9	3.5	3.5

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Approved by the University of North Carolina Board of Governors on May 15, 2025

9. Debt Management Policies

NCCU's current debt policy is included in the following pages.

North Carolina Central University
Debt Policy

Executive Summary:
This Policy outlines the University philosophy on debt, establishes the framework for approving, managing, and reporting debt and provides debt management guidelines.

I. Policy Statement

The mission of North Carolina Central University (University) is supported by the development and implementation of the long-term strategic plan. The strategic plan establishes University-wide priorities and programmatic objectives. The University develops a master plan to support these priorities and objectives.

The University's use of debt must be appropriate in support of the master plan. The University will consider its financial resources, debt affordability and capacity, cost of capital, debt mix, and credit rating when determining the need for capital funding.

This Debt Policy is intended to be a fluid document that will evolve over time to meet the changing needs of the University.

A. Scope

This Debt Policy applies to the University and affiliated entities and covers all forms of debt including long-term, short-term, fixed-rate, and variable-rate debt. It also covers other forms of financing including both on-balance sheet and off-balance sheet structures, such as leases, and other structured products used with the intent of funding capital projects.

B. Objectives

The objectives of this policy are to:

i. Guidelines for the User of Debt
ii. Establish a control framework for approving and managing debt
iii. Establish debt management guidelines
iv. Approval Process

i. Overall Guidelines for the Use of Debt

Debt is a limited resource that must be managed strategically in order to best support University priorities. Under this policy, the University will manage its debt based on the following overall principles:

a. The University will use debt to maximize the resources available to maintain and enhance the campus physical plant and infrastructure; and to invest in transformative capital improvement projects that advance the University's strategic mission.

b. The University will target key financial ratios as mandated by Article 5 of Chapter 116D of the North Carolina General Statutes, as well as supplemental financial ratios that are widely used by rating agencies, to measure its debt burden and guide future debt issuance decisions.

c. The University's decision to issue debt will be guided primarily by its ability to support all of the incremental costs (i.e., principal, interest payments, and annual operating costs of new or expanded space) within the University's operating budget. Generally, the University will not pursue the issuance of new debt without first identifying a new or increased fee to support incremental debt service cost.

d. The University will maintain the highest acceptable credit worthiness in order to finance capital improvement projects at favorable cost of capital and borrowing terms. While the University's decision to issue additional debt will be primarily focused on the strategic importance of the new capital improvement project, the potential impact of a change in credit rating will be thoroughly reviewed.

e. The University will manage its debt mix (i.e., short-term and long-term debt, fixed rate versus variable rate debt) to maintain an acceptable balance between interest rate risk and the long-term cost of capital.

f. The University will manage the structure and maturity profile of its debt to meet liquidity objectives and make funds available to support future capital projects and strategic initiatives;

g. The University will coordinate debt management decisions with asset management decisions to optimize overall funding and portfolio management strategies.

ii. Control Framework

Roles and Responsibilities; Compliance

The Office of the Vice Chancellor for Administration and Finance ("VCAF") is responsible for implementing this policy and for all debt financing activities. The policy and any subsequent, material changes to the policy must be approved by the Chancellor after consultation with the University's Board of Trustees ("BOT".) The approved policy provides the framework under which debt management decisions are made.

The exposure limits listed in the policy are monitored on a regular basis by the VCAF. The office of the VCAF reports regularly to the Chancellor and the BOT on the University's debt position and plans.

Debt Affordability and Capacity

In assessing its current debt levels and planning for additional debt, the University takes into account both its debt affordability and debt capacity. Debt affordability focuses on the University's ability to service its debt through its operating budget and identified revenue streams and is driven by strength in income and cash flows. Debt capacity focuses on the University's financial leverage in terms of debt funding as a percentage of the University's total capital.

The University considers many factors in assessing its debt affordability and debt capacity including its strategic plan, market position, and alternative sources of funding. The University uses four key quantitative ratios to inform its assessments with respect to debt affordability and debt capacity.

The ratios described below are not intended to track a specific rating, but rather to help the University maintain a competitive financial profile and funding for facilities needs and reserves.

1. Debt Affordability Measures

a. Debt Burden Percentage

This ratio measures the University's debt service burden as a percentage of total university expenses. The target for this ratio is intended to maintain the University's long-term operating flexibility to finance existing requirements and new initiatives.

$$\frac{\text{ANNUAL DEBT SERVICE}}{\text{TOTAL OPERATING EXPENSES}} \leq 5.0\%$$

The measure is based on aggregate operating expenses as opposed to operating revenues because expenses typically are more stable (e.g. revenues may be subject to one-time operating gifts, investment return fluctuations, variability of State funding, etc.) and better reflect the operating base of the University. This ratio is adjusted to reflect any non-amortizing or non-traditional debt structures that could result in significant single year fluctuations including the effect of debt refundings.

b. Debt to Obligated Resources Ratio

This ratio measures the University's ability to cover debt with funds that are legally available to service debt. The target established is intended to ensure that debt does not become too unwieldy and over-consumes available resources.

$$\frac{\text{AGGREGATED DEBT}}{\text{OBLIGATED RESOURCES}} \leq 2.00\%$$

This ratio is adjusted to reflect any non-amortizing or non-traditional debt structures that could result in significant single year fluctuations including the effect of debt refundings.

2. Debt Capacity Measures

a. Viability Ratio (Expendable Resources to Debt)

This ratio indicates one of the most basic determinants of financial health by measuring the availability of liquid and expendable net assets to the aggregate debt. The ratio measures the medium to long-term health of the University's balance sheet and debt capacity and is a critical consideration of universities with the highest credit quality.

Many factors influence the viability ratio, affecting both the assets (e.g., investment performance, philanthropy) and liabilities (e.g., timing of bond issues), and therefore the ratio is best examined in the context of changing market conditions so that it accurately reflects relative financial strength.

$$\frac{\text{ADJUSTED UNRESTRICTED NET ASSETS + RESTRICTED EXPENDABLE NET ASSETS}}{\text{AGGREGATE DEBT}} \geq .35x$$

b. 5-Year Payout Ratio

This ratio measures the percentage of University's debt scheduled to be retired in the next five years. A more aggressive rate of payment is a better indication for debt capacity.

$$\frac{\text{AGGREGATE PRINCIPAL TO BE PAID IN THE NEXT FIVE YEARS}}{\text{AGGREGATE DEBT}} \geq 15.0\%$$

Both the Viability and Debt Capitalization Ratios should include any component unit (University-related foundation) balances as disclosed in the University's financial statements.

Financing Sources

The University recognizes that there are numerous types of financing structures and funding sources available, each with specific benefits, risks, and costs. All potential funding sources are reviewed by management within the context of this Debt Policy and the overall portfolio to ensure that any financial product or structure is consistent with the University's objectives. Regardless of what financing structure(s) is (are) utilized, due-diligence review must be performed for each transaction, including (i) quantification of potential risks and benefits; and (ii) analysis of the impact on University creditworthiness and debt affordability and capacity.

1. Tax-Exempt Debt

The University recognizes that tax-exempt debt is a significant component of the University's capitalization due in part to its substantial cost benefits; therefore, tax-exempt debt is managed as a portfolio of obligations designed to meet long-term financial objectives rather than as a series of discrete financings tied to specific projects. The University manages the debt portfolio to maximize its utilization of tax-

exempt debt relative to taxable debt whenever possible. In all circumstances, however, individual projects continue to be identified and tracked to ensure compliance with all tax and reimbursement regulations.

For tax-exempt debt, the University considers maximizing the external maturity of any tax-exempt bond issue, subject to prevailing market conditions and opportunities and other considerations, including applicable regulations.

2. Taxable Debt

In instances where certain of the University's capital projects do not qualify for tax-exempt debt, the use of taxable debt may be considered. The taxable debt market offers certain advantages in terms of liquidity and marketing efficiency; such advantages will be considered when evaluating the costs and benefits of a taxable debt issuance.

3. Commercial Paper

Commercial paper provides the University with interim financing for projects in anticipation of philanthropy or planned issuance of long-term debt. The use of commercial paper also provides greater flexibility on the timing and structuring of individual bond transactions. This flexibility also makes commercial paper appropriate for financing equipment and short-term operating needs.

4. University-issued vs. State-Issued Debt

In determining the most cost effective means of issuing debt, the University evaluates the merits of issuing debt directly vs. participating in debt pools through the UNC System Board of Governors. Periodically, the University performs a cost/benefit analysis between these two options and takes into consideration the comparative funding costs, flexibility in market timing, and bond ratings of each alternative. The University also takes into consideration the future administrative flexibility of each issue such as the ability to call and/or refund issues at a later date, as well as the administrative flexibility to structure and manage the debt in a manner that the University believes to be appropriate and in the University's best interest.

5. Other Financing Sources

Given limited debt capacity and substantial capital needs, opportunities for alternative and non-traditional transaction structures may be considered. The University recognizes these types of transactions often can be more expensive than traditional University debt structures; therefore, the benefits of any potential transaction must outweigh any potential costs.

All structures may be considered only when the economic benefit and the likely impact on the University's debt capacity and credit have been determined. Specifically, for any third-party or developer-based financing, management ensures the full credit impact of the structure is evaluated and quantified.

iii. Portfolio Management of Debt

The University considers its debt portfolio holistically to optimize the portfolio of debt for the entire University rather than on a project-by-project basis while taking into account the University's cash and investment portfolio. Therefore, management makes decisions regarding project prioritization, debt portfolio optimization, and financing structures within the context of the overall needs and circumstances of the University.

1. Variable-Rate Debt

The University recognizes that a degree of exposure to variable interest rates within the University's debt portfolio might be desirable in order to:

a. take advantage of repayment/restructuring flexibility;
b. benefit from historically lower average interest costs;
c. provide a "match" between debt service requirements and the projected cash flows from the University's assets; and
d. diversify its pool of potential investors.

Management monitors overall interest rate exposure, analyzes and quantifies potential risks, including interest rate, liquidity and rollover risks, and coordinates appropriate fixed/variable allocation strategies. The portfolio allocation to variable-rate debt may be managed or adjusted through (i) the issuance or redemption of debt in the conventional debt market (e.g. new issues and refundings) and (ii) the use of interest rate derivative products including swaps.

The amount of variable-rate debt outstanding (adjusted for any derivatives) shall not exceed 25% of the University's outstanding debt. This limit is based on the University's desire to: (i) limit annual variances in its interest payments; (ii) provide sufficient structuring flexibility to management; (iii) keep the University's variable-rate allocation within acceptable external parameters; and (iv) utilize variable-rate debt (including derivatives) to optimize debt portfolio allocation and minimize costs.

$$\frac{\text{VARIABLE RATE DEBT}}{\text{AGGREGATE DEBT}} \leq 25.0\%$$

2. Refinancing Outstanding Debt

The University monitors its debt portfolio on a continual basis to assure portfolio management objectives are being met and to identify opportunities to lower its cost of funding, primarily through refinancing outstanding debt. The University of North Carolina General Administration prefers a savings of 2% for refinancing current outstanding debt. Savings requirements in excess of 2% may be required from time to time by the Vice Chancellor for Administration and Finance.

The University monitors the prices and yields of its outstanding debt and attempts to identify potential refunding candidates by examining refunding rates and calculating

the net present value of any refunding savings after taking into account all transaction costs. The University may choose to pursue refundings for economic and/or legal reasons. The University reserves the right to not partially refund an issue.

3. Liquidity Requirements

If the University's portfolio includes variable-rate debt and commercial paper, liquidity support is required in the event of the bonds or paper being put back to the University by investors. Generally, the University can purchase liquidity support externally from a bank in the form of a standby bond purchase agreement or line of credit. In addition, the University may consider using its own capital in lieu of or to supplement external liquidity facilities. Alternatively, it may utilize variable-rate structures that do not require liquidity support (e.g. auction-rate products.)

Just as the University manages its debt on a portfolio basis, it also manages its liquidity needs by considering its entire asset and debt portfolio, rather than managing liquidity solely on an issue-specific basis. This approach permits institution-wide evaluation of desired liquidity requirements and exposure, minimizes administrative burden, and reduces total liquidity costs.

A balanced approach may be used to provide liquidity support to enhance credit for variable-rate debt, through a combination of external bank liquidity, auction market or derivative structures. Using a variety of approaches limits dependence on an individual type or source of credit; it also allows for exposure to different types of investors. The University must balance liquidity requirements with its investment objectives and its cost and renewal risk of third-party liquidity providers.

Further, a portfolio-approach to liquidity can enhance investment flexibility, reduce administrative requirements, lower total interest costs, and reduce the need for external bank liquidity.

4. Overall Exposure

The University recognizes that it may be exposed to interest rate, third-party credit, and other potential risks in areas other than direct University debt (e.g., counterparty exposure in the investment portfolio, etc.) and, therefore, exposures are considered on a comprehensive University-wide basis.

Debt Administration and Other Matters

The issuance of tax-exempt debt generally requires the aid and assistance of several outside parties:

- Use of a financial advisor is recommended with a competitive selection process at least once every five years.
- Bond counsel appointments are competitively determined at least once every five years.

- The selection of underwriters is recommended for each debt issuance using a competitive process. Co-managers are recommended for issuances of $30 million or more and will be selected from the same group of underwriters responding to the competitive bid process.

Debt issuance can be "sized" to include capitalized interest and borrowing costs up to 5% of the debt issuance.

Reimbursement resolutions will be prepared for each debt issuance.

iv. Approval Process

All debt issued is by the authority granted to the UNC System Board of Governors under N.C.G.S. § 116D, Article 3. All debt issue is approved by the NCCU Board of Trustees and then by the UNC System Board of Governors.

When the University participates in bond programs that are administered by the State, including State tax-supported debt, such bonds are issued by the State Treasurer, who also possesses the authority to price such bonds.

Revision History:
Initially Approved:

Authority: Chancellor

Responsible Office: Administration and Finance

Related Resources:

- N.C.G.S. § 116D, Article 3

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

North Carolina State University
Institution Report

North Carolina State University

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), North Carolina State University ("***NC State***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. NC State has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, NC State, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily required ratios—**debt to obligated resources** and the **five-year payout ratio**—NC State has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, NC State's debt capacity reflects the amount of debt NC State could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that NC State intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- NC State's current debt profile, including project descriptions financed with, and the sources of repayment for, NC State's outstanding debt;
- NC State's current credit profile, along with recommendations for maintaining or improving NC State's credit rating; and
- A copy of any NC State debt management policy currently in effect.

Overview of NC State

For the fall 2024 semester, NC State had a headcount student population of approximately 38,464, including 28,422 undergraduate students and 10,042 graduate students. Over the past five years, NC State's enrollment has increased 6.7 percent.

NC State's average age of plant is 11.2 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

NC State does not anticipate additional borrowing during the Study Period. NC State has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on NC State's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to NC State by the federal government (discounted by an assumed 6.2 percent sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt NC State expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below may overstate NC State's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(888,254,099)	136,018,504	1,542,143,008		789,907,413
2021	(968,261,574)	166,579,062	1,443,633,592	-18.73%	641,951,080
2022	(730,374,241)	135,071,867	1,341,809,124	16.29%	746,506,750
2023	(484,466,984)	128,684,358	1,167,337,647	8.71%	811,555,021
2024	(154,806,247)	148,073,177	1,108,085,955	35.71%	1,101,352,885
2025	1,133,292,119	-	-	2.90%	1,133,292,119
2026	1,161,624,422	-	-	2.50%	1,161,624,422
2027	1,190,665,032	-	-	2.50%	1,190,665,032
2028	1,220,431,658	-	-	2.50%	1,220,431,658
2029	1,250,942,450	-	-	2.50%	1,250,942,450

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	1,600,435,802	(40,591,263)	22,269,252		1,582,113,791
2021	1,536,955,408	(30,015,009)	11,589,067	-4.02%	1,518,529,466
2022	1,612,070,557	31,033,507	(5,226,047)	7.86%	1,637,878,017
2023	1,709,282,851	5,169,910	(61,829,970)	0.90%	1,652,622,791
2024	1,966,445,934	(20,210,971)	57,708,820	21.26%	2,003,943,783
2025	2,062,058,153	-	-	2.90%	2,062,058,153
2026	2,113,609,607	-	-	2.50%	2,113,609,607
2027	2,166,449,847	-	-	2.50%	2,166,449,847
2028	2,220,611,093	-	-	2.50%	2,220,611,093
2029	2,276,126,370	-	-	2.50%	2,276,126,370

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	25,374,944	19,095,131	44,470,075	555,326,102
2026	25,008,417	19,192,899	44,201,316	530,317,685
2027	25,622,845	18,266,365	43,889,210	504,694,840
2028	26,122,608	17,317,435	43,440,043	478,572,232
2029	35,409,065	16,365,516	51,774,581	443,163,167
2030	37,349,176	15,488,844	52,838,020	405,813,991
2031	34,533,912	14,277,352	48,811,264	371,280,079
2032	20,335,079	13,146,018	33,481,097	350,945,000
2033	20,295,000	12,449,267	32,744,267	330,650,000
2034	21,030,000	11,706,649	32,736,649	309,620,000
2035	21,825,000	10,911,178	32,736,178	287,795,000
2036	22,670,000	10,068,892	32,738,892	265,125,000
2037	23,485,000	9,239,648	32,724,648	241,640,000
2038	24,310,000	8,406,218	32,716,218	217,330,000
2039	25,170,000	7,541,172	32,711,172	192,160,000
2040	26,110,000	6,595,880	32,705,880	166,050,000
2041	27,120,000	5,581,899	32,701,899	138,930,000
2042	28,165,000	4,541,361	32,706,361	110,765,000
2043	29,135,000	3,560,084	32,695,084	81,630,000
2044	10,065,000	2,946,372	13,011,372	71,565,000
2045	10,395,000	2,615,213	13,010,213	61,170,000
2046	5,760,000	2,331,600	8,091,600	55,410,000
2047	6,000,000	2,096,400	8,096,400	49,410,000
2048	6,240,000	1,851,600	8,091,600	43,170,000
2049	6,495,000	1,596,900	8,091,900	36,675,000
2050	6,760,000	1,331,800	8,091,800	29,915,000
2051	7,035,000	1,055,900	8,090,900	22,880,000
2052	7,325,000	768,700	8,093,700	15,555,000
2053	7,620,000	469,800	8,089,800	7,935,000
2054	7,935,000	158,700	8,093,700	-

3. Proposed Debt Financings

While NC State evaluates its capital investment needs on a regular basis, NC State currently has no legislatively approved projects that it anticipates financing during the Study Period.

4. Financial Ratios

Debt to Obligated Resources

- **What does it measure?** NC State's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

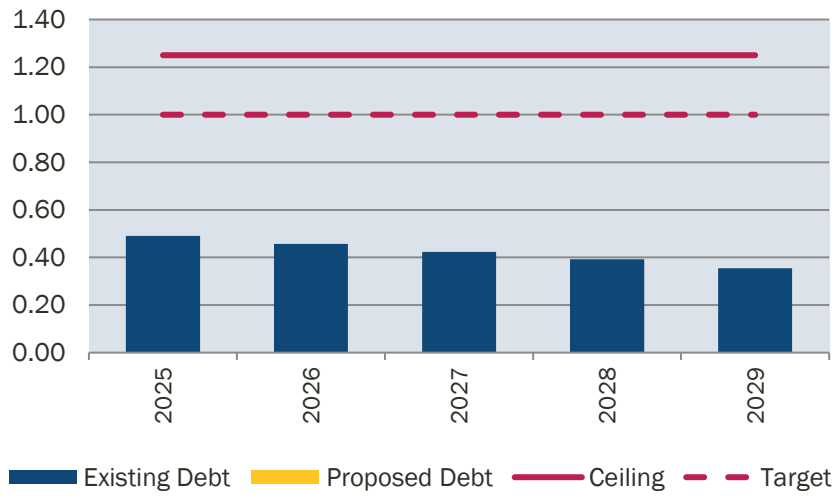
- Target Ratio: 1.00
- Ceiling Ratio: Not to exceed 1.25
- Projected 2025 Ratio: 0.49
- Highest Study Period Ratio: 0.49 (2025)

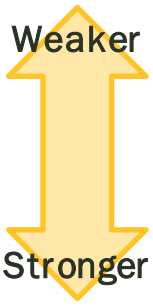
*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	1,133,292,119	2.90%	555,326,102	-	0.49	n/a	0.49
2026	1,161,624,422	2.50%	530,317,685	-	0.46	n/a	0.46
2027	1,190,665,032	2.50%	504,694,840	-	0.42	n/a	0.42
2028	1,220,431,658	2.50%	478,572,232	-	0.39	n/a	0.39
2029	1,250,942,450	2.50%	443,163,167	-	0.35	n/a	0.35

Debt to Obligated Resources





5-Year Payout Ratio Overview

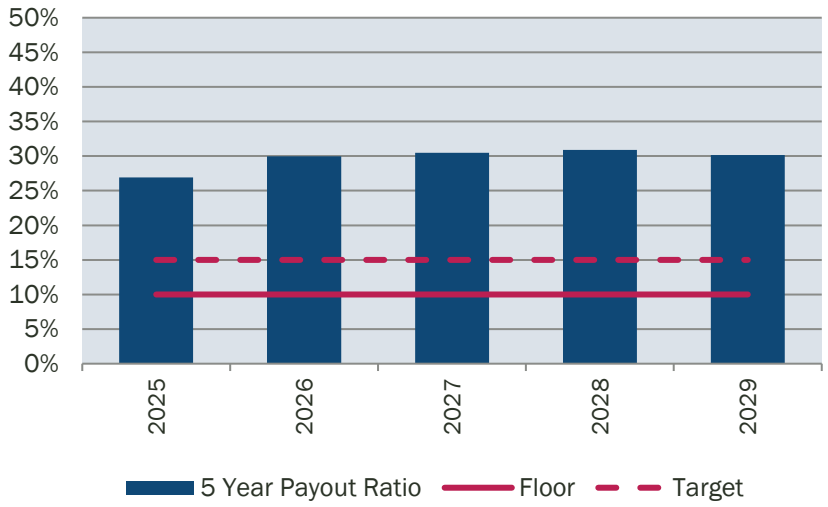
- **What does it measure?** The percentage of NC State's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

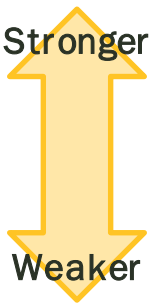
- Target Ratio: 15%
- Floor Ratio: Not less than 10%
- Projected 2025 Ratio: 27%
- Lowest Study Period Ratio: 27% (2025)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	555,326,102	27%
2026	530,317,685	30%
2027	504,694,840	30%
2028	478,572,232	31%
2029	443,163,167	30%

5-Year Payout Ratio





Approved by the University of North Carolina Board of Governors on May 15, 2025

Debt Service to Operating Expenses

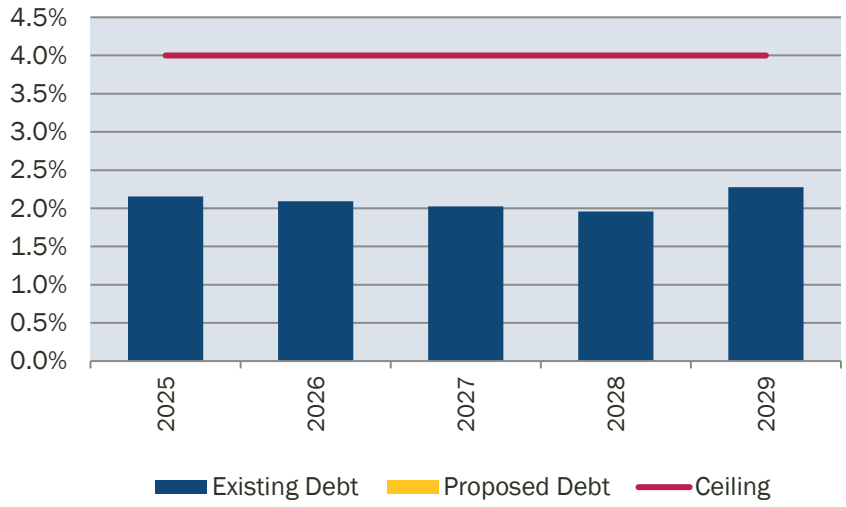
- **What does it measure?** NC State's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 4.00%
- Projected 2025 Ratio: 2.16%
- Highest Study Period Ratio: 2.27% (2029)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	2,062,058,153	2.90%	44,470,075	-	2.16%	n/a	2.16%
2026	2,113,609,607	2.50%	44,201,316	-	2.09%	n/a	2.09%
2027	2,166,449,847	2.50%	43,889,210	-	2.03%	n/a	2.03%
2028	2,220,611,093	2.50%	43,440,043	-	1.96%	n/a	1.96%
2029	2,276,126,370	2.50%	51,774,581	-	2.27%	n/a	2.27%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, NC State's debt capacity is based on the amount of debt NC State could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	0.49	1.25	861,289,047
2026	0.46	1.25	921,712,842
2027	0.42	1.25	983,636,451
2028	0.39	1.25	1,046,967,341
2029	0.35	1.25	1,120,514,895

Limitations on Debt Capacity and Credit Rating Implications

- The debt capacity calculation shown above provides a general indication of NC State's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- **If NC State were to use all of its calculated debt capacity during the Study Period, NC State's credit ratings may face significant downward pressure**.
- Projecting the exact amount NC State could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **The State's Impact**
        - In assessing each institution's credit rating, rating agencies also consider the State's credit rating and demographic trends, the health of its pension system, the level of support it has historically provided to the institution, and any legislation or policies affecting campus operations.
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.
        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.

- **Factor Interdependence**
  - The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
  - For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.
- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

NC State's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2013 B NCSU	03/06/2013	119,910,000.00	10/01/2041	General Revenue	Talley Student Center	Dining Revenues; Bookstore Revenues
2017 NCSU	03/14/2017	20,856,046.00	10/01/2031	General Revenue	Construction Project	Energy Savings; Student Fees; Gifts
2018 NCSU	06/28/2018	44,410,000.00	10/01/2028	General Revenue	Refunding 2003B and 2015	Housing Revenues; Athletics Revenues; Centennial Campus Revenues; Student Fees
2020 A NCSU	07/07/2020	79,285,000.00	10/01/2044	General Revenue	Refunding 2010B and 2013A	Student Fees; Gifts; Transportation Revenues; Dining Revenues
2020 B NCSU	07/07/2020	176,700,000.00	10/01/2042	General Revenue	Refunding 2010B and 2013A	Gifts; Housing Revenues
2024 A NCSU	05/01/2024	50,410,000.00	10/01/2053	General Revenue	University Towers	Housing Revenues
2024 B NCSU	06/20/2024	89,130,000.00	10/01/2053	General Revenue	Integrative Sciences Building	Gifts; Unrestricted Resources
	Total	**580,701,046.00**				

7. Credit Profile

The following page provides a snapshot of NC State's current credit ratings, along with (1) a summary of various credit factors identified in NC State's most recent rating report and (2) recommendations for maintaining and improving NC State's credit ratings in the future.

Credit Profile of the University – (General Revenue)

Overview

- Moody's maintains a Aa1 rating on NC State's general revenue bonds. The outlook is stable.
- Standard and Poor's maintains a AA rating on NC State's general revenue bonds. The outlook is stable.

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Non Investment Grade		

Key Information Noted in Rating Reports

Credit Strengths

- Excellent student market position as land-grant university with diverse degree programs
- Solid support from Aaa-rated state for operations and capital
- Sizeable and growing financial reserves provide a resource cushion
- Federal aid from the CARES Act provided support to offset student refunds and other expenses
- Strong philanthropic support
- Manageable financial leverage
- Good financial management as evidenced by a history of strong operating performance

Credit Challenges

- Ongoing capital needs will lead to increased debt over time
- Political limits on pricing power for in-state undergraduate students restrain prospects for revenue growth
- Lower total gift revenue relative to similarly rated peers.
- Economic recovery could be challenged if COVID-related risks accelerate in the future

Recommendations & Observations

- NC State sees strategic value in maintaining its current rating levels.
- NC State will continue to seek strategies to limit new debt in the near term while addressing the critical infrastructure needs of a growing campus, in accordance with NC State's existing debt policy and in service of NC State's other strategic initiatives.
- Ongoing fundraising program will further strengthen NCSU's financial reserves and debt affordability related to future capital funding.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**North Carolina State University**	**Michigan State University**	**Virginia Tech University**	**University of Arizona**	**Georgia Institute of Technology**
Most Senior Rating	**Aa1**	**Aa2**	**Aa1**	**Aa3**	**Aa3**
Total Long-Term Debt ($, in millions)	740	2495	863	1522	1003
Total Cash & Investments ($, in millions)	2942	5284	1323	952	649
Operating Revenue ($, in millions)	2030	3046	2088	2915	2502
Operating Expenses ($, in millions)	1968	3180	1988	2957	2428
Market Performance Ratios					
Annual Change in Operating Revenue (%)	6.4%	5.9%	7.5%	16.0%	9.2%
Operating Ratios					
Operating Cash Flow Margin (%)	11.5%	6.8%	14.3%	8.2%	10.3%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	1.3	1.7	0.7	0.3	0.3
Total Debt to Operating Expenses (x)	0.4	0.8	0.4	0.5	0.4
Monthly Days Cash on Hand (x)	235	330	166	90	88
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	3.4	2.1	1.5	0.6	0.6
Debt Service to Operating Expenses (%)	2.3%	6.2%	4.3%	4.9%	2.0%
Total Debt-to-Cash Flow (x)	3.2	12.1	2.9	6.4	3.9

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Debt Management Policies

NC State's current debt policy is attached.

NC STATE UNIVERSITY

Debt Management Guidelines

(Revised February 2025)

University Controller's Office

Approved by the University of North Carolina Board of Governors on May 15, 2025

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DEFINITIONS

TERM	DEFINITION
Tax-exempt debt	The university recognizes the benefits associated with tax-exempt debt and will manage the tax-exempt portfolio to maximize the use of it subject to changing market conditions and tax laws.
Taxable debt	The university will manage its debt portfolio to implement taxable strategies based primarily on private use considerations, and secondarily on tax laws and current market conditions. Taxable debt is likely to be a perpetual component of the university's liabilities and will be utilized to fund projects ineligible for tax-exempt financing.
Commercial paper	The university recognizes that a commercial paper (CP) program can provide low-cost working capital and provide bridge financing for projects. However, as with other debt structures, the level of CP outstanding impacts the university's overall debt capacity. The university retains the right to reduce the amount of CP available in the event it needs to increase its tax-exempt and taxable debt capacity.
Variable rate debt	Variable rate debt is a desirable component of a debt portfolio in declining-rate environments, as it provides typically lower rates. The use of variable rate debt does expose the debt portfolio to interest rate fluctuations and often comes with liquidity needs. Therefore, the university will balance the mix of variable and fixed rate debt so that variable is between 0-30% of the total debt portfolio and will include variable interest rate instruments and products when advantageous.
Derivatives	The use of derivative products can be appropriate and advantageous for the purposes of limiting interest rate exposure and reducing debt-service costs. The use of swaps will be employed primarily to enhance the university's financial strategy by managing its variable-rate exposure. Derivative products can help the university lock-in a favorable cost of capital for a future project or to ensure a specific level of cash flow savings for a refinancing. The university's strategic objectives and outlook on the interest-rate environment would determine the appropriate approach. The university will evaluate potential derivative instruments through evaluation of its variable rate allocation, market and interest rate conditions, and the compensation for undertaking counterparty exposure. The university will evaluate each transaction relative to counterparty, basis, and termination risk. No derivative transaction

TERM	DEFINITION
	will be undertaken that is not fully understood by the university or that imposes inappropriate risk on the university.
Public Private Partnerships	Given limited debt capacity and substantial capital needs, opportunities for alternative and non-traditional transaction structures may be considered, including off-balance sheet financings. While on the surface these transactions can appear to be more expensive than traditional debt structures on a pure cost of capital basis, the actual entire cost may be lower due to more efficient operations that are generally experienced by using a private sector manager. Because of this, all factors need to be carefully considered when selecting a method to finance and complete a project. Chief considerations in deciding whether to pursue a Public Private Partnership are whether a third-party financing model can produce results that are: (1) faster; (2) better; or (3) cheaper. Non-traditional structures can be considered when the economic benefit and likely impact on the university's debt capacity and credit have been determined to be accretive to the mission, the benefits of the potential transaction outweigh the costs, or the transaction best aligns with the long-term vision and strategic plan of the university. If it is determined that the use of third-party financing or public-private partnerships is closer to university debt than predicted, or if it is perceived to be university debt by university auditors, we will endeavor to use traditional financing methods. For this reason, any public-private partnership projects that occur on university or endowment-owned land must include the involvement of the university treasurer. Our debt guidelines anticipate that rating agencies will consider any debt that is built on state-owned or university-owned land for purposes similar to that which is typically financed by special obligation debt to be virtually the same as debt of the university. Economic interest and control drive whether a project is considered to be debt of the university. If the university has an economic interest (i.e. gains the net operating income or participates in the income or losses) and control, then the project is considered by most financing professionals to be materially tied to the university. Ultimately, pursuing this type of financing is also a function of regulations—a project may be feasible but may not be allowed under existing regulations.

CHAPTER 1: Introduction

NC State uses a central loan program and issues bonds to fund authorized capital projects. The university issues bonds on an as-needed basis for those projects that have been designated and given authority through the capital budgeting process. Campus units that wish to borrow for capital projects should work with the Facilities and Budget offices along with the accounting director in the University Controller's Office to determine the amount and timing of the project, along with confirming the ability to repay the amount borrowed.

Planning for capital debt starts years in advance of the actual construction and/or acquisition. Campus units with capital plans should contact debt_management@ncsu.edu as far in advance as possible to discuss timing, approvals needed, and the financial viability of the project.

The timing and structure of a bond issue is determined based on a number of variables such as; the timing of cash needs, current market rates, and overall mix of University debt. After the bonds are issued, there is ongoing oversight of proceeds distribution, arbitrage rebate calculation, covenant compliance and repayment activities. The debt portfolio is continually reviewed for possible cost savings using repayment, refunding or other activities.

Currently, the university has a mix of tax-exempt and taxable bonds with rates that are fixed, synthetically fixed and variable. The University is also part of a $350 million Commercial Paper program with the University of North Carolina at Chapel Hill. NC State's portion of that program is $100 million.

The university has adopted a central loan program under which it provides funding for projects under the guidance of the executive vice chancellor for Finance and Administration. An application form and additional information can be found below.

CHAPTER 2: Debt Issues

The University Controller's Office oversees the university's debt issues.

Debt Issue	Purpose	Original Scheduled Maturity	Original Issuance
General Revenue Bonds, Series 2013A	• Construction of the Centennial Campus Wolf Ridge Housing. • Refund a portion of the 2005A Bonds.	10/01/2042	$ 132,440,000
General Revenue Bonds, Series 2013B (Taxable)	• Renovation and Expansion of the Talley Student Center. • Refund a portion of the 2005A Bonds.	10/01/2041	$ 141,650,000
General Revenue Bonds, Series 2017	• Renovation of Reynolds Coliseum. • Phytotron Energy Savings Project. • Renovation of Carmichael Gymnasium.	10/01/2031	$ 50,438,952
General Revenue Refunding Bonds, Series 2018	Refund 2003B and 2015 Bonds.	10/01/2028	$ 87,165,000

Debt Issue	Purpose	Original Scheduled Maturity	Original Issuance
2020A	• Refund 2010B Bonds • Partially Refund 2013A Bonds • Addition to Carmichael Gymnasium • Construction of Plant Sciences Building	10/01/2044	$ 82,335,000
2020B	• Construction of Fitts – Woolard Hall. • Conversion of Centennial Campus utility plant to co-generation facility.	10/01/2042	$ 184,445,000
2024A	Purchase and Renovation of University Towers	10/1/2053	$ 50,410,000
2024B	Construction of Integrative Sciences Building	10/1/2053	$ 89,130,000
Commercial Paper Program: General Revenue Refunding Bonds, Series 2002A	Interim financing of construction projects pending permanent bond issue. Total amount available: $100,000,000		$ 100,000,000
Energy 13 Buildings	Financing contract for energy conservation measures at the university.	09/1/2028	$ 19,700,703

Debt Issue	Purpose	Original Scheduled Maturity	Original Issuance
Energy Co-gen	Financing contract for renovation and conversion of University utility plant to co-generation facility.	08/17/2028	$ 56,060,010

Rating History

Name	Date	Description
Moody's	05/13/2024	Moody's Ratings assigns Aa1 to North Carolina State University's Series 2024B bonds. Outlook is stable.
	03/15/2024	Moody's Ratings assigns Aa1 to North Carolina State University's $51 million General Revenue, Series 2024A bonds. Outlook is stable.
	05/22/2022	Moody's assigns an Aa1 rating to North Carolina State University's 2020A and B General Revenue Bonds. Outlook is stable.
	06/04/2018	Moody's assigns Aa1 rating to North Carolina State University's $87 million series 2018 General Revenue Refunding Bonds. Outlook is stable.
	01/31/2013	Moody's assigns Aa1 rating to North Carolina State University's $276 million series 2013 A and B General Revenue Bonds. Outlook is stable.
	Additional information:	www.moody's.com.
Standard and Poor's	05/13/2024	S&P assigns its AA long-term rating to North Carolina State University's $89.1 million tax-exempt series 2024B general revenue bonds. The outlook is stable.
	03/15/2024	S&P assigns its AA long-term rating to North Carolina State University's $51.0 million series 2024 general revenue bonds. The outlook is stable.
	05/18/2020	S&P assigns its AA long-term rating to North Carolina State University series 2020 A and B general revenue bonds. The outlook is stable.
	05/31/2018	S&P assigns its AA long-term rating to North Carolina State University series 2018 general revenue bonds. The outlook is stable.
	01/31/2013	S&P assigns its AA long-term rating to North Carolina State University series 2013 A and B general revenue bonds. The outlook is stable.
	Additional information:	www.standardandpoors.com.

CHAPTER 3: Departmental and Auxiliary Lending

The university manages a central loan program under which it provides funding for projects under the guidance of the executive vice chancellor for Finance and Administration. The benefits of this program include:

1. Continual access to capital for borrowers
2. Predictable financial terms for borrowers
3. Minimizing interest rate volatility
4. Flexible timing on prepayment of loans without penalty
5. Equity for borrowers through a blended rate

The university charges a blended interest rate to its borrowers based on our actual funding costs. This interest rate may change periodically to reflect changes in the university's average aggregate expected long-term cost of borrowing. The blended rate may also include a reserve for interest rate stabilization purposes.

Each borrower is responsible for the repayment of all funds borrowed from the central loan program, plus interest, regardless of the internal or external source of funds. The university provides flexible financing terms in order to accommodate individual entities as determined by the project scope and repayment source. The accounting director in the University Controller's Office is the primary contact for divisional and auxiliary loans.

Departments and Auxiliaries that are interested in borrowing funds for small and large capital needs, can contact Jennifer Brady via phone, at 919-515-3823, or email at jbrady@ncsu.edu to discuss the project. Repayment periods will range from 2 to 30 years depending on the scope of the project. The repayment period for equipment loans is typically five years or less; the repayment period for building renovations is generally 15 years and 25-30 years for full building projects. The repayment schedule depends on a variety of factors that are discussed on a case-by-case basis with the borrower.

Complete the Internal Loan Application to begin the process.

CHAPTER 4: Debt Management Guidelines

Debt financing, especially tax-exempt debt, provides a low-cost source of capital for the university to fund capital investments to achieve its mission and strategic objectives. As the economic landscape continues to evolve and change, the use of debt will become an increasingly important tool that enables our institution to move its strategy forward. In this environment, appropriate financial leverage plays a key role and is considered a long-term component of the university's balance sheet. Given that the university has limited debt repayment resources, the allocation and management of debt is a limited resource. The guidelines provided in this document are the framework by which decisions will be made regarding the issuance of debt to finance particular capital improvements.

Authority

North Carolina General Statutes Chapter 116D Article 3 authorize the Board of Governors of the University of North Carolina (the Board) to issue special obligation bonds for improvements to the facilities of the University of North Carolina System.

Prior to a bond issue, the Board designates the capital improvements financed as "special obligation bond projects" and the university's Board of Trustees approves the issuance of special obligation bonds for those projects.

The State Energy Conservation Finance Act, Article 8 of Chapter 142 of the North Carolina General Statutes authorizes the Board to solicit and, through G.S. 143-64.17A, finance guaranteed energy conservation measures. These financing agreements must have the approval of the Office of State Budget and Management, the State Treasurer, and the Counsel of State prior to closing.

Criteria

The university's debt capacity is a limited resource. Only projects that directly or indirectly relate to the mission of the university will be considered for debt financing. In general, projects that will be approved are broader in scope than college, or unit-based, projects. However, certain mission-critical school-based projects can also receive approval. Before beginning the planning-for-fundraising process for any project that might require debt financing, the approval of the executive vice chancellor for Finance and Administration, and the vice chancellor for University Advancement is required.

Projects financed through a bonding program will have received approval through the NC State Legislature's annual non-appropriated capital improvements bill and will have been designated as "special obligation projects" by the North Carolina Board of Governors. Energy conservation measures will have received state agency approval as required.

A project that has a related revenue stream (self-liquidating project) will receive priority consideration. All of these projects must be self-funding, and the use of debt must be supported by an achievable financial plan that includes servicing the debt(including interest expense), financing related infrastructure and utilities, meeting any new or increased operating costs (including security applications), and providing for appropriate replacement and renovation costs. Any bonded project must have a minimum debt-coverage ratio of 1.25X cash flow-to-debt service (debt service being the annual sum of required minimum principal and interest payments).

Projects must meet the criteria of serving an institutional purpose for the betterment of the university and be compelling within the guidelines of the university's long-term plan. In addition, bonded project priority will be reserved for those projects that cannot be more efficiently financed using external, private resources. Energy conservation measures must show that savings will be adequate to service the debt and all annual monitoring costs. Other projects funded by budgetary savings, gifts, and grants will be considered on a case-by-case basis. Any projects that will require gift financing, or include a gift financing component, must be jointly approved by the vice chancellor for University Advancement and the executive vice chancellor for Finance and Administration before approaching any prospective donors about gifts to the project. Because of the ancillary costs of projects, the amount of gifts raised must also include an associated endowment for any projects that are to be 100% gift-financed. In all cases, institutional strategy and not donor capacity must drive the decision to build a project.

The analysis of the university's debt capacity must also include the other, off-balance sheet items, such as space leases, that are incorporated into the long-term plan. Management will closely monitor all obligations of the university, factor its findings into decisions on all additional debt issuance, and retain complete discretion for approval based on such findings. Stated debt-like obligations and responsibilities need to be weighed carefully as they could cause a decline in university resources for other projects and objectives deemed essential to the long-term mission and overall enhancement of the university's operations.

Maintenance of Credit Rating

Maintaining a high credit rating will permit the university to continue to issue debt and finance capital projects at favorable interest rates while meeting its strategic objectives. The university's decision to issue additional debt will be focused on both the strategic importance of the new capital improvement(s) and the change in the overall debt portfolio and any associated impact on the credit rating. The university recognizes that external economic, natural, or other unanticipated events may from time to time affect the creditworthiness of its debt. Nevertheless, the university is committed to ensuring that the overall debt portfolio is prudently managed and all stakeholder interests are balanced. Management will provide the rating agencies with full and timely access to required information.

Methods of Sale

The standard methods of sale are competitive, negotiated, and private placement. University management will evaluate each method of sale and determine the best type for each bond issue.

Financing Team Professionals

The selection of financing team professionals will be accomplished based on guidance from the UNC System Office. Bond Counsel, Financial Advisor, and Underwriter pool will be selected using the RFP (request for proposals) method.

General Revenue Pledge

The university will utilize general revenue secured debt (available funds) for all financing needs, unless for energy conservation measures or other certain projects where management desires to structure specific revenue pledges independent of general revenue projects. The general revenue pledge provides a strong, flexible security that captures the strengths of not only auxiliary and student-related revenues but also of the university's research programs. General revenue bonds price better than corresponding auxiliary or facilities and administrative cost recovery bonds. Historically, general revenue debt has been subject to fewer operating or financial covenants and lower coverage levels imposed by the market and external constituents.

Refunding

Refunding and/or restructuring opportunities will be evaluated on a regular basis. Costs incurred by the refunding activity will be taken into consideration with a general target of 3% present value savings, but other factors will also be considered, including the impact on the university's overall risk profile, credit ratings, and future debt capacity. The university will also consider refinancing for other strategic reasons including the elimination of certain limitations, covenants, payment obligations, or reserve requirements that reduce flexibility.

Maturity and Debt Service

The useful life of the capital project financed will be taken into consideration when determining the length of financing. No capital project will be financed more than 120% of its useful life. Call features should be structured to provide the highest degree of flexibility relative to cost.

Structure of debt service will take into consideration existing debt and future capital plans. In addition, the university's amortization of debt service may be spread along the full yield curve depending on market conditions.

Disclosures and Compliance

The university will review compliance with covenants and requirements under outstanding bond indentures on an annual basis. The university will continue to meet its ongoing disclosure requirements in accordance with SEC rule 15c2-12. The university will submit financial reports, statistical data, and any other material events as required under outstanding bond indentures. The university will comply with arbitrage requirements on invested bond funds. The university will comply with Internal Revenue Service rules related to private use and use of proceeds on tax-exempt debt.

Use of Benchmarks and Debt Ratios

In order to maintain an understanding of the university's standing in comparison tosimilar institutions, analysis using standard ratios and benchmarks must be made comparing the university to others in its peer group. This analysis can be used as an ongoing tool in determining trends, weaknesses, and target strengths relating to the debt portfolio, its credit rating, and the health of the institution. On a regular basis, the university will review its ratios and compare them to published benchmarks from the rating agencies and others in its peer group.

The university uses the following key ratios to provide a quantitative assessment of debt affordability and debt capacity. Current guidelines, which will be updated annually using published rating-agency median data, establish internal covenant levels that are 15% higher or lower than the Median level for similarly-rated peers. A transaction or series of transactions that violate the covenant levels without returning to compliance within 2 years following the transaction will require additional approval and diligence within the long-term (10-year) university plan.

1. **Financial Leverage (Spendable Cash & Investments to Total Debt):** This ratio highlights the ability of the university to repay bondholders from wealth that can be accessed over time or for a specific purpose. **Internal covenant level = 1.9X.**
2. **Debt Affordability (Total Debt to Cash Flow):** Measures the ability of the university to repay its debt from the profitability of its current operations, as opposed to financial reserves, and is a measure of debt affordability. **Internal covenant level = 3.8X.**
3. **Total Debt to Operating Revenue:** Measures the university's debt load relative to the scope of its current operations, economies of scale, and brand recognition. **Internal covenant level = 0.45X.**

Indirect Debt

The university understands that debt issued by affiliated foundations can have an effect on the university's bond rating. University management will take steps to be aware of and participate in debt discussions and new borrowings undertaken by those affiliated entities. As per Operating Guidelines for Associated Entities, all debt that exceeds $500K for major associated entities

and $100K for minor associated entities must be approved by the executive vice chancellor for Finance and Administration.

Centralized Lending and Blended Portfolio

The university has adopted a central loan program under which it provides funding for projects under the guidance of the executive vice chancellor for Finance and Administration. The benefits of this program include:

1. Structuring of transactions on an aggregate basis, rather than by project
2. Continual access to capital for borrowers
3. Predictable financial terms for borrowers
4. Minimizing interest rate volatility
5. Permitting prepayment of loans at any time without penalty
6. Equity for borrowers through a blended rate

The university charges a blended rate to its borrowers based on its cost of funding. This interest rate may change periodically to reflect changes in the University's average aggregate expected long-term cost of borrowing. The blended rate may also include a reserve for interest rate stabilization or other purposes.

Each borrower is responsible for the repayment of all funds borrowed from the central loan program, plus interest, regardless of the internal or external source of funds. The university provides for flexible financing terms to accommodate individual entities as determined by the project scope and repayment source. The accounting director in the University Controller's Office is the primary contact for divisional and auxiliary loans.

Disclosure Statement

By providing the following disclosure, North Carolina State University intends that market participants receive and use it for purposes of the independent registered municipal advisor exemption to the SEC Municipal Advisor Rule.

The university has retained First Tryon Advisors (Charlotte, NC) to serve as an independent registered municipal advisor to the University. The University is represented by and will rely on First Tryon Advisors to provide advice on proposals received from financial services firms concerning the issuance of municipal securities.

CHAPTER 5: Resources

UNIVERSITY CONTROLLER'S OFFICE WEBSITE
Please refer to the University Controller's Office, Debt Management page for other debt-related information.

FINANCE DIVISION KNOWLEDGE BASE
If you ever had questions about university business processes, state compliance regulations or finance guidelines or topics (think Pcard, MarketPlace, financial reporting, etc.) and didn't know who or where to go for an answer, you know how frustrating that might be. The Finance Division Knowledge Base offers campus customers easy access to answers to their questions and is available 24 hours a day, seven days a week.

APPENDIX: Revision History

Date	Section	Description
3/27/25	All	Guide published

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

University of North Carolina Asheville

Institution Report

Approved by the University of North Carolina Board of Governors on May 15, 2025

University of North Carolina Asheville

Table of Contents

1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), University of North Carolina Asheville ("***UNC Asheville***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. UNC Asheville has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, UNC Asheville, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily required ratios—**debt to obligated resources** and the **five-year payout ratio**—UNC Asheville has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, UNC Asheville's debt capacity reflects the amount of debt UNC Asheville could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that UNC Asheville intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- UNC Asheville's current debt profile, including project descriptions financed with, and the sources of repayment for, UNC Asheville's outstanding debt;
- UNC Asheville's current credit profile, along with recommendations for maintaining or improving UNC Asheville's credit rating; and
- A copy of any UNC Asheville debt management policy currently in effect.

Overview of UNC Asheville

For the fall 2024 semester, UNC Asheville had a headcount student population of approximately 3,032 undergraduate students and 24 graduate students. Over the past five years, UNC Asheville's enrollment has declined by 9.1 percent.

UNC Asheville's average age of plant is 14.2 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

UNC Asheville does not anticipate significant additional borrowings during the Study Period. UNC Asheville changed the financial model's standard growth assumptions for obligated resources for FY25 to account for Hurricane Helene disruptions and tuition discounts.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on UNC Asheville's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to UNC Asheville by the federal government (discounted by an assumed 6.2 percent sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt UNC Asheville expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(69,590,526)	7,335,361	100,424,226		38,169,061
2021	(63,602,137)	8,608,363	93,606,162	1.16%	38,612,388
2022	(47,158,784)	6,956,185	86,830,777	20.76%	46,628,178
2023	(30,745,077)	6,401,870	74,973,606	8.58%	50,630,399
2024	(33,217,858)	7,432,152	69,263,070	-14.13%	43,477,364
2025	43,477,364	-	-	0.00%	43,477,364
2026	44,564,298	-	-	2.50%	44,564,298
2027	45,678,406	-	-	2.50%	45,678,406
2028	46,820,366	-	-	2.50%	46,820,366
2029	47,990,875	-	-	2.50%	47,990,875

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	96,046,868	(2,067,095)	4,226,475		98,206,247
2021	90,441,029	(1,358,817)	5,547,253	-3.64%	94,629,465
2022	92,897,708	1,583,610	6,236,348	6.43%	100,717,666
2023	99,900,140	403,843	11,196,975	10.71%	111,500,958
2024	108,309,190	(1,135,645)	5,608,540	1.15%	112,782,084
2025	116,052,765	-	-	2.90%	116,052,765
2026	118,954,084	-	-	2.50%	118,954,084
2027	121,927,936	-	-	2.50%	121,927,936
2028	124,976,135	-	-	2.50%	124,976,135
2029	128,100,538	-	-	2.50%	128,100,538

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	3,028,800	2,865,131	5,893,931	63,836,400
2026	3,234,600	2,740,537	5,975,137	60,601,800
2027	3,357,800	2,608,261	5,966,061	57,244,000
2028	2,763,000	2,470,441	5,233,441	54,481,000
2029	2,857,000	2,371,880	5,228,880	51,624,000
2030	2,879,000	2,266,012	5,145,012	48,745,000
2031	2,645,000	2,147,000	4,792,000	46,100,000
2032	2,760,000	2,030,450	4,790,450	43,340,000
2033	2,875,000	1,908,800	4,783,800	40,465,000
2034	3,020,000	1,765,050	4,785,050	37,445,000
2035	3,170,000	1,614,050	4,784,050	34,275,000
2036	3,295,000	1,487,250	4,782,250	30,980,000
2037	3,425,000	1,355,450	4,780,450	27,555,000
2038	3,555,000	1,218,450	4,773,450	24,000,000
2039	3,725,000	1,055,200	4,780,200	20,275,000
2040	3,885,000	884,100	4,769,100	16,390,000
2041	2,435,000	705,500	3,140,500	13,955,000
2042	2,555,000	583,750	3,138,750	11,400,000
2043	2,685,000	456,000	3,141,000	8,715,000
2044	2,795,000	348,600	3,143,600	5,920,000
2045	2,900,000	236,800	3,136,800	3,020,000
2046	3,020,000	120,800	3,140,800	-
2047			-	-
2048			-	-

3. Proposed Debt Financings

While UNC Asheville evaluates its capital investment needs on a regular basis, UNC Asheville currently has no legislatively approved projects that it anticipates financing during the Study Period.

4. Financial Ratios

Debt to Obligated Resources

- **What does it measure?** UNC Asheville's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

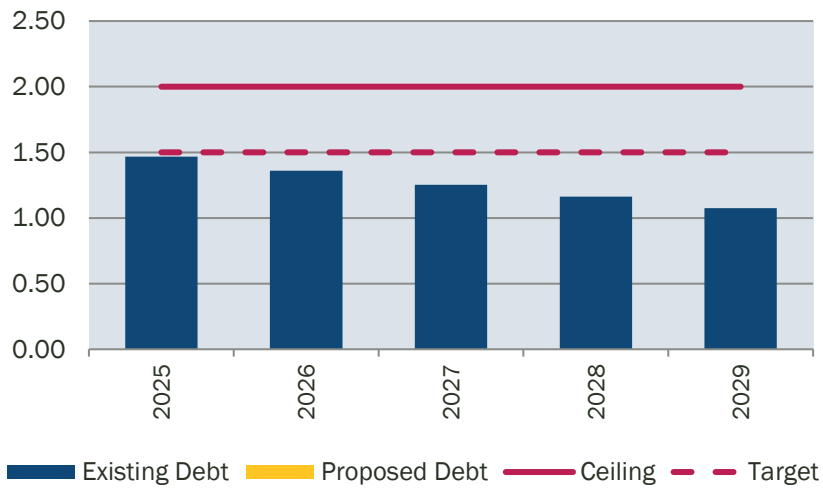
- Target Ratio: 1.50
- Ceiling Ratio: Not to exceed 2.00
- Projected 2025 Ratio: 1.47
- Highest Study Period Ratio: 1.47 (2025)

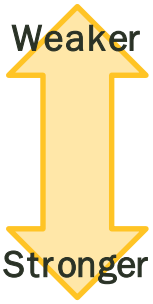
*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	43,477,364	0.00%	63,836,400	-	1.47	n/a	1.47
2026	44,564,298	2.50%	60,601,800	-	1.36	n/a	1.36
2027	45,678,406	2.50%	57,244,000	-	1.25	n/a	1.25
2028	46,820,366	2.50%	54,481,000	-	1.16	n/a	1.16
2029	47,990,875	2.50%	51,624,000	-	1.08	n/a	1.08

Debt to Obligated Resources





5-Year Payout Ratio Overview

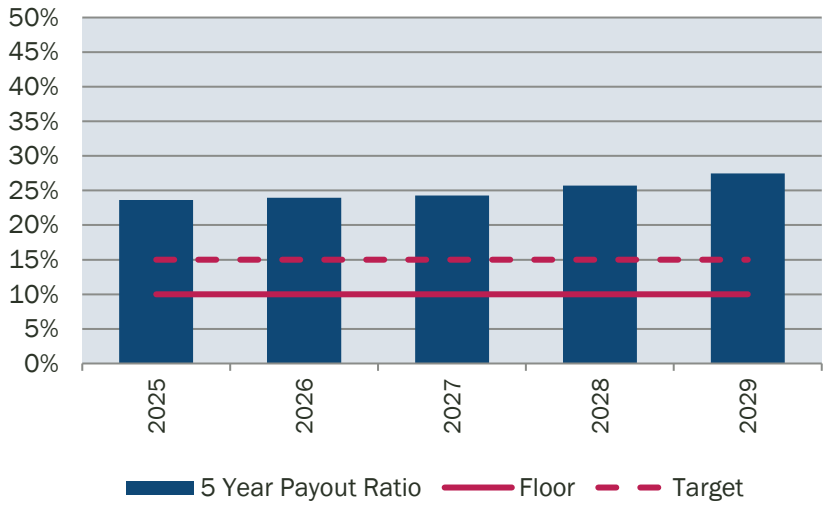
- **What does it measure?** The percentage of UNC Asheville's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

- Target Ratio: 15%
- Floor Ratio: Not less than 10%
- Projected 2025 Ratio: 24%
- Lowest Study Period Ratio: 24% (2025,2026,2027)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	63,836,400	24%
2026	60,601,800	24%
2027	57,244,000	24%
2028	54,481,000	26%
2029	51,624,000	27%

5-Year Payout Ratio



Approved by the University of North Carolina Board of Governors on May 15, 2025

Debt Service to Operating Expenses

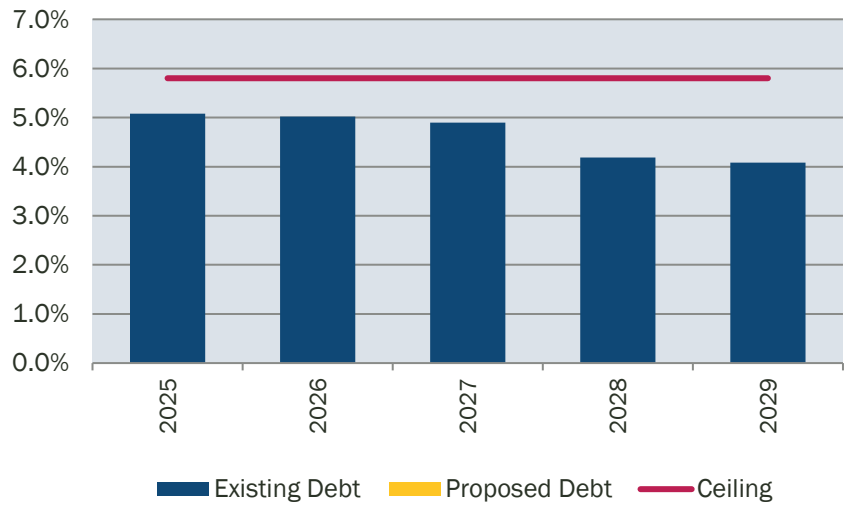
- **What does it measure?** UNC Asheville's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 5.80%
- Projected 2025 Ratio: 5.08%
- Highest Study Period Ratio: 5.08% (2025)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	116,052,765	2.90%	5,893,931	-	5.08%	n/a	5.08%
2026	118,954,084	2.50%	5,975,137	-	5.02%	n/a	5.02%
2027	121,927,936	2.50%	5,966,061	-	4.89%	n/a	4.89%
2028	124,976,135	2.50%	5,233,441	-	4.19%	n/a	4.19%
2029	128,100,538	2.50%	5,228,880	-	4.08%	n/a	4.08%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, UNC Asheville's debt capacity is based on the amount of debt UNC Asheville could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	1.47	2.00	23,118,328
2026	1.36	2.00	28,526,796
2027	1.25	2.00	34,112,811
2028	1.16	2.00	39,159,732
2029	1.08	2.00	44,357,750

Limitations on Debt Capacity and Credit Rating Implications

- The debt capacity calculation shown above provides a general indication of UNC Asheville's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- **If UNC Asheville were to use all of its calculated debt capacity during the Study Period, UNC Asheville's credit ratings may face significant downward pressure**.
- Projecting the exact amount UNC Asheville could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **The State's Impact**
        - In assessing each institution's credit rating, rating agencies also consider the State's credit rating and demographic trends, the health of its pension system, the level of support it has historically provided to the institution, and any legislation or policies affecting Campus operations.
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.

        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.
    - **Factor Interdependence**
        - The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
        - For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.
    - **Distortions Across Rating Categories**
        - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
        - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

UNC Asheville's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2010 C UNCA	03/31/2010	410,000	10/01/2024	Pool Revenue	Refunding 2002A	Housing Receipts; Dining Receipts
2012 UNCA	04/18/2012	1,661,200	06/01/2027	General Revenue	Refunding 2002A	Housing Receipts; Dining Receipts
2013 A UNCA	05/28/2013	1,961,000	04/01/2030	General Revenue	Student Health, Counseling, Development Center	Health Services Student Fee; Overhead Receipts, Endowment Administrative Fees
2014 UNCA	09/18/2014	403,000	06/01/2029	General Revenue	Athletics and Student Recreation Center	Athletics Student Fee
2017 UNCA	03/22/2017	43,800,000	06/01/2046	General Revenue	Highsmith Student Ctr Renovation & New Campus Housing	Housing Receipts; Student Fees
2019 UNCA	10/31/2019	18,630,000	06/01/2040	General Revenue	Refunding 2010	Housing Receipts; Dining Receipts
	Total	**66,865,200**				

7. Credit Profile

The following page provides a snapshot of UNC Asheville's current credit ratings, along with (1) a summary of various credit factors identified in UNC Asheville's most recent rating report and (2) recommendations for maintaining and improving UNC Asheville's credit ratings in the future.

Credit Profile of the University – (General Revenue)

Overview

- In February 2024, Moody's affirmed UNC Asheville's "A2" rating and revised the outlook to negative from stable.

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

Non Investment Grade

Key Information Noted in Rating Reports

Credit Strengths

- Strong financial support for operations and capital projects from the Aaa-rated state of North Carolina
- As UNC Asheville works to implement its strategic enrollment initiatives, State funds will assist its operating performance
- Operating appropriations from the state have increased since FY 2014 and moderate increases are expected to continue
- Under new leadership, UNC Asheville's enrollment show signs of stabilization as strategic initiatives get implemented

Credit Challenges

- Since 2017, enrollment has declined putting constraints on net tuition revenues and debt service coverage
- Operating deficits due to declining enrollment, lower cash and investments and liquidity reserves relative to peers; Improved performance will be dependent on successful implementation of student market initiatives
- Limited prospects for significant improvement in unrestricted liquidity relative to expenses
- Competitive market environment and state-imposed tuition pricing constraints limit pricing flexibility and will likely suppress tuition revenue growth

Recommendations & Observations

- Execute on UNC Asheville's strategic plans to stabilize incoming first year student classes, strengthen undergraduate retention, and launch new graduate academic programs.
- Manage operating expenses to be aligned with declining enrollment and lower revenues.
- Adopt proactive management of improving operating cash flow margin and liquidity reserves relative to A2 median peers.
- Continue to develop initiatives to highlight and strengthen UNC Asheville's distinctive market position.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	University of North Carolina Asheville	St. Mary's College of Maryland	Ramapo College	Bowling Green State University	Central Michigan University
Most Senior Rating	A2	A2	A2	A1	A1
Total Long-Term Debt ($, in millions)	75	36	203	262	133
Total Cash &Investments ($, in millions)	105	34	113	272	545
Operating Revenue ($, in millions)	107	87	191	386	485
Operating Expenses ($, in millions)	111	91	186	414	468
Market Performance Ratios					
Annual Change in Operating Revenue (%)	5.4%	14.8%	13.1%	-0.8%	-2.7%
Operating Ratios					
Operating Cash Flow Margin (%)	8.3%	6.8%	16.0%	6.3%	11.6%
Wealth &Liquidity Ratios					
Total Cash &Investments to Operating Expenses (x)	0.5	0.4	0.6	0.7	1.2
Total Debt to Operating Expenses (x)	0.7	0.4	1.1	0.6	0.3
Monthly Days Cash on Hand (x)	68	104	244	229	292
Leverage Ratios					
Total Cash &Investments to Total Debt (x)	0.7	0.9	0.6	1.0	4.1
Debt Service to Operating Expenses (%)	5.7%	4.1%	4.8%	3.5%	2.7%
Total Debt-to-Cash Flow (x)	8.4	6.1	6.6	10.8	2.4

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Debt Management Policies

UNC Asheville's current debt policy is attached.

December 16, 2016

Debt Management Policy

University of North Carolina at Asheville

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Introduction

The University of North Carolina at Asheville ("UNCA") views its debt capacity as a limited resource that should be used, when appropriate, to help fund the capital investments necessary for the successful implementation of UNCA's strategic vision to provide its students the opportunity, within a diverse and inclusive community, to experience liberal arts education at its best, while preserving the operational flexibility and resources necessary to support UNCA's current and future programming. UNCA recognizes the important role that the responsible stewardship of its financial resources will play as UNCA seeks to invest in its campus and related infrastructure in a manner that is economically, socially and environmentally sustainable.

This Policy has been developed to assist UNCA's efforts to manage its debt on a long-term, portfolio basis and in a manner consistent with UNCA's capital improvement plan, stated policies, objectives and core values. Like other limited resources, UNCA's debt capacity should be used and allocated strategically and equitably, taking into account the benefits and burdens for both current and future students.

Specifically, the objective of this Policy is to provide a framework that will enable UNCA's Board of Trustees (the "Board") and finance staff to:

(i) Identify and prioritize projects eligible for debt financing;

(ii) Limit and manage risk within UNCA's debt portfolio;

(iii) Establish debt management guidelines and quantitative parameters for evaluating UNCA's financial health, debt affordability and debt capacity;

(iv) Manage and protect UNCA's credit profile in order to maintain UNCA's credit rating at a strategically optimized level and maintain access to the capital markets; and

(v) Ensure UNCA remains in compliance with all of its post-issuance obligations and requirements.

This Policy is intended solely for UNCA's internal planning purposes. The Vice Chancellor for Administration & Finance will review this Policy annually and, if necessary, recommend changes to ensure that it remains consistent with University's strategic objectives and the evolving demands and accepted practices of the public higher education marketplace. Proposed changes to this Policy are subject to the Board's approval.

2. Authorization and Oversight

UNCA's Vice Chancellor for Administration & Finance is responsible for the day-to-day management of UNCA's financial affairs in accordance with the terms of this Policy and for all of UNCA's debt financing activities. Each University financing will conform to all applicable State and Federal laws.

The Board will consider for approval each proposed financing in accordance with the requirements of any applicable State law.

3. Process for Identifying and Prioritizing Capital Projects Requiring Debt

Only projects that directly or indirectly relate to the mission of UNCA will be considered for debt financing.

(i) Self-Liquidating Projects – A project that has a related revenue stream (self-liquidating project) will receive priority consideration. Each self-liquidating project financing must be supported by an achievable plan of finance that provides, or identifies sources of funds, sufficient to (1) service the debt associated with the project, (2) pay for any related infrastructure improvements, (3) cover any new or increased operating costs and (4) fund appropriate reserves for anticipated replacement and renovation costs.

(ii) Energy Conservation Projects – Each energy conservation project financing must provide annual savings sufficient to service the applicable debt and all related monitoring costs.

(iii) Other Projects – Other projects funded through budgetary savings, gifts and grants will be considered on a case-by-case basis. Any projects that will require gift financing or include a gift financing component must be jointly approved by the Vice Chancellor for University of Advancement and the Vice Chancellor for Administration & Finance before any project-restricted donations are solicited. The fundraising goal for any project to be financed primarily with donations should also include, when feasible, an appropriately-sized endowment for deferred maintenance and other ancillary ownership costs. In all cases, institutional strategy, and not donor capacity, must drive the decision to pursue any proposed project.

4. Benchmarks and Debt Ratios

Overview

When evaluating its current financial health and any proposed plan of finance, UNCA takes into account both its debt affordability and its debt capacity. Debt affordability focuses on UNCA's cash flows and measures UNCA's ability to service its debt through its operating budget and identified revenue streams. Debt capacity, on the other hand, focuses on the relationship between UNCA's net assets and its total debt outstanding.

Debt capacity and affordability are impacted by a number of factors, including UNCA's enrollment trends, reserve levels, operating performance, ability to generate additional revenues to support debt service, competing capital improvement or programmatic needs, and general market conditions. Because of the number of potential variables, UNCA's debt capacity cannot be calculated based on any single ratio or even a small handful of ratios.

UNCA believes, however, that it is important to consider and monitor objective metrics when evaluating UNCA's financial health and its ability to incur additional debt. To that end, UNCA has identified four key financial ratios that it will use to assess its ability to absorb additional debt based on its current and projected financial condition:

(i) Debt to Obligated Resources

(ii) Five-Year Payout Ratio

(iii) Expendable Resources to Debt

(iv) Debt Service to Operating Expenses

Note that the selected financial ratios are the same benchmarks monitored as part of the debt capacity study for The University of North Carolina delivered each year under Article 5 of Chapter 116D of the North Carolina General Statutes (the "UNC Debt Capacity Study"), which UNCA believes will promote clarity and consistency in UNCA's debt management and planning efforts.

UNCA has established for each ratio a floor or ceiling target, as the case may be, with the expectation that UNCA will operate within the parameters of those ratios most of the time. To the extent possible, the policy ratios established from time to time in this Policy should align with the ratios used in the report UNCA submits each year as part of the UNC Debt Capacity Study. The policy ratios have been established to help preserve UNCA's financial health and operating flexibility and to ensure UNCA is able to access the market to address capital needs or to take advantage of potential refinancing opportunities. Attaining or maintaining a specific credit rating is not an objective of this Policy.

UNCA recognizes that the policy ratios, while helpful, have limitations and should not be viewed in isolation of UNCA's strategic plan or other planning tools. In accordance with the recommendations set forth in the initial UNC Debt Capacity Study delivered April 1, 2016, UNCA has developed as part of this Policy specific criteria for evaluating and, if warranted, approving critical infrastructure projects even when UNCA has limited debt capacity as calculated by the UNC Debt Capacity Study or the benchmark ratios in this Policy. In such instances, the Board may approve the issuance of debt with respect to a proposed project based on one or more of the following findings:

(i) The proposed project would generate additional revenues (including, if applicable, dedicated student fees or grants) sufficient to support the financing, which revenues are not currently captured in the benchmark ratios.

(ii) The proposed project would be financed entirely with private donations based on pledges already in hand.

(iii) The proposed project is essential to the implementation of one of the Board's strategic priorities.

(iv) The proposed project addresses life and safety issues or addresses other critical infrastructure needs.

(v) Foregoing or delaying the proposed project would result in significant additional costs to UNCA or would negatively impact UNCA's credit rating.

At no point, however, should UNCA intentionally operate outside an established policy ratio without conscious and explicit planning.

Ratio 1 – Debt to Obligated Resources

What does it measure? UNCA's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt under the General Revenue Bond Statutes

Why is it tracked? The ratio, which is based on the legal structure proscribed by the General Revenue Bond Statutes, provides a general indication of UNCA's ability to absorb debt on its balance sheet and is the primary ratio used to calculate UNCA's "debt capacity" under the methodology used in the UNC Debt Capacity Study

How is it calculated? Aggregate debt* divided by obligated resources**

Policy Ratio: Not to exceed 2.0x (UNC Debt Capacity Study Target Ratio = 1.50x)

* As used throughout this Policy, "aggregate debt" includes UNCA's energy savings contracts, which, in accordance with State law, are excluded from the UNC Debt Capacity Study.

* "Available Funds," which is the concept commonly used to capture each UNC's campus's obligated resources in its loan and bond documentation, has been used as a proxy for "obligated resources." The two concepts are generally identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of UNCA's obligated resources.

Ratio 2 – Five-Year Payout Ratio Overview

What does it measure? The percentage of UNCA's debt scheduled to be retired in the next five years

Why is it tracked? The ratio measures how aggressively UNCA is amortizing its debt and is a ratio that is monitored in the UNC Debt Capacity

How is it calculated? Aggregate principal to be paid in the next five years divided by aggregate debt

Policy Ratio: Not less than 10% (UNC Debt Capacity Study Target Ratio = 15%)

Ratio 3 – Expendable Resources to Debt

What does it measure? The number of times UNCA's liquid and expendable net assets covers its aggregate debt

Why is it tracked? The ratio, which is widely tracked by rating agencies and other capital market participants, is a basic measure of financial health and assesses UNCA's ability to settle its debt obligations using only its available net assets as of a particular date

How is it calculated? The sum of (1) Adjusted Unrestricted Net Assets and (2) Restricted Expendable Net Assets divided by aggregate debt

Policy Ratio: Not less than 0.45x

Ratio 4 – Debt Service to Operating Expenses

What does it measure? UNCA's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues

Why is it tracked? The ratio, which is widely tracked by rating agencies and other capital market participants, evaluates UNCA's relative cost of borrowing to its overall expenditures and provides a measure of UNCA's budgetary flexibility

How is it calculated? Annual debt service divided by annual operating expenses

Policy Ratio: Not to exceed 5.80%

Reporting

The Vice Chancellor for Administration & Finance will review each ratio in connection with the delivery of the University's audited financials and will provide an annual report to the Board detailing (1) the calculation of each ratio for that fiscal year and (2) an explanation for any ratio that falls outside the University's stated policy ratio, along with (a) any applicable recommendations, strategies and an expected timeframe for aligning such ratio with the University's stated policy or (b) the rationale for any recommended changes to any such stated policy ratio going forward (including any revisions necessitated by changes in accounting standards or rating agency methodologies).

5. Debt Portfolio Management and Transaction Structure Considerations

Generally

Numerous types of financing structures and funding sources are available, each with specific benefits, risks, and costs. Potential funding sources and structures will be reviewed and considered by the Vice Chancellor for Administration & Finance within the context of this Policy and the overall portfolio to ensure that any financial product or structure is consistent with UNCA's stated objectives. As part of effective debt management, UNCA must also consider its investment and cash management strategies, which influence the desired structure of the debt portfolio.

Method of Sale

UNCA will consider various methods of sale on a transaction-by-transaction basis to determine which method of sale (i.e., competitive, negotiated or private placement) best serves UNCA's strategic plan and financing objectives. In making that determination, UNCA will consider, among other factors: (1) the size and complexity of the issue, (2) the current interest rate environment and other market factors (such as bank and investor appetite) that might affect UNCA's cost of funds, and (3) possible risks associated with each method of sale (e.g., rollover risk associated with a financing that is privately placed with a bank for a committed term that is less than the term of the financing).

Tax Treatment

When feasible and appropriate for the particular project, the use of tax-exempt debt is generally preferable to taxable debt. Issuing taxable debt may reduce UNCA's overall debt affordability due to higher rates but may be appropriate for projects that do not qualify for tax-exemption, or that may require interim funding. For example, taxable debt may be justified if it sufficiently mitigates UNCA's ongoing administrative and compliance risks. When used, taxable debt should be structured to provide maximum repayment flexibility and rapid principal amortization.

Structure and Maturity

To the extent practicable, UNCA should structure its debt to provide for level annual payments of debt service, though UNCA may elect alternative structures when the Vice Chancellor for Administration & Finance determines it to be in UNCA's best interest. In addition, when financing projects that are expected to be self-supporting (such as a revenue-producing facility or a facility to be funded entirely through a dedicated fundraising campaign), the debt service may be structured to match future anticipated receipts.

UNCA will use maturity structures that correspond with the life of the facilities financed, not to exceed the maximum term authorized under applicable State law (currently 30 years). Equipment should be financed for a period not to exceed 120% of its useful life. Such determinations may be made on a blended basis, taking into account all assets financed as part of a single debt offering. As market dynamics change, maturity structures should be reevaluated. Call features should be structured to provide the highest degree of flexibility relative to cost.

Variable Rate Debt

UNCA recognizes that a degree of exposure to variable interest rates within UNCA's debt portfolio may be desirable in order to (1) take advantage of repayment or restructuring flexibility, (2) benefit from historically lower average interest costs and (3) provide a "match" between debt service requirements and the projected cash flows from UNCA's assets. UNCA's debt portfolio should be managed to ensure that no more than 20% of UNCA's total debt bears interest at an unhedged variable rate.

UNCA's finance staff will monitor overall interest rate exposure and will analyze and quantify potential risks, including interest rate, liquidity and rollover risks. UNCA may manage the liquidity risk of variable rate debt either through its own working capital/investment portfolio, the type of instrument used, or by using third party sources of liquidity. UNCA may manage interest rate risk in its portfolio through specific budget and central bank management strategies or through the use of derivative instruments.

Debt Related to Public Private Partnerships

To address UNCA's anticipated capital needs as efficiently and prudently as possible, UNCA may choose to explore and consider opportunities for alternative and non-traditional transaction structures (collectively, "P3 Arrangements").

UNCA will pursue P3 Arrangements only when UNCA has determined that (1) a traditional financing alternative is not feasible, (2) a P3 Arrangement will likely produce construction or overall operating results that are superior, faster or more efficient than a traditional delivery model or (3) a P3 Arrangement serves one of the Board's broader strategic objectives (e.g., a decision that operating a particular auxiliary function is no longer consistent with UNCA's core mission).

P3 Arrangements will receive increased scrutiny if the Vice Chancellor for Administration & Finance determines, in consultation with UNCA's advisors, that the P3 Arrangement will be viewed as "on-credit" (i.e., treated as University debt) by UNCA's auditors or outside rating agencies. When evaluating whether the P3 Arrangement should be viewed as "on-credit," rating agencies consider UNCA's economic interest in the project and the level of control it exerts over the project. Further, rating agencies will generally treat a P3 Arrangement as University debt if the project is located on UNCA's campus or if the facility is to be used for an essential University function. For this reason, any P3 Arrangement for a university-related facility to be located on land owned by the State, UNCA or a UNCA affiliate must be approved in advance by the Vice Chancellor for Administration & Finance.

Refunding Considerations

UNCA will actively monitor its outstanding debt portfolio for refunding or restructuring opportunities. Absent a compelling economic or strategic reason to the contrary, UNCA should evaluate opportunities to issue bonds for the purpose of refunding existing debt obligations of UNCA ("Refunding Bonds") using the following general guidelines:

(i) The life of the Refunding Bonds should not exceed the remaining life of the bonds being refunded.

(ii) Refunding Bonds issued to achieve debt service savings should have a target savings level measured on a present net value basis of at least 3% of the par amount refunded.

(iii) Refunding Bonds that do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling interest.

(iv) Refunding Bonds may also be issued to relieve UNCA of certain limitations, covenants, payment obligations or reserve requirements that reduce operational flexibility.

Financing Team Professionals

UNCA will generally select its financial advisors, underwriters, lenders and bond counsel through a request for proposal process. Firms providing financial advisory and bond counsel services are generally selected for a specific period of time rather than for individual transactions, while underwriters and lenders will be selected

on a transaction-by-transaction basis. Additionally, UNCA may use the financial advisors, underwriters and bond counsel selected by General Administration through its own similar competitive process.

6. Derivative Products

UNCA recognizes that derivative products may provide for more flexible management of the debt portfolio. In certain circumstances, interest rate swaps and other derivatives permit UNCA to adjust its mix of fixed- and variable-rate debt and manage its interest rate exposures. Derivatives may also be an effective way to manage liquidity risks. UNCA will use derivatives only to manage and mitigate risk; UNCA will not use derivatives to create leverage or engage in speculative transactions.

As with underlying debt, UNCA's finance staff will evaluate any derivative product comprehensively, taking into account its potential costs, benefits and risks, including, without limitation, any tax risk, interest rate risk, liquidity risk, credit risk, basis risk, rollover risk, termination risk, counterparty risk, and amortization risk. Before entering into any derivative product, the Vice Chancellor for Administration & Finance must (1) conclude, based on the advice of a reputable swap advisor, that the terms of any swap transaction are fair and reasonable under current market conditions and (2) ensure that UNCA's finance staff has a clear understanding of the proposed transaction's costs, cash flow impact and reporting treatment.

UNCA will use derivatives only when the Vice Chancellor for Administration & Finance determines, based on the foregoing analysis, that the instrument provides the most effective method for accomplishing UNCA's strategic objectives without imposing inappropriate risks on UNCA.

7. Post-Issuance Compliance Matters

To the extent UNCA adopts any formal policies relating to post-issuance compliance matters after the effective date of this Policy, the Vice Chancellor for Administration & Finance will attach each such policy as **Appendix A** to this Policy.

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

University of North Carolina at Chapel Hill

Institution Report

Approved by the University of North Carolina Board of Governors on May 15, 2025

University of North Carolina at Chapel Hill

Table of Contents

1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), University of North Carolina at Chapel Hill ("***UNC-Chapel Hill***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. UNC-Chapel Hill has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, UNC-Chapel Hill, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily required ratios—**debt to obligated resources** and the **five-year payout ratio**—UNC-Chapel Hill has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, UNC-Chapel Hill's debt capacity reflects the amount of debt UNC-Chapel Hill could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that UNC-Chapel Hill intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- UNC-Chapel Hill's current debt profile, including project descriptions financed with, and the sources of repayment for, UNC-Chapel Hill's outstanding debt;
- UNC-Chapel Hill's current credit profile, along with recommendations for maintaining or improving UNC-Chapel Hill's credit rating; and
- A copy of any UNC-Chapel Hill debt management policy currently in effect.

Overview of UNC-Chapel Hill

For the fall 2024 semester, UNC-Chapel Hill had a headcount student population of approximately 32,438, including 20,885 undergraduate students and 11,553 graduate students. Over the past five years, UNC-Chapel Hill's enrollment has increased 7.8 percent.

UNC-Chapel Hill's average age of plant is 14.4 years. A lower age of plant generally indicates that UNC-Chapel Hill is taking a sustainable approach to its deferred maintenance and reinvestment programs.

UNC-Chapel Hill anticipates incurring approximately $506.6 million in additional debt during the Study Period, as summarized in **Section 3** below.

UNC-Chapel Hill has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on UNC-Chapel Hill's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to UNC-Chapel Hill by the federal government (discounted by an assumed 6.2 percent sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt UNC-Chapel Hill expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below overstate UNC-Chapel Hill's current debt burden.
- The five-year lens of future debt service within the study template does not capture the impact of the bullet maturities in the mid-2030s and 2042. UNCCH internally manages and plans for those future commitments by treating them as amortizing obligations and building reserves to cover those obligations.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(575,287,833)	190,135,330	2,787,915,503		2,402,763,000
2021	516,796,005	227,474,652	2,596,654,343	39.05%	3,340,925,000
2022	114,306,791	186,601,066	2,414,878,143	-18.71%	2,715,786,000
2023	446,992,045	183,480,772	2,101,366,183	0.59%	2,731,839,000
2024	1,372,249,241	215,175,470	2,016,216,289	31.91%	3,603,641,000
2025	3,708,146,589	-	-	2.90%	3,708,146,589
2026	3,800,850,254	-	-	2.50%	3,800,850,254
2027	3,895,871,510	-	-	2.50%	3,895,871,510
2028	3,993,268,298	-	-	2.50%	3,993,268,298
2029	4,093,100,005	-	-	2.50%	4,093,100,005

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	3,188,788,173	(55,655,445)	135,891,333		3,269,024,061
2021	3,136,147,580	(37,339,322)	191,261,160	0.64%	3,290,069,418
2022	3,316,486,370	40,873,586	181,776,200	7.57%	3,539,136,156
2023	3,557,960,132	3,120,294	313,511,960	9.48%	3,874,592,386
2024	4,126,447,003	(31,694,698)	85,149,894	7.88%	4,179,902,199
2025	4,301,119,363	-	-	2.90%	4,301,119,363
2026	4,408,647,347	-	-	2.50%	4,408,647,347
2027	4,518,863,531	-	-	2.50%	4,518,863,531
2028	4,631,835,119	-	-	2.50%	4,631,835,119
2029	4,747,630,997	-	-	2.50%	4,747,630,997

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	36,930,000	45,846,103	82,776,103	1,161,670,000
2026	39,780,000	44,838,158	84,618,158	1,121,890,000
2027	41,375,000	43,791,312	85,166,312	1,080,515,000
2028	42,470,000	42,695,418	85,165,418	1,038,045,000
2029	41,250,000	41,523,948	82,773,948	996,795,000
2030	42,670,000	40,179,401	82,849,401	954,125,000
2031	44,185,000	38,665,541	82,850,541	909,940,000
2032	45,770,000	37,092,338	82,862,338	864,170,000
2033	123,860,000	33,970,884	157,830,884	740,310,000
2034	128,515,000	29,163,404	157,678,404	611,795,000
2035	129,470,000	24,090,169	153,560,169	482,325,000
2036	64,030,000	20,637,301	84,667,301	418,295,000
2037	66,385,000	18,353,811	84,738,811	351,910,000
2038	37,145,000	16,438,401	53,583,401	314,765,000
2039	37,750,000	14,989,506	52,739,506	277,015,000
2040	13,090,000	13,930,225	27,020,225	263,925,000
2041	3,925,000	13,504,850	17,429,850	260,000,000
2042	230,000,000	6,714,198	236,714,198	30,000,000
2043		1,933,821	1,933,821	30,000,000
2044		1,933,821	1,933,821	30,000,000
2045		1,933,821	1,933,821	30,000,000
2046		1,933,821	1,933,821	30,000,000
2047		1,933,821	1,933,821	30,000,000
2048		1,933,821	1,933,821	30,000,000
2049		1,933,821	1,933,821	30,000,000
2050		1,933,821	1,933,821	30,000,000
2051	30,000,000	805,759	30,805,759	-

3. Proposed Debt Financings

The table below summarizes any legislatively approved projects that UNC-Chapel Hill expects to finance during the Study Period. Using the assumptions outlined in the table below, the model has developed a tailored, but conservative, debt service schedule for each proposed financing and incorporated each pro forma debt service schedule into its calculations of the financial ratios as detailed in **Section 4** below.

UNC-Chapel Hill Proposed Debt Financings

FY Issued	Description		Borrowing Amount	Term	Deferral	Structure	Rate
2023	Medical Education Bldg	New CP Draws	19,500,000	30	2	Level D/S	4.02%
2024	Medical Education Building	New CP Draws	500,000	30	1	Level D/S	4.02%
2024	Translational Research Bldg Planning	New CP Draws	9,100,000	30	1	Level D/S	4.02%
2025	Avery Residence Hall	New CP Draws	22,600,000	30	-	Level D/S	4.02%
2025	Bingham Hall	New CP Draws	3,700,000	30	-	Level D/S	4.02%
2025	Energy Services	New CP Draws	7,700,000	30	2	Level D/S	4.02%
2025	Translational Research Bldg Construction	New CP Draws	3,150,000	30	-	Level D/S	4.02%
2025	Translational Research Building	New CP Draws	10,650,000	30	-	Level D/S	4.02%
2026	Energy Services-EDS	New CP Draws	14,600,000	30	1	Level D/S	4.02%
2026	Fetzer-Campus Rec	New CP Draws	90,000,000	30	1	Level D/S	4.02%
2026	Bingham Hall	New CP Draws	5,300,000	30	1	Level D/S	4.02%
2026	Avery Residence Hall	New CP Draws	7,400,000	30	1	Level D/S	4.02%
2026	Energy Services	New CP Draws	34,900,000	30	1	Level D/S	4.02%
2026	Translational Research Bldg Construction	New CP Draws	52,950,000	30	1	Level D/S	4.02%
2027	Energy Services	New CP Draws	41,200,000	30	-	Level D/S	4.02%
2027	Translational Research Bldg Construction	New CP Draws	82,500,000	30	-	Level D/S	4.02%
2028	Energy Services	New CP Draws	33,800,000	30	1	Level D/S	4.02%
2028	Translational Research Bldg Construction	New CP Draws	67,000,000	30	1	Level D/S	4.02%

4. Financial Ratios

Debt to Obligated Resources

- **What does it measure?** UNC-Chapel Hill's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

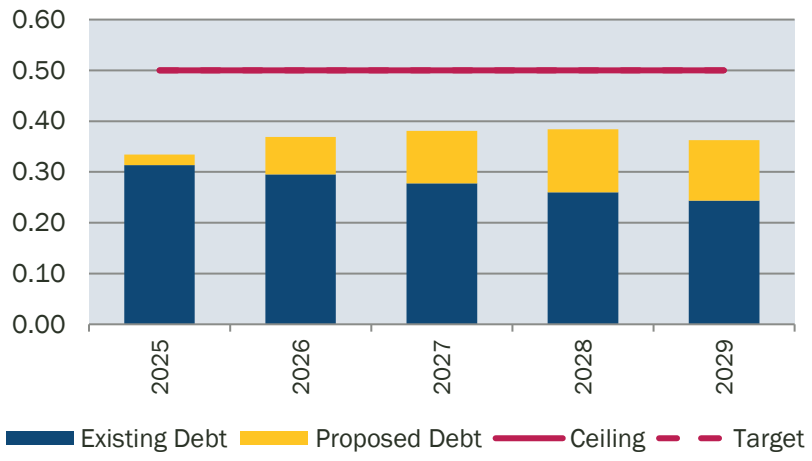
- Target Ratio: 0.50
- Ceiling Ratio: Not to exceed 0.50
- Projected 2025 Ratio: 0.33
- Highest Study Period Ratio: 0.38 (2027,2028)

*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	3,708,146,589	2.90%	1,161,670,000	76,900,000	0.31	0.02	0.33
2026	3,800,850,254	2.50%	1,121,890,000	280,767,679	0.30	0.07	0.37
2027	3,895,871,510	2.50%	1,080,515,000	403,133,808	0.28	0.10	0.38
2028	3,993,268,298	2.50%	1,038,045,000	496,333,661	0.26	0.12	0.38
2029	4,093,100,005	2.50%	996,795,000	488,427,987	0.24	0.12	0.36

Debt to Obligated Resources



5-Year Payout Ratio Overview

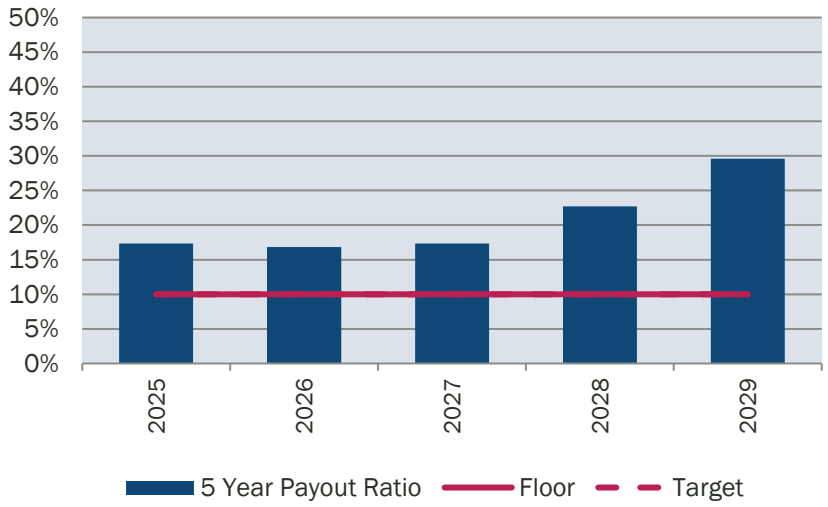
- **What does it measure?** The percentage of UNC-Chapel Hill's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

- Target Ratio: 10%
- Floor Ratio: Not less than 10%
- Projected 2025 Ratio: 17%
- Lowest Study Period Ratio: 17% (2025,2026,2027)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	1,238,570,000	17%
2026	1,402,657,679	17%
2027	1,483,648,808	17%
2028	1,534,378,661	23%
2029	1,485,222,987	30%

5-Year Payout Ratio



Debt Service to Operating Expenses

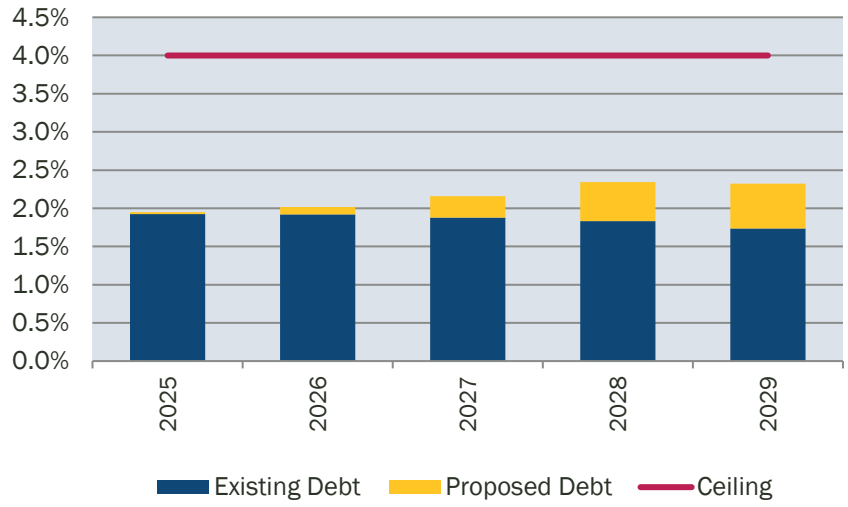
- **What does it measure?** UNC-Chapel Hill's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 4.00%
- Projected 2025 Ratio: 1.95%
- Highest Study Period Ratio: 2.34% (2028)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	4,302,289,183	2.90%	82,776,103	1,169,820	1.92%	0.03%	1.95%
2026	4,411,738,727	2.50%	84,618,158	4,373,701	1.92%	0.10%	2.02%
2027	4,530,150,391	2.50%	85,166,312	12,620,731	1.88%	0.28%	2.16%
2028	4,648,041,098	2.50%	85,165,418	23,806,127	1.83%	0.51%	2.34%
2029	4,767,583,610	2.50%	82,773,948	27,858,287	1.74%	0.58%	2.32%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, UNC-Chapel Hill's debt capacity is based on the amount of debt UNC-Chapel Hill could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	0.33	0.50	615,503,295
2026	0.37	0.50	497,767,448
2027	0.38	0.50	464,286,947
2028	0.38	0.50	462,255,488
2029	0.36	0.50	561,327,016

Limitations on Debt Capacity and Credit Rating Implications

- The debt capacity calculation shown above provides a general indication of UNC-Chapel Hill's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- Projecting the exact amount UNC-Chapel Hill could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **Factor Interdependence**
        - The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
        - For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.
    - **Distortions Across Rating Categories**
        - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes,

meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.

- Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

UNC-Chapel Hill's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2001 B UNCCH	02/07/2001	4,685,000	12/01/2025	General Revenue	Refunding 1990, 1998, 1994, 2005, 2006, 2000 and 1997C	Housing Receipts; Athletics Receipts; Parking Receipts; Dental Receipts; Carolina Inn Receipts; Faculty Practice Receipts
2001 C UNCCH	02/07/2001	4,685,000	12/01/2025	General Revenue	Refunding 1990, 1998, 1994, 2005, 2006, 2000 and 1997C	Housing Receipts; Athletics Receipts; Parking Receipts; Dental Receipts; Carolina Inn Receipts; Faculty Practice Receipts
2012 B UNCCH	07/18/2012	100,000,000	12/01/2041	General Revenue	Capital Projects	Facilities and Administrative (F&A) Receipts; Utilities Receipts; Parking Receipts; Athletics Receipts; Unrestricted Trust Funds; Dining Receipts; Fundraising; Student Debt Fee
2012 C UNCCH	07/10/2012	63,310,000	12/01/2033	General Revenue	Refunding 2001A and 2003	F&A Receipts, Dining Receipts; Carolina Inn Receipts; Housing Receipts; Unrestricted Trust Funds; Parking Receipts; Student Debt Fee; Utility Receipts
2012 D UNCCH	12/14/2012	30,000,000	06/01/2042	General Revenue	Kenan Stadium Improvements Phase II	Foundation/Fundraising
2014 UNCCH	10/09/2014	250,000,000	12/01/2034	General Revenue	Refunding	F&A Receipts, Dining Receipts; Carolina Inn Receipts; Housing Receipts; Unrestricted Trust Funds; Parking Receipts; Student Debt Fee; Utility Receipts
2016 C UNCCH	03/01/2016	351,895,000	12/01/2036	General Revenue	Refunding 2005A and 2007	F&A Receipts, Dining Receipts; Carolina Inn Receipts; Housing Receipts; Unrestricted Trust Funds; Parking Receipts; Student Debt Fee; Utility Receipts; Rizzo Center Operations; Student Stores Receipts
2017 UNCCH	09/21/2017	83,630,000	12/01/2038	General Revenue	Refunding 2009A and 2002A	F&A Receipts; Utilities Receipts; Housing Receipts; Athletics Receipts; Unrestricted Trust Funds; Dining Receipts; Fundraising; Student Debt Fee; Rizzo Center Operations
2019 A UNCCH	02/12/2019	100,000,000	12/01/2041	General Revenue	Refunding 2016A and 2016B	F&A Receipts, Utilities Receipts, Dining Receipts, Housing Receipts, Parking Receipts, Athletics Receipts, Student Debt Fee, Auxiliary Receipts

2019 B UNCCH	02/12/2019	50,925,000	12/01/2034	General Revenue	Refunding 2016A and 2016B	F&A Receipts; Utilities Receipts; Parking Receipts; Housing Receipts; Dining Receipts; Student Debt Fee
2021 A UNCCH	03/01/2021	30,000,000	03/01/2051	General Revenue	Indoor Practice Facility and Fetzer Field	Athletics Receipts
2021 B UNCCH	06/17/2021	103,525,000	12/01/2040	General Revenue	Morehead Chemistry, Campuswide Safety Improvements, Refunding 2009B	Unrestricted Trust Funds; F&A Receipts; Athletics Receipts; Utilities Receipts
2021 C UNCCH	06/17/2021	25,945,000	12/01/2031	General Revenue	Media and Communications Studio, DLAM Renovations, Kenan Labs, Rizzo Center, Translational Research Building	Athletics Receipts; F&A Receipts; Rizzo Center Operations
	Total	**1,198,600,000**				

7. Credit Profile

The following page provides a snapshot of UNC-Chapel Hill's current credit ratings, along with (1) a summary of various credit factors identified in UNC-Chapel Hill's most recent rating report and (2) recommendations for maintaining and improving UNC-Chapel Hill's credit ratings in the future.

Credit Profile of the University – (General Revenue)

THE UNIVERSITY of NORTH CAROLINA at CHAPEL HILL

Overview

- Moody's, Standard and Poor's, and Fitch all maintain triple-A ratings with stable outlooks on UNC-Chapel Hill's general revenue bonds.

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Non Investment Grade		

Key Information Noted in Rating Reports

Credit Strengths

- Excellent student demand and large sponsored research base
- Strong state support for operations and capital
- Superior financial flexibility through significant reserves of total cash and investments for university and related foundations
- Strong prospects for ongoing donor support boosts credit quality

Credit Challenges

- Political limits on tuition pricing and financial aid policies underscore the importance of strong state operating support for maintaining credit quality
- Exposure to more volatile patient care revenue through the university's faculty practice plan and related hospitals
- Need to control expenses and improve operating performance margins
- Monthly days cash on hand is low for the rating category

Recommendations & Observations

- Continue to proactively manage capital investment program and debt portfolio in accordance with the University's existing debt policy and in service of UNC-Chapel Hill's broader strategic mission.
- Control of operational expenses and continued revenue growth will strengthen monthly days cash on hand and unrestricted liquidity reserves
- UNC-CH's excellent credit quality reflects strong internal liquidity, available lending capacity from bank facilities and strong treasury management.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**University of North Carolina Chapel Hill**	**University of Pittsburgh**	**University of Illinois**	**University of Virginia**	**University of Washington**
Most Senior Rating	**Aaa**	**Aa1**	**Aa2**	**Aaa**	**Aa1**
Total Long-Term Debt ($, in millions)	1380	2115	1485	4096	3225
Total Cash & Investments ($, in millions)	6793	6760	4599	11276	9444
Operating Revenue ($, in millions)	4260	3112	6811	5927	8504
Operating Expenses ($, in millions)	4112	3048	6406	5604	8677
Market Performance Ratios					
Annual Change in Operating Revenue (%)	9.0%	4.9%	-9.2%	12.5%	5.7%
Operating Ratios					
Operating Cash Flow Margin (%)	9.5%	11.1%	11.8%	14.1%	5.2%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	1.7	2.2	0.7	2.0	1.1
Total Debt to Operating Expenses (x)	0.3	0.7	0.2	0.7	0.4
Monthly Days Cash on Hand (x)	183	398	229	162	170
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	5.2	3.2	3.1	2.8	2.9
Debt Service to Operating Expenses (%)	2.2%	3.5%	2.0%	2.3%	2.5%
Total Debt-to-Cash Flow (x)	3.4	6.1	1.9	4.9	7.3

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Approved by the University of North Carolina Board of Governors on May 15, 2025

9. Debt Management Policies

UNC-Chapel Hill's current debt policy is included in the following pages.

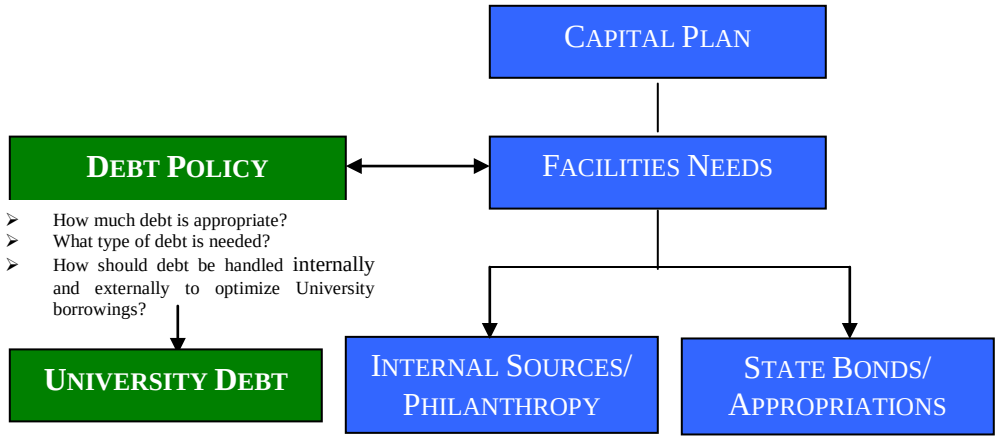
PREFACE

PURPOSE

The University of North Carolina at Chapel Hill's ("the University") strategic and capital planning is a long-term process that is continuously reevaluated. To support the funding of its capital plan, the University has and will utilize a mix of funding sources including State funds (bonds and appropriations), University bonds, internal reserves, and philanthropy.

To ensure the appropriate mix of funding sources is utilized, the University periodically reviews this debt policy. This policy is continuously used by management as a tool to evaluate the University's organizational and capital funding structure, the appropriate use of leverage, and internal lending mechanisms. Maintaining the debt policy is a long-term process.

FIGURE 1. DEBT POLICY FRAMEWORK



CONTENTS

I. INTRODUCTION

APPROACH

To fulfill its mission, the University will need to make ongoing strategic capital investments, driving capital decisions that impact the University's credit. Appropriate financial leverage serves a useful role and should be considered a long-term component of the University's balance sheet. Just as investments represent an integral component of the University's assets, debt is viewed to be a continuing component of the University's liabilities. Debt, especially tax-exempt debt, provides a low cost source of capital for the University to fund capital investments in order to achieve its mission and strategic objectives.

University Mission

"To serve all the people of the State, and indeed the nation, as a center for scholarship and creative endeavor. The University exists to teach students at all levels in an environment of research, free inquiry, and personal responsibility; to expand the body of knowledge; to improve the condition of human life through service and publication; and to enrich our culture."

The debt objectives below, combined with management judgment, provide the framework by which decisions will be made regarding the use and management of debt. The debt policy and objectives are subject to re-evaluation and change over time.

OBJECTIVES

1. Identify projects eligible for debt financing. Using debt to fund mission critical projects will ensure that debt capacity is optimally utilized to fulfill the University's mission. Projects that relate to the core mission will be given priority for debt financing; projects with associated revenues will receive priority consideration as well.

2. Maintain the University's favorable access to capital. Management's determination of the timing of capital projects will not be compromised by the University's access to capital sources, including debt. Management will utilize and issue debt in order to ensure timely access to capital.

3. Limit risk of the University's debt portfolio. The University will manage debt on a portfolio, rather than a transactional or project-specific, basis. The University's continuing objective to achieve the lowest cost of capital will be balanced with the goal of limiting exposure to market shifts.

4. Manage the University's credit to maintain the highest acceptable credit rating. Maintaining the highest acceptable credit rating will permit the University to continue to issue debt and finance capital projects at favorable interest rates while meeting its strategic objectives. The University will limit its overall debt to a level that will maintain an acceptable credit with the bond rating agencies; however, the attainment or maintenance of a specific rating is not an objective of this policy.

I. INTRODUCTION

For the University to achieve the above objectives, it will adopt debt strategies and procedures relating to both the external and the internal management of debt and interest. It is intended for these strategies to be reviewed and reassessed periodically by management.

DEBT STRATEGIES

1 **MISSION BASED CAPITAL PLANNING**. Provide framework with link to mission to evaluate and prioritize projects eligible for debt financing.

2. **CORE RATIOS**. Adopt a set of core financial ratios to guide capital planning and ensure central oversight of University-wide leverage levels.

3. **FINANCIAL INSTRUMENTS**. Provide the University with access to appropriate financing sources, including debt and liability management strategies debt based on borrowing and portfolio management needs.

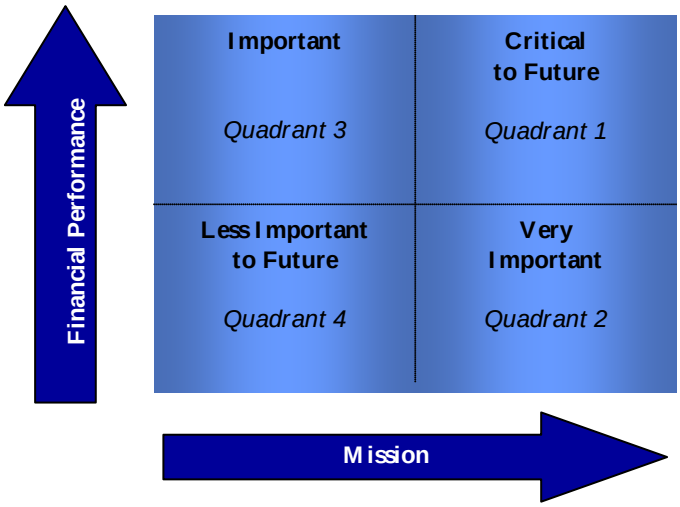
4. **EXTERNAL AND INTERNAL DEBT REPAYMENT**. De-link external and internal debt repayment, including adoption of internal lending policies.

In addition to the debt strategies the University has adopted to support its objectives, the University will also incorporate debt management practices. These practices will be updated periodically and are intended to be resource for management in determining structuring, marketing, and administrative elements of the debt program.

II. DEBT STRATEGIES – 1. MISSION BASED CAPITAL PLANNING

Generally, the following guidelines, although not intended to be all-inclusive, will be considered in the prioritization of the use of debt.

FIGURE 2. DEBT ALLOCATION MATRIX



1. Only projects that relate to the mission of the University, directly or indirectly, will be considered for debt financing.

2. A project that has a related revenue stream or can create budgetary savings will receive priority consideration. Every project considered for financing must have a defined, supportable plan of costs approved by management.

3. In assessing the possible use of debt, all funding sources will be considered. Some combination of State appropriations/bonds, philanthropy, project-generating revenues, research facilities and administrative cost reimbursements, expendable reserves, and other sources are expected to fund a portion of the cost of a project. Debt is to be used prudently and strategically.

4. The University will consider alternative funding opportunities (e.g., joint ventures, real estate development, etc.) when appropriate and advantageous to the University. Opportunities and financing sources will be evaluated within the context of the Debt Policy.

5. Federal research projects will receive priority consideration for external debt financing due to partial reimbursement of operating expenses (including the interest component of applicable debt service) of research facilities.

II. DEBT STRATEGIES – 2. CORE RATIOS

The University will establish guidelines for overall debt using a select number of financial ratios. These ratios will be derived from the financial statements, and should be consistent with some of the measures used by the marketplace. Following are the ratios and corresponding guidelines. They will be calculated and reported annually and when new debt is issued, and will be revised to reflect any changes in accounting standards.

BALANCE SHEET RATIO - EXPENDABLE RESOURCES TO DEBT (X COVERAGE)

POLICY LIMIT. The Expendable Resources to Debt Ratio indicates one of the key determinants of near- to medium-term financial health by measuring the availability of intermediate-term funds to cover debt should the University be required to repay all its outstanding obligations. Although numerous balance sheet measures exist, this ratio is the most appropriate and utilized by the marketplace and credit analysts to evaluate leverage versus funds that could be expended by the University.

$$\frac{\text{UNRESTRICTED AND EXPENDABLE NET ASSETS}}{\text{TOTAL ADJUSTED UNIVERSITY DEBT}^{1}}$$

The target ratio is established to maintain the University's comparative debt coverage level among peer institutions and provide sufficient buffer against possible declines in coverage from decreases in quasi endowment and temporary investment pool balances. The ratio is also a key determinant of the University's credit rating. *The guideline for this ratio is to be no less than 1.5 times coverage.*

STATEMENT OF ACTIVITIES RATIO – DEBT TO OPERATIONS (%)

POLICY LIMIT. This ratio measures the University's ability to repay debt service associated with all outstanding debt and the impact on the overall budget. The target for this ratio is intended to maintain the University's long-term operating flexibility to fund new initiatives.

$$\frac{\text{PRINCIPAL AND INTEREST ON NOTES AND BONDS}}{\text{TOTAL EXPENDITURES}}$$

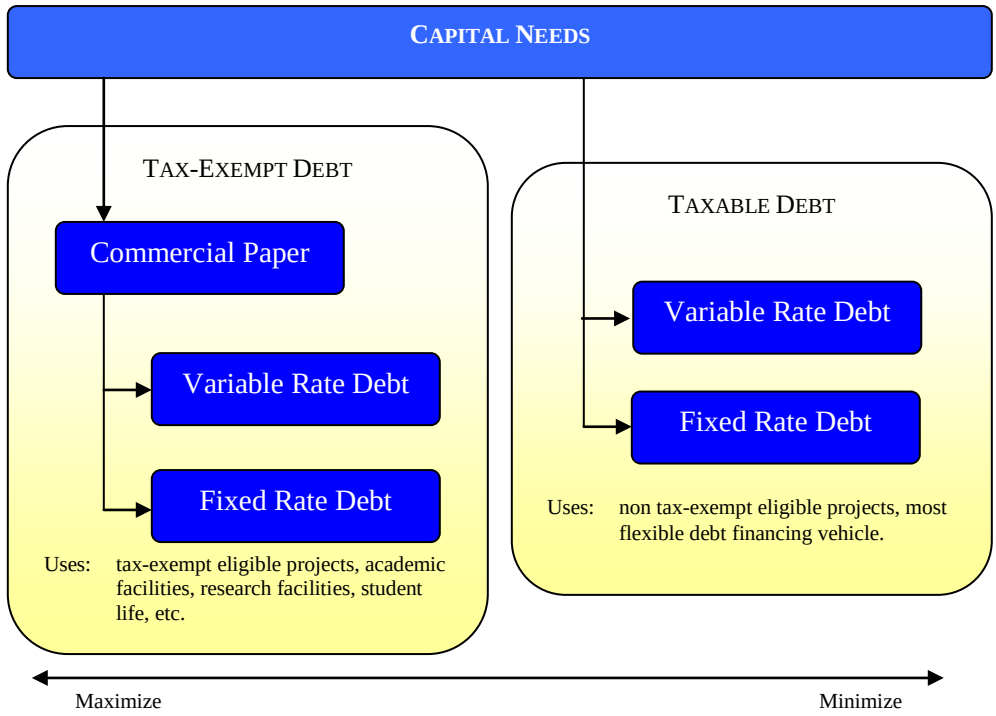
The measure is based on aggregate expenses as opposed to revenues because expenses typically are more stable and better reflect the operating size of the University. Management recognizes that a growing expense base would make this ratio appear more attractive. *The guideline for this ratio is not to be greater than 4.0%. If more than 4.0% of the University's annual budget were committed to debt service expense, flexibility to devote resources to fund other objectives could be reduced.*

[1] Excludes EPA.

II. DEBT STRATEGIES – 3. DEBT INSTRUMENTS

Under the guidance of Treasury and Risk Management Services, the University will pool debt and in doing so, manage debt on a portfolio basis to minimize cost and manage volatility.

FIGURE 3. TAX-EXEMPT AND TAXABLE DEBT



TAX-EXEMPT DEBT

The University recognizes the benefits associated with tax-exempt debt, and therefore will manage the tax-exempt portfolio to maximize the portion of tax-exempt debt outstanding under the Debt Policy.

COMMERCIAL PAPER

The University recognizes that a commercial paper (CP) program can provide low-cost working capital and provide bridge financing for projects; however, as with other debt structures, the level of CP outstanding impacts the University's overall debt capacity.

Commercial paper can provide the University with interim financing for projects before gifts are received or in anticipation of an external bond issue. Project-related CP provides the Central Bank (see Debt Strategies 4 – External and Internal Debt Repayment) with an easily accessible low-cost source of funding to manage its cash balances and provide continuous access to capital to the divisions, regardless of whether an external financing is imminent. Project-related CP will be treated as any other form of debt and subject to the Debt Policy guidelines.

TAXABLE DEBT

The University will manage its debt portfolio to minimize its taxable component. Unlike tax-exempt debt, taxable debt will not be considered a perpetual component of the University's liabilities. Taxable debt will be utilized to fund projects ineligible for tax-exempt financing or for those projects for which the University wants to preserve maximum operating flexibility; however, the University will manage its overall debt portfolio and total financing sources in order to minimize (or eliminate) the need for taxable debt. Periodically and when any new

II. DEBT STRATEGIES – 3. DEBT INSTRUMENTS

debt is issued, the University will determine its aggregate taxable needs and manage the taxable debt portfolio, if any based on the aggregate need and desired flexibility.

INTEREST RATE SWAPS

The use of swaps will be employed primarily to manage the University's variable rate exposure. The University will utilize a framework to evaluate potential derivative instruments through evaluation of its variable rate allocation, market and interest rate conditions, and the compensation for undertaking counterparty exposure. In addition, the University will incorporate the cost/benefit of any derivative instrument. Under no circumstances will a derivative transaction be utilized that is not fully understood by the University or that imposes inappropriate risk on the University.

FIXED VERSUS VARIABLE ALLOCATION

Due to the financing flexibility and typically low interest cost associated with variable-rate debt, it is desirable to maintain a portion of the University's aggregate debt on a floating-rate basis. However, variable-rate debt introduces volatility to the University's debt service obligations and typically requires liquidity support. The University will utilize variable-rate debt on a prudent basis after careful consideration of the cost/benefits of this interest rate mode.

II. DEBT STRATEGIES – 4. EXTERNAL AND INTERNAL DEBT REPAYMENT

TREASURY AND RISK MANAGEMENT SERVICES ("TRMS") AS A CENTRAL BANK

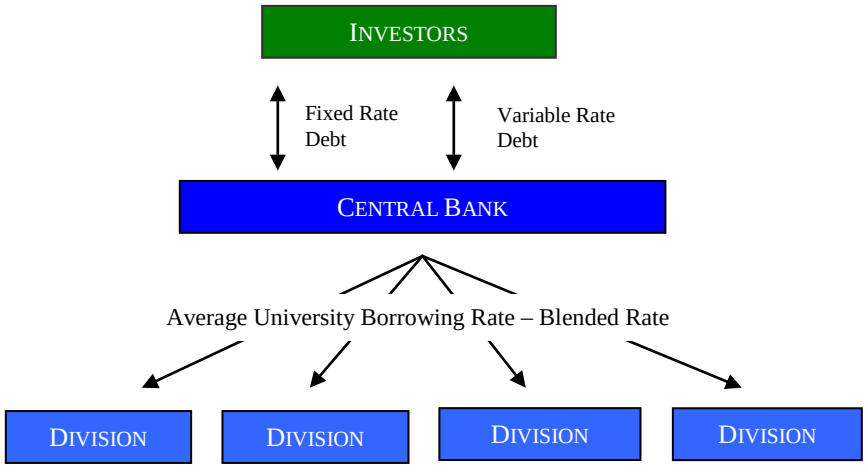
Since it is acknowledged that debt will remain a perpetual component of the University's capitalization, the Office of TRMS will execute transactions, provide funds and develop repayment schedules for individual units. In this regard, TRMS is viewed as a central bank for financing of projects for and across divisions. The University will pool all debt and act as a central source of funds that borrows from the markets and receives capital funds from other sources and makes funds available to the divisions to achieve their objectives.

As mentioned above, debt will remain a long-term component of the University's balance sheet and division leaders will seek funding for projects from the central bank subject to the debt policy. Deans and Vice Chancellors are not concerned about the source of funds to finance their projects; they are interested in the access to capital, the project ranking criteria, the impact on the current budget, and the predictability of future payments. Therefore, it is desirable to decouple the source of financing (e.g., prevailing fixed or variable rates, synthetic debt, etc) from the use of funds to finance capital projects to the greatest extent possible. Project financing decisions will be made based on the Mission Based Capital Planning strategy continued in the Debt Policy, and not based on the timing of specific transactions.

SINGLE UNIVERSITY-WIDE INTEREST RATE – BLENDED RATE

The University will charge a single interest rate for loaned proceeds regardless of use or source. The single University-wide rate will be adjusted periodically based on the University's blended cost of capital on all external debt.

FIGURE 5. BLENDED RATE



The blended interest rate will achieve the following objectives:

- Provide a consistent source of capital to divisions with a predictable and consistent cost of capital. A single interest rate for divisions will make year-to-year budgeting easier for the divisions, since the cost of capital is established at the beginning of the year and is somewhat insulated from changes in market interest rates.
- Align the interests of the University with the divisions. Since debt will be managed on a portfolio basis under debt policy guidelines, transactions will be structured to benefit the entire University, which will benefit the blended rate charged to all divisions.
- Timing of borrowing for projects will not impact the rate borne by the division. The University will time and pool debt issuance for multiple projects to achieve the most economic transactions.

II. DEBT STRATEGIES – 4. EXTERNAL AND INTERNAL DEBT REPAYMENT

The blended interest rate will be influenced by a number of factors:

- Any savings derived from refinancing of existing debt will lower the blended rate, benefiting all borrowers.
- For purposes of the University's variable rate debt, the blended rate will assume a variable rate based on a multi-year moving average of the University's external short-term borrowing cost.
- The University may elect to reserve funds collected in order to minimize year-to-year adjustments in the blended rate. The University's current blended rate is 5.03%.

III. MANAGEMENT PRACTICES

GENERAL REVENUE PLEDGE

The University will utilize general revenue secured debt for all financing needs, unless for certain projects management desires to structure specific revenue pledges independent of general revenue projects. The general revenue pledge provides a strong, flexible security which captures the strengths of not only auxiliary and student related revenues, but of the University's research programs. General revenue bonds price better than corresponding auxiliary or indirect cost recovery bonds. In addition, on general revenue debt the University is not subject to operating or financial covenants and coverage levels imposed by the market and external constituents.

The University will use revenue-specific bonds for those projects that are subsidized externally or not funded by unrestricted current funds of the University. These bonds (e.g. EPA bonds) will be structured to accommodate requirements of the pledged revenue stream or management desires to keep a project independent from other general revenue funded projects.

STRUCTURE (MATURITY, ETC.)

The University will employ maturity structures that correspond with the life of the facilities financed, subject to System and State limitations. As market dynamics change, maturity structures should be reevaluated. Call features should be structured to provide the highest degree of flexibility relative to cost.

METHODS OF SALE

The University will consider any method of sale. Negotiated and competitive bond offerings will be considered on an individual transaction basis. For those transactions that represent a new or non-traditional pledge of University revenues, the University generally will consider negotiated methods of sale over competitive sales.

REFUNDING TARGETS

The University will continuously monitor its outstanding tax-exempt debt portfolio for refunding and/or restructuring opportunities.

For a stand-alone refunding, the University will enter into a transaction that produces at least 3-5% present value savings (based on refunded bonds), with this threshold higher for those transactions with a long escrow.

The University also will consider a refinancing if it relieves the University of certain limitations, covenants, payment obligations or reserve requirements that reduce flexibility. The University will also consider refinancing certain obligations within a new money offering even if savings levels are minimal in order to consolidate debt into the general revenue pledge, and/or reduce the administrative burden and cost of managing many small outstanding obligations.

DISCLOSURE

The University will continue to meet its ongoing disclosure requirements in accordance to SEC rule 15c2-12. The University will submit financial reports, statistical data, and any other material events as required under outstanding bond indentures. The University will attempt to provide all relevant investor information on its website.

III. MANAGEMENT PRACTICES

ARBITRAGE

Annually, the University will comply with arbitrage requirements on invested bond funds. The implementation of tax-exempt CP will reduce the University's ongoing investment of earnings restricted bond funds.

BOND PROCEED INVESTMENT

The University will continue to invest bond-funded construction funds, capitalized interest funds, and costs of issuance funds appropriately to achieve the highest return available under arbitrage limitations. When sizing bond transactions, the University will consider funding on either a net or gross basis.

LIQUIDITY

The University will provide liquidity support for variable rate debt and commercial paper by purchasing external support from a third-party or parties or from internal liquid reserves. While providing internal liquidity support is most economic, the University should not be constrained from investing funds long-term in order to maintain liquidity requirements. The University regularly will review its liquidity requirements and sources make any adjustments as necessary or desired.

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

University of North Carolina at Charlotte

Institution Report

University of North Carolina at Charlotte

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), The University of North Carolina at Charlotte ("***UNC Charlotte***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. UNC Charlotte has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, UNC Charlotte, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily-required ratios—**debt to obligated resources** and the **five-year payout ratio**—UNC Charlotte has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, UNC Charlotte's debt capacity reflects the amount of debt UNC Charlotte could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that UNC Charlotte intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- UNC Charlotte's current debt profile, including project descriptions financed with, and the sources of repayment for, UNC Charlotte's outstanding debt;
- UNC Charlotte's current credit profile, along with recommendations for maintaining or improving UNC Charlotte's credit rating; and
- A copy of any UNC Charlotte debt management policy currently in effect.

Overview of UNC Charlotte

For the fall 2024 semester, UNC Charlotte had a headcount student population of approximately 31,091, including 24,868 undergraduate students and 6,223 graduate students. Over the past five years, UNC Charlotte's enrollment increased 3.1 percent.

UNC Charlotte's average age of plant is 10.5 years. A lower age of plant generally indicates that UNC Charlotte is taking a sustainable approach to its deferred maintenance and reinvestment programs.

UNC Charlotte anticipates incurring no additional debt during the Study Period. UNC Charlotte has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 AND 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 AND 75.
- Outstanding debt service is based on UNC Charlotte's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to UNC Charlotte by the federal government (discounted by an assumed 6.2% sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt UNC Charlotte expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below may overstate UNC Charlotte's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(217,840,187)	41,297,544	585,199,019		408,656,376
2021	(245,531,445)	51,521,868	552,713,174	-12.22%	358,703,597
2022	(108,457,817)	42,771,331	521,389,937	27.04%	455,703,451
2023	40,745,046	41,359,128	459,156,190	18.77%	541,260,364
2024	169,713,141	48,545,120	437,450,159	21.14%	655,708,420
2025	674,723,964	-	-	2.90%	674,723,964
2026	691,592,063	-	-	2.50%	691,592,063
2027	708,881,865	-	-	2.50%	708,881,865
2028	726,603,911	-	-	2.50%	726,603,911
2029	744,769,009	-	-	2.50%	744,769,009

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	664,487,807	(13,290,694)	20,009,802		671,206,915
2021	644,183,720	(10,224,324)	24,816,489	-1.85%	658,775,885
2022	668,996,397	8,750,537	28,124,368	7.15%	705,871,302
2023	684,111,959	1,412,203	58,443,811	5.40%	743,967,973
2024	799,177,036	(7,185,992)	21,179,612	9.30%	813,170,656
2025	836,752,605	-	-	2.90%	836,752,605
2026	857,671,420	-	-	2.50%	857,671,420
2027	879,113,206	-	-	2.50%	879,113,206
2028	901,091,036	-	-	2.50%	901,091,036
2029	923,618,312	-	-	2.50%	923,618,312

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	21,870,000	17,234,495	39,104,495	465,845,000
2026	21,135,000	16,497,724	37,632,724	444,710,000
2027	21,885,000	15,893,845	37,778,845	422,825,000
2028	21,995,000	15,228,853	37,223,853	400,830,000
2029	22,360,000	14,512,730	36,872,730	378,470,000
2030	23,100,000	13,756,113	36,856,113	355,370,000
2031	23,870,000	12,952,308	36,822,308	331,500,000
2032	24,685,000	12,105,041	36,790,041	306,815,000
2033	25,565,000	11,181,146	36,746,146	281,250,000
2034	26,465,000	10,243,328	36,708,328	254,785,000
2035	27,380,000	9,293,716	36,673,716	227,405,000
2036	27,325,000	8,325,267	35,650,267	200,080,000
2037	27,615,000	7,367,301	34,982,301	172,465,000
2038	25,195,000	6,373,892	31,568,892	147,270,000
2039	26,145,000	5,395,422	31,540,422	121,125,000
2040	24,040,000	4,430,979	28,470,979	97,085,000
2041	22,550,000	3,496,112	26,046,112	74,535,000
2042	15,280,000	2,810,454	18,090,454	59,255,000
2043	15,810,000	2,268,698	18,078,698	43,445,000
2044	12,415,000	1,706,812	14,121,812	31,030,000
2045	9,415,000	1,238,898	10,653,898	21,615,000
2046	5,765,000	862,350	6,627,350	15,850,000
2047	6,045,000	582,475	6,627,475	9,805,000
2048	6,335,000	289,000	6,624,000	3,470,000
2049	1,700,000	104,800	1,804,800	1,770,000
2050	1,770,000	35,400	1,805,400	-

3. Proposed Debt Financings

While UNC Charlotte evaluates its capital investment needs on a regular basis, UNC Charlotte currently has no legislatively approved projects that it anticipates financing during the Study Period.

4. Financial Ratios

Debt to Obligated Resources

- **What does it measure?** UNC Charlotte's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

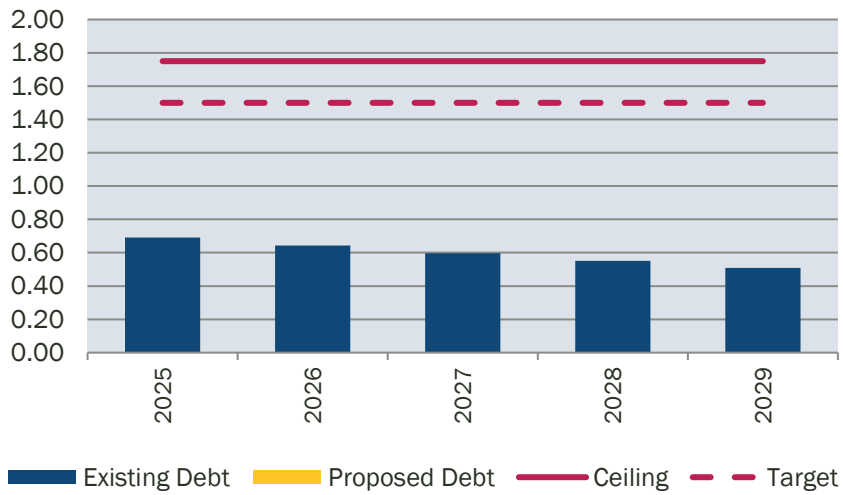
- Target Ratio: 1.50
- Ceiling Ratio: Not to exceed 1.75
- Projected 2025 Ratio: 0.69
- Highest Study Period Ratio: 0.69 (2025)

*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	674,723,964	2.90%	465,845,000	-	0.69	n/a	0.69
2026	691,592,063	2.50%	444,710,000	-	0.64	n/a	0.64
2027	708,881,865	2.50%	422,825,000	-	0.60	n/a	0.60
2028	726,603,911	2.50%	400,830,000	-	0.55	n/a	0.55
2029	744,769,009	2.50%	378,470,000	-	0.51	n/a	0.51

Debt to Obligated Resources



5-Year Payout Ratio Overview

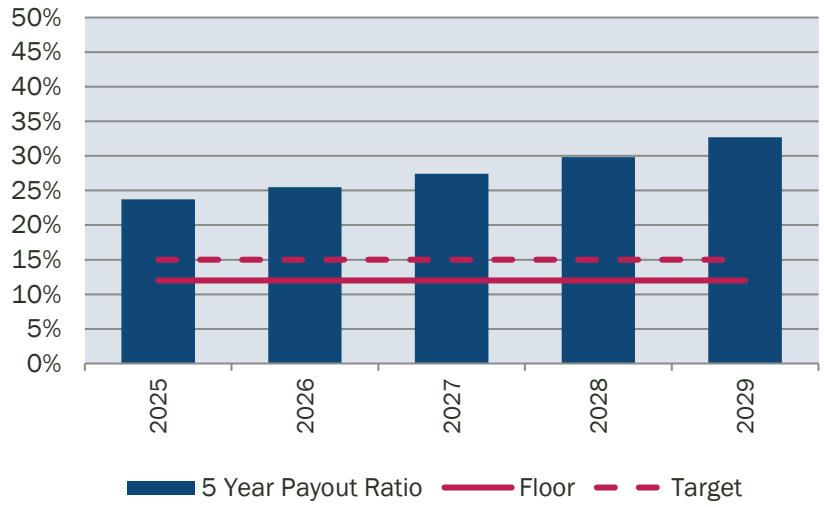
- **What does it measure?** The percentage of UNC Charlotte's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

- Target Ratio: 15%
- Floor Ratio: Not less than 12%
- Projected 2025 Ratio: 24%
- Lowest Study Period Ratio: 24% (2025)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	465,845,000	24%
2026	444,710,000	25%
2027	422,825,000	27%
2028	400,830,000	30%
2029	378,470,000	33%

5-Year Payout Ratio



Debt Service to Operating Expenses

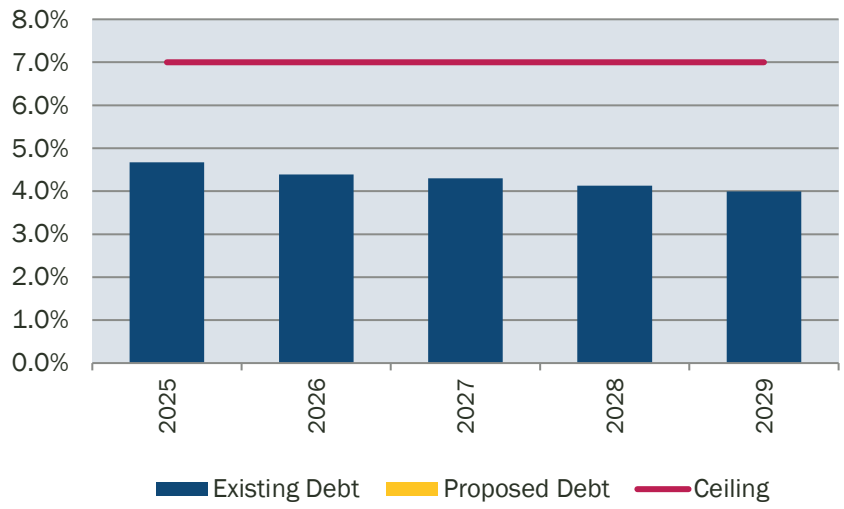
- **What does it measure?** UNC Charlotte's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 7.00%
- Projected 2025 Ratio: 4.67%
- Highest Study Period Ratio: 4.67% (2025)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	836,752,605	2.90%	39,104,495	-	4.67%	n/a	4.67%
2026	857,671,420	2.50%	37,632,724	-	4.39%	n/a	4.39%
2027	879,113,206	2.50%	37,778,845	-	4.30%	n/a	4.30%
2028	901,091,036	2.50%	37,223,853	-	4.13%	n/a	4.13%
2029	923,618,312	2.50%	36,872,730	-	3.99%	n/a	3.99%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, UNC Charlotte's debt capacity is based on the amount of debt UNC Charlotte could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	0.69	1.75	714,921,937
2026	0.64	1.75	765,576,111
2027	0.60	1.75	817,718,264
2028	0.55	1.75	870,726,845
2029	0.51	1.75	924,875,766

Limitations on Debt Capacity and Credit Rating Implications

- The debt capacity calculation shown above provides a general indication of UNC Charlotte's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- **If UNC Charlotte were to use all of its calculated debt capacity during the Study Period, UNC Charlotte's credit ratings may face significant downward pressure**.
- Projecting the exact amount UNC Charlotte could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **The State's Impact**
        - In assessing each institution's credit rating, rating agencies also consider the State's credit rating and demographic trends, the health of its pension system, the level of support it has historically provided to the institution, and any legislation or policies affecting campus operations.
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.

- If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.

- **Factor Interdependence**
  - The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
  - For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.
- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

UNC Charlotte's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2010 UNCC	12/02/2010	27,430,000.00	04/01/2040	General Revenue	Football Complex	Debt Fee
2015 UNCC	04/01/2015	4,185,000.00	04/01/2025	General Revenue	Residence Hall/Refund 2006A/Refund 2007B	Housing Revenues, Parking Revenues, Debt Fee
2017 UNCC	10/12/2017	68,700,000.00	10/01/2047	General Revenue	Residence Hall Improvements/Health & Wellness Center	Debt Fee; Housing Revenues
2017 A UNCC	12/22/2017	69,420,000.00	10/01/2040	General Revenue	Refund Series 2012A	Overhead Receipts; Dining Revenues; Housing Revenues; Parking Revenues
2017 B UNCC	12/22/2017	11,245,000.00	10/01/2040	General Revenue	Refund Series 2012B, 2007A, and a portion of 2010B-1	Overhead Receipts; Dining Revenues; Debt Fee; Housing Revenues; Parking Revenues
2020 A UNCC	01/28/2020	61,585,000.00	10/01/2049	General Revenue	Phase 16	Housing Revenues
2020 B UNCC	01/28/2020	20,005,000.00	04/01/2041	General Revenue	Refunding 2012B	Housing Revenues
2021 UNCC	03/17/2021	89,385,000.00	04/01/2044	General Revenue	Refunding 2013B GO - Residence Hall, Refunding 2015 LOB, Refunding 2014 GO - Residence Hall	Housing Revenues
2021 B UNCC	12/09/2021	135,760,000.00	04/01/2045	General Revenue	Refunding 2013A, Refunding 2015	Housing Revenues; Debt Fee
	Total	**487,715,000.00**				

7. Credit Profile

The following page provides a snapshot of UNC Charlotte's current credit ratings, along with (1) a summary of various credit factors identified in UNC Charlotte's most recent rating report and (2) recommendations for maintaining and improving UNC Charlotte's credit ratings in the future.

Credit Profile of the University – (General Revenue)

Overview

- Moody's maintains a Aa3 rating on UNC Charlotte's general revenue bonds. The outlook is stable.
- Standard and Poor's upgraded UNC Charlotte's rating to AA - on its general revenue bonds. The outlook is stable.

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Non Investment Grade		

Key Information Noted in Rating Reports

Credit Strengths

- Strong financial positions with favorable operations, healthy liquidity, and growing reserves
- Desirable urban location in economically vibrant city
- University has maintained steady enrollment and student demand which contributes to growth of net tuition revenues
- Strong operating and capital support from the Aaa-rated State of North Carolina

Credit Challenges

- Lower financial resources-to-debt ratio and moderately higher financial leverage as compared to similarly rated peers
- Tuition pricing constraints could reduce future budget predictability
- Concentrated market to geographic student base

Recommendations & Observations

- Continue to develop initiatives to highlight and strengthen UNC Charlotte's distinctive market position.
- Strong operating reserves and liquidity provide UNCC financial flexibility and favorable debt affordability.
- Continue to seek strategies to limit new debt in the near term while addressing critical infrastructure needs, in accordance with UNC Charlotte's existing debt policy and in service of UNC Charlotte's other strategic initiatives.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**University of North Carolina Charlotte**	**George Mason University**	**Northern Arizona University**	**Portland State University**	**Florida Atlantic University**
Most Senior Rating	**Aa3**	**A1**	**A1**	**N/A**	**A1**
Total Long-Term Debt ($, in millions)	559	623	706	184	275
Total Cash & Investments ($, in millions)	994	500	346	266	409
Operating Revenue ($, in millions)	835	940	691	499	641
Operating Expenses ($, in millions)	786	903	672	512	601
Market Performance Ratios					
Annual Change in Operating Revenue (%)	5.4%	4.0%	7.9%	-6.1%	1.8%
Operating Ratios					
Operating Cash Flow Margin (%)	13.8%	13.1%	14.1%	5.5%	12.0%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	1.2	0.6	0.5	0.5	0.7
Total Debt to Operating Expenses (x)	0.7	0.7	1.1	0.4	0.5
Monthly Days Cash on Hand (x)	229	197	137	200	262
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	1.8	0.8	0.5	1.4	1.5
Debt Service to Operating Expenses (%)	5.1%	6.1%	7.3%	4.0%	1.2%
Total Debt-to-Cash Flow (x)	4.8	5.1	7.3	6.7	3.6

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Approved by the University of North Carolina Board of Governors on May 15, 2025

Debt Management Policies

UNC Charlotte's current debt policy is included in the following pages.

University Policy 601.18, Debt Policy

Executive Summary:

This Policy outlines the University philosophy on debt, establishes the framework for approving, managing, and reporting debt and provides debt management guidelines.

I. Policy Statement

The mission of The University of North Carolina at Charlotte (University) is supported by the development and implementation of the long-term strategic plan. The strategic plan establishes University-wide priorities and programmatic objectives. The University develops a capital plan to support these priorities and objectives.

The University's use of debt plays a critical role in ensuring adequate and cost effective funding for the capital plan. By linking the objectives of its Debt Policy to its strategic objectives, the University ultimately increases the likelihood of achieving its mission.

This Debt Policy is intended to be a dynamic document that will evolve over time to meet the changing needs of the University.

A. Scope

This Debt Policy applies to the University and affiliated entities and covers all forms of debt including long-term, short-term, fixed-rate, and variable-rate debt. It also covers other forms of financing including both on-balance sheet and off-balance sheet structures, such as leases, and other structured products used with the intent of funding capital projects.

The use of derivatives is not covered under this policy. When the use of derivatives is being considered a separate Interest Rate Risk Management policy will be drafted.

B. Objectives

The objectives of this policy are to:

(i) Outline the University's philosophy on debt

(ii) Establish a control framework for approving and managing debt

(iii) Define reporting guidelines

(iv) Establish debt management guidelines

This Debt Policy formalizes the link between the University's Strategic Plan and the issuance of debt. Debt is a limited resource that must be managed strategically in order to best support University priorities.

The policy establishes a control framework to ensure that appropriate discipline is in place regarding capital rationing, reporting requirements, debt portfolio composition, debt servicing, and debt authorization. It establishes guidelines to ensure that existing and proposed debt

issues are consistent with financial resources to maintain an optimal amount of leverage, a strong financial profile, and a strategically optimal credit rating.

Under this policy, debt is being managed to achieve the following goals:

(i) Maintaining access to financial markets: capital, money, and bank markets.

(ii) Managing the University's credit rating to meet its strategic objectives while maintaining the highest acceptable creditworthiness and most favorable relative cost of capital and borrowing terms;

(iii) Optimizing the University's debt mix (i.e., short-term and long-term, fixed-rate and floating-rate) for the University's debt portfolio;

(iv) Managing the structure and maturity profile of debt to meet liquidity objectives and make funds available to support future capital projects and strategic initiatives;

(v) Coordinating debt management decisions with asset management decisions to optimize overall funding and portfolio management strategies.

The University may use debt to accomplish critical priorities by more prudently using debt financing to accelerate the initiation or completion of certain projects, where appropriate. As part of its review of each project, the University evaluates all funding sources to determine the optimal funding structure to achieve the lowest cost of capital.

II. Roles and Responsibilities; Compliance

The Office of the Vice Chancellor for Business Affairs ("VCBA") is responsible for implementing this policy and for all debt financing activities. The policy and any subsequent, material changes to the policy must be approved by the Chancellor after consultation with the University's Board of Trustees ("BOT".) The approved policy provides the framework under which debt management decisions are made.

The exposure limits listed in the policy are monitored on a regular basis by Treasury Services. The office of the VCBA reports regularly to the Chancellor and the BOT on the University's debt position and plans.

III. Procedures

A. Debt Affordability and Capacity

In assessing its current debt levels and when planning for additional debt, the University takes into account both its debt affordability and debt capacity. Debt affordability focuses on the University's ability to service its debt through its operating budget and identified revenue streams and is driven by strength in income and cash flows. Debt capacity focuses on the University's financial leverage in terms of debt funding as a percentage of the University's total capital.

The University considers many factors in assessing its debt affordability and debt capacity including its strategic plan, market position, and alternative sources of funding. The University

uses four key quantitative ratios to inform its assessments with respect to debt affordability and debt capacity.

The ratios described below are not intended to track a specific rating, but rather to help the University maintain a competitive financial profile and funding for facilities needs and reserves.

This Debt Policy is shared with external credit analysts and other parties to provide them with background on the University's philosophy on debt and management's assessment of debt capacity and affordability.

1. Debt Affordability Measures

a. Debt Burden Percentage

This ratio measures the University's debt service burden as a percentage of total university expenses. The target for this ratio is intended to maintain the University's long-term operating flexibility to finance existing requirements and new initiatives.

$$\frac{\text{ANNUAL DEBT SERVICE}}{\text{TOTAL OPERATING EXPENSES}} \leq 6.0\%$$

The measure is based on aggregate operating expenses as opposed to operating revenues because expenses typically are more stable (e.g. revenues may be subject to one-time operating gifts, investment return fluctuations, variability of State funding, etc.) and better reflect the operating base of the University. This ratio is adjusted to reflect any non-amortizing or non-traditional debt structures that could result in significant single year fluctuations including the effect of debt refundings.

b. Average Debt Service Coverage Ratio

This ratio measures the University's ability to cover debt service requirements from adjusted net operating income. This calculation is a three-year average of income compared to actual debt services on capital debt. The target established is intended to ensure that operating revenues are sufficient to meet debt service requirements and that debt service does not consume too large a portion of income.

$$\frac{\text{THREE YEARS ANNUAL OPERATING SURPLUS (DEFICIT) + NON-OPERATING REVENUE} + \text{DEPRECIATION}}{\text{THREE YEARS ANNUAL DEBT SERVICE}} > 2X$$

This ratio is adjusted to reflect any non-amortizing or non-traditional debt structures that could result in significant single year fluctuations including the effect of debt refundings.

2. Debt Capacity Measures

a. Average Viability Ratio

This ratio indicates one of the most basic determinants of financial health by measuring the three year average availability of liquid and expendable net assets to the three year average aggregate debt. The ratio measures the medium to long-term health of the University's balance sheet and debt capacity and is a critical consideration of universities with the highest credit quality.

Many factors influence the viability ratio, affecting both the assets (e.g., investment performance, philanthropy) and liabilities (e.g., timing of bond issues), and therefore the ratio is best examined in the context of changing market conditions so that it accurately reflects relative financial strength.

$$\frac{\text{THREE YEARS UNRESTRICTED NET ASSETS} + \text{RESTRICTED EXPENDABLE NET ASSETS}}{\text{THREE YEARS AGGREGATE DEBT}} \geq .6x$$

b. Debt Capitalization Ratio

This ratio measures the percentage of University capital that comes from debt. A university that relies too heavily on debt capital may risk being over-leveraged and potentially reduce its access to capital markets. Conversely, a university that does not strategically utilize debt as a source of capital may not be optimizing its funding mix, thereby sacrificing access to low-cost funding to invest in mission objectives.

$$\frac{\text{AGGREGATE DEBT}}{\text{TOTAL NET ASSETS + AGGREGATE DEBT}} <= 35\%$$

Both the Viability and Debt Capitalization Ratios include any component unit (University-related foundation) balances as disclosed in the University's financial statements.

B. Financing Sources

The University recognizes that there are numerous types of financing structures and funding sources available, each with specific benefits, risks, and costs. All potential funding sources are reviewed by management within the context of this Debt Policy and the overall portfolio to ensure that any financial product or structure is consistent with the University's objectives. Regardless of what financing structure(s) are utilized, due-diligence review must be performed for each transaction, including (i) quantification of potential risks and benefits; and (ii) analysis of the impact on University creditworthiness and debt affordability and capacity.

1. Tax-Exempt Debt

The University recognizes that tax-exempt debt is a significant component of the University's capitalization due in part to its substantial cost benefits; therefore, tax-exempt debt is managed as a portfolio of obligations designed to meet long-term financial objectives rather than as a series of discrete financings tied to specific projects. The University manages the debt portfolio to maximize its utilization of tax-exempt debt relative to taxable debt whenever possible. In all circumstances, however, individual projects continue to be identified and tracked to ensure compliance with all tax and reimbursement regulations.

For tax-exempt debt, the University considers maximizing the external maturity of any tax-exempt bond issue, subject to prevailing market conditions and opportunities and other considerations, including applicable regulations.

2. Taxable Debt

In instances where certain of the University's capital projects do not qualify for tax-exempt debt, the use of taxable debt may be considered. The taxable debt market offers certain advantages in terms of liquidity and marketing efficiency; such advantages will be considered when evaluating the costs and benefits of a taxable debt issuance.

3. Commercial Paper

Commercial paper provides the University with interim financing for projects in anticipation of philanthropy or planned issuance of long-term debt. The use of commercial paper also provides greater flexibility on the timing and structuring of individual bond transactions. This flexibility also makes commercial paper appropriate for financing equipment and short-term operating needs. The University recognizes that the amount of commercial paper is limited by this Debt Policy ratios, the University's variable-rate debt allocation limit, and the University's available liquidity support.

4. University-issued vs. State-Issued Debt

In determining the most cost effective means of issuing debt, the University evaluates the merits of issuing debt directly vs. participating in debt pools through the UNC System Board of Governors. On a regular basis, the University performs a cost/benefit analysis between these two options and takes into consideration the comparative funding costs, flexibility in market timing, and bond ratings of each alternative. The University also takes into consideration the future administrative flexibility of each issue such as the ability to call and/or refund issues at a later date, as well as the administrative flexibility to structure and manage the debt in a manner that the University believes to be appropriate and in the University's best interest.

5. Other Financing Sources

Given limited debt capacity and substantial capital needs, opportunities for alternative and non-traditional transaction structures may be considered. The University recognizes these types of transactions often can be more expensive than traditional University debt structures; therefore, the benefits of any potential transaction must outweigh any potential costs.

All structures may be considered only when the economic benefit and the likely impact on the University's debt capacity and credit have been determined. Specifically, for any third-party or developer-based financing, management ensures the full credit impact of the structure is evaluated and quantified.

C. Portfolio Management of Debt

The University considers its debt portfolio holistically to optimize the portfolio of debt for the entire University rather than on a project-by-project basis while taking into account the University's cash and investment portfolio (see Appendix A). Therefore, management makes

decisions regarding project prioritization, debt portfolio optimization, and financing structures within the context of the overall needs and circumstances of the University.

1. Variable-Rate Debt

The University recognizes that a degree of exposure to variable interest rates within the University's debt portfolio might be desirable in order to:

(i) take advantage of repayment/restructuring flexibility;

(ii) benefit from historically lower average interest costs;

(iii) provide a "match" between debt service requirements and the projected cash flows from the University's assets; and

(iv) diversify its pool of potential investors.

Management monitors overall interest rate exposure, analyzes and quantifies potential risks, including interest rate, liquidity and rollover risks, and coordinates appropriate fixed/variable allocation strategies. The portfolio allocation to variable-rate debt may be managed or adjusted through (i) the issuance or redemption of debt in the conventional debt market (e.g. new issues and refundings) and (ii) the use of interest rate derivative products including swaps.

The amount of variable-rate debt outstanding (adjusted for any derivatives) shall not exceed 10% of the University's outstanding debt. This limit is based on the University's desire to: (i) limit annual variances in its interest payments; (ii) provide sufficient structuring flexibility to management; (iii) keep the University's variable-rate allocation within acceptable external parameters; and (iv) utilize variable-rate debt (including derivatives) to optimize debt portfolio allocation and minimize costs.

$$\frac{\text{VARIABLE-RATE DEBT (INCLUDING SYNTHETIC DEBT)}}{\text{TOTAL DEBT OUTSTANDING}} \quad <=10\%$$

2. Refinancing Outstanding Debt

The University monitors its debt portfolio on a continual basis to assure portfolio management objectives are being met and to identify opportunities to lower its cost of funding, primarily through refinancing outstanding debt. The University of North Carolina General Administration prefers a savings of 2% for refinancing current outstanding debt. Savings requirements in excess of 2% may be required from time to time by the Vice Chancellor for Business Affairs.

The University monitors the prices and yields of its outstanding debt and attempts to identify potential refunding candidates by examining refunding rates and calculating the net present value of any refunding savings after taking into account all transaction costs. The University may choose to pursue refundings for economic and/or legal reasons. The University reserves the right to not partially refund an issue.

3. Liquidity Requirements

If the University's portfolio includes variable-rate debt and commercial paper, liquidity support is required in the event of the bonds or paper being put back to the University by investors. Generally, the University can purchase liquidity support externally from a

bank in the form of a standby bond purchase agreement or line of credit. In addition, the University may consider using its own capital in lieu of or to supplement external liquidity facilities. Alternatively, it may utilize variable-rate structures that do not require liquidity support (e.g. auction-rate products.)

Just as the University manages its debt on a portfolio basis, it also manages its liquidity needs by considering its entire asset and debt portfolio, rather than managing liquidity solely on an issue-specific basis. This approach permits institution-wide evaluation of desired liquidity requirements and exposure, minimizes administrative burden, and reduces total liquidity costs.

A balanced approach may be used to provide liquidity support to enhance credit for variable-rate debt, through a combination of external bank liquidity, auction market or derivative structures. Using a variety of approaches limits dependence on an individual type or source of credit; it also allows for exposure to different types of investors. The University must balance liquidity requirements with its investment objectives and its cost and renewal risk of third-party liquidity providers.

Further, a portfolio-approach to liquidity can enhance investment flexibility, reduce administrative requirements, lower total interest costs, and reduce the need for external bank liquidity.

4. Overall Exposure

The University recognizes that it may be exposed to interest rate, third-party credit, and other potential risks in areas other than direct University debt (e.g., counterparty exposure in the investment portfolio, etc.) and, therefore, exposures are considered on a comprehensive University-wide basis.

D. Strategic Debt Allocation

Recognizing that financial resources are not sufficient to fund all capital projects, management must allocate debt strategically, continuing to explore alternate sources of funding for projects. External support, philanthropy, and direct State investment remain critical to the University's facilities investment plan.

Management allocates the use of debt financing internally within the University to reflect the prioritization of debt resources among all uses, including plant and equipment financing, academic projects, and projects with institutional impact. Generally, the University favors debt financing for those projects critical to the attainment of its strategic goals and those projects with identified revenue streams for the repayment of debt service and incremental operating costs.

Each capital project is analyzed at its inception to ensure that capital is used in the most effective manner and in the best interests of the University. There is an initial institutional review of each project, prior to its inclusion in the capital plan, to determine if debt leveraging would be desirable even if not requested by the project sponsor.

As part of this initial institutional review, the University also will assess, based on the project's business plan, the sufficiency of revenues to support any internal loans. If the University determines that collateral is necessary, it may require the entity to segregate unrestricted funds for this purpose.

E. Debt Administration and Other Matters

The issuance of tax-exempt debt generally requires the aid and assistance of several outside parties:

- Use of a financial advisor is recommended with a competitive selection process at least once every five years.

- Bond counsel appointments are competitively determined at least once every five years.

- The selection of underwriters is recommended for each debt issuance using a competitive process. Co-managers are recommended for issuances of $30 million or more and will be selected from the same group of underwriters responding to the competitive bid process.

Debt issuance can be "sized" to include capitalized interest and borrowing costs up to 5% of the debt issuance.

Reimbursement resolutions will be prepared for each debt issuance.

F. Approval Process

All debt issued is by the authority granted to the UNC System Board of Governors under N.C.G.S. § 116D, Article 3. All debt issue is approved by the UNC Charlotte Board of Trustees and then by the UNC System Board of Governors.

When the University participates in bond programs that are administered by the State, including State tax supported debt, such bonds are issued by the State Treasurer, who also possesses the authority to price such bonds.

Revision History: Initially approved February 2, 2015
A**uthority:** Chancellor
Responsible Office: Business Affairs

May 14, 2025

The University of North Carolina System
Debt Capacity Study - Fiscal Year 2024

The University of North Carolina at Greensboro

Institution Report

The University of North Carolina at Greensboro

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), University of North Carolina at Greensboro ("***UNC Greensboro***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. UNC Greensboro has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, UNC Greensboro, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily-required ratios—**debt to obligated resources** and the **five-year payout ratio**—UNC Greensboro has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, UNC Greensboro's debt capacity reflects the amount of debt UNC Greensboro could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that UNC Greensboro intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- UNC Greensboro's current debt profile, including project descriptions financed with, and the sources of repayment for, UNC Greensboro's outstanding debt;
- UNC Greensboro's current credit profile, along with recommendations for maintaining or improving UNC Greensboro's credit rating; and
- A copy of any UNC Greensboro debt management policy currently in effect.

Overview of UNC Greensboro

For the fall 2024 semester, UNC Greensboro had a headcount student population of approximately 18,012, including 14,416 undergraduate students and 3,596 graduate students. Over the past five years, UNC Greensboro's enrollment has decreased by 8.9 percent.

UNC Greensboro's average age of plant is 11.4 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

UNC Greensboro does not anticipate significant additional borrowings during the Study Period. UNC Greensboro has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on UNC Greensboro's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to UNC Greensboro by the federal government (discounted by an assumed 6.2 percent sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt UNC Greensboro expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below may overstate UNC Greensboro's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(220,162,163)	28,812,522	388,626,859		197,277,218
2021	(190,781,197)	35,646,088	364,275,326	6.01%	209,140,217
2022	(123,484,516)	29,469,872	341,290,181	18.23%	247,275,537
2023	(37,583,864)	30,747,084	299,752,993	18.46%	292,916,213
2024	23,851,540	36,066,714	287,079,769	18.46%	346,998,023
2025	357,060,966	-	-	2.90%	357,060,966
2026	365,987,490	-	-	2.50%	365,987,490
2027	375,137,177	-	-	2.50%	375,137,177
2028	384,515,606	-	-	2.50%	384,515,606
2029	394,128,497	-	-	2.50%	394,128,497

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	455,515,453	(9,221,688)	17,140,117		463,433,882
2021	434,752,757	(6,786,506)	19,515,334	-3.44%	447,481,585
2022	448,016,797	6,182,457	21,074,405	6.21%	475,273,659
2023	431,997,855	(1,271,136)	39,718,690	-1.02%	470,445,409
2024	465,918,255	(5,322,975)	12,317,447	0.52%	472,912,727
2025	486,627,196	-	-	2.90%	486,627,196
2026	498,792,876	-	-	2.50%	498,792,876
2027	511,262,698	-	-	2.50%	511,262,698
2028	524,044,265	-	-	2.50%	524,044,265
2029	537,145,372	-	-	2.50%	537,145,372

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	15,085,699	10,349,658	25,435,357	222,329,071
2026	15,698,719	9,712,929	25,411,648	206,630,352
2027	21,256,352	9,060,868	30,317,220	185,374,000
2028	14,287,000	8,227,034	22,514,034	171,087,000
2029	14,946,000	7,566,382	22,512,382	156,141,000
2030	14,483,000	6,853,476	21,336,476	141,658,000
2031	15,145,000	6,180,453	21,325,453	126,513,000
2032	15,853,000	5,492,203	21,345,203	110,660,000
2033	16,575,000	4,789,505	21,364,505	94,085,000
2034	17,290,000	4,062,055	21,352,055	76,795,000
2035	16,045,000	3,386,818	19,431,818	60,750,000
2036	16,730,000	2,702,618	19,432,618	44,020,000
2037	12,175,000	2,002,493	14,177,493	31,845,000
2038	10,250,000	1,527,850	11,777,850	21,595,000
2039	10,730,000	1,046,750	11,776,750	10,865,000
2040	2,520,000	543,250	3,063,250	8,345,000
2041	2,645,000	417,250	3,062,250	5,700,000
2042	2,780,000	285,000	3,065,000	2,920,000
2043	2,920,000	146,000	3,066,000	-
2044			-	-
2045			-	-
2046			-	-
2047			-	-
2048			-	-

3. Proposed Debt Financings

While UNC Greensboro evaluates its capital investment needs on a regular basis, UNC Greensboro currently has no legislatively approved projects that it anticipates financing during the study period.

4. Financial Ratios

Debt to Obligated Resources

- **What does it measure?** UNC Greensboro's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

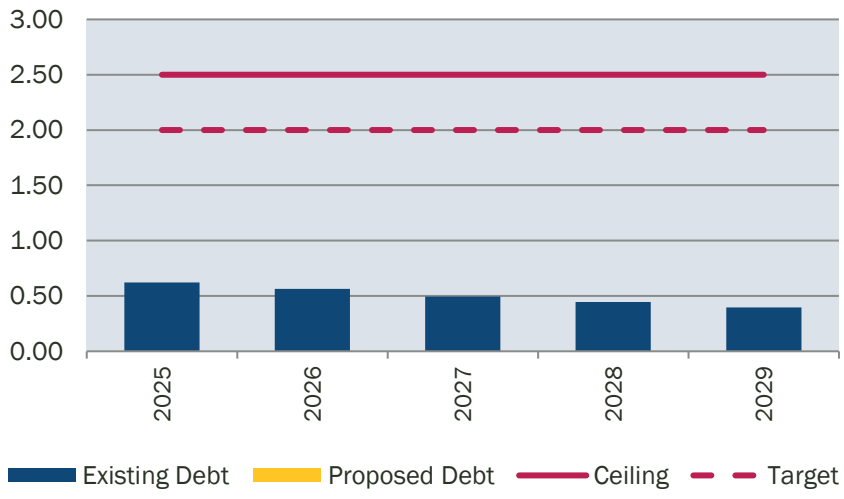
- Target Ratio: 2.00
- Ceiling Ratio: Not to exceed 2.50
- Projected 2025 Ratio: 0.78
- Highest Study Period Ratio: 0.78 (2024)

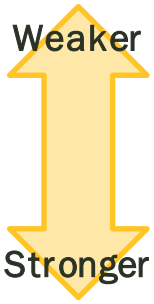
*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	357,060,966	2.90%	222,329,071	-	0.62	n/a	0.62
2026	365,987,490	2.50%	206,630,352	-	0.56	n/a	0.56
2027	375,137,177	2.50%	185,374,000	-	0.49	n/a	0.49
2028	384,515,606	2.50%	171,087,000	-	0.44	n/a	0.44
2029	394,128,497	2.50%	156,141,000	-	0.40	n/a	0.40

Debt to Obligated Resources





5-Year Payout Ratio Overview

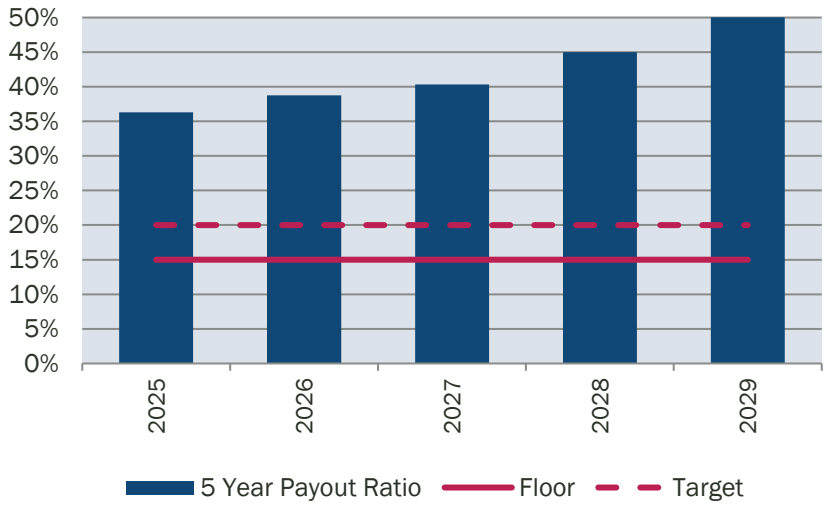
- **What does it measure?** The percentage of UNC Greensboro's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

- Target Ratio: 20%
- Floor Ratio: Not less than 15%
- Projected 2025 Ratio: 34%
- Lowest Study Period Ratio: 34% (2024)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	222,329,071	36%
2026	206,630,352	39%
2027	185,374,000	40%
2028	171,087,000	45%
2029	156,141,000	51%

5-Year Payout Ratio



Approved by the University of North Carolina Board of Governors on May 15, 2025

Debt Service to Operating Expenses

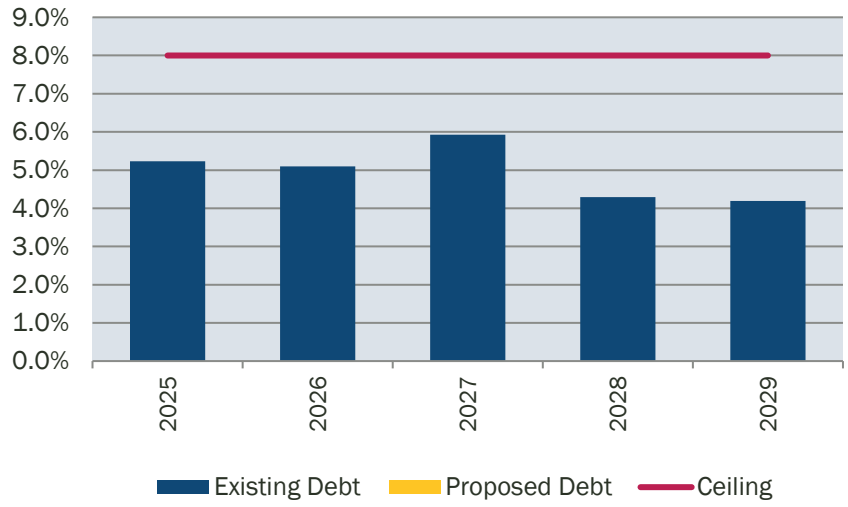
- **What does it measure?** UNC Greensboro's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 8.00%
- Projected 2025 Ratio: 5.23%
- Highest Study Period Ratio: 5.79% (2027)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	486,627,196	2.90%	25,435,357	-	5.23%	n/a	5.23%
2026	498,792,876	2.50%	25,411,648	-	5.09%	n/a	5.09%
2027	511,262,698	2.50%	30,317,220	-	5.93%	n/a	5.93%
2028	524,044,265	2.50%	22,514,034	-	4.30%	n/a	4.30%
2029	537,145,372	2.50%	22,512,382	-	4.19%	n/a	4.19%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, UNC Greensboro's debt capacity is based on the amount of debt UNC Greensboro could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	0.62	2.50	670,323,343
2026	0.56	2.50	708,338,373
2027	0.49	2.50	752,468,943
2028	0.44	2.50	790,202,016
2029	0.40	2.50	829,180,242

Limitations on Debt Capacity and Credit Rating Implications

- The debt capacity calculation shown above provides a general indication of UNC Greensboro's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- **If UNC Greensboro were to use all of its calculated debt capacity during the Study Period, UNC Greensboro's credit ratings may face significant downward pressure**.
- Projecting the exact amount UNC Greensboro could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **The State's Impact**
        - In assessing each institution's credit rating, rating agencies also consider the State's credit rating and demographic trends, the health of its pension system, the level of support it has historically provided to the institution, and any legislation or policies affecting campus operations.
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.

        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.
    - **Factor Interdependence**
        - The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
        - For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.
    - **Distortions Across Rating Categories**
        - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
        - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

UNC Greensboro's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2014 UNCG	06/19/2014	15,000,000	04/01/2039	General Revenue	Spartan Village and Student Recreation Center	Student Facilities Fee; Housing Revenues
2015 UNCG	04/29/2015	833,000	04/01/2026	General Revenue	Refunding 2005A and 2012B	Student Facilities Fee; Housing Revenues; Parking Revenues
2016 UNCG	04/04/2016	15,925,000	04/01/2034	General Revenue	Refunding 2009A	Housing Revenues; Parking Revenues
2017 UNCG	12/14/2017	66,280,000	04/01/2036	General Revenue	Refunding 2011 and 2012A	Student Facilities Fee; Housing Revenues; Dining Revenues; Auxiliary Revenues
2017 UNCG	05/19/2017	7,804,240	04/01/2027	CFF Lease	Advances to Fund Improvements	Appropriations; Auxiliary Revenue; Student Fees
2018 UNCG	06/06/2018	38,200,000	04/01/2043	General Revenue	Spartan Village - Phase II	Housing Revenues
2020 UNCG	04/01/2020	3,296,530	04/01/2026	General Revenue	Refunding 2010B-2	Student Facilities Fee; Parking Revenues; Dining Revenues
2021 A UNCG	05/21/2021	997,000	04/01/2027	General Revenue	Refunding 2011	Housing Revenues; Dining Revenues
2022 UNCG	1/18/2022	11,694,000	04/01/2037	General Revenue	Refunding 2021B	Student Facilities Fee; Housing Revenues; Dining Revenues; Auxiliary Revenues
2024 UNCG	1/16/2024	77,385,000	04/01/2039	General Revenue	Refunding 2014	Student Facilities Fee; Housing Revenues
	Total	**237,414,770**				

7. Credit Profile

The following page provides a snapshot of UNC Greensboro's current credit ratings, along with (1) a summary of various credit factors identified in UNC Greensboro's most recent rating report and (2) recommendations for maintaining and improving UNC Greensboro's credit ratings in the future.

Credit Profile of the University – (General Revenue)

Overview

- Moody's maintains a Aa3 rating on UNC Greensboro's general revenue bonds. The outlook is stable.
- Standard and Poor's maintains an A+ rating on UNC Greensboro's general revenue bonds. The outlook is stable.

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

Non Investment Grade

Key Information Noted in Rating Reports

Credit Strengths

- Healthy support for operations and capital projects from the Aaa-rated State of North Carolina
- Moderate sized public university with favorable student demand
- Future financial reserve growth should outperform previous years as a period of extensive capital investment concludes
- Track record of solid financial management and planning supports continued favorable operating performance

Credit Challenges

- State-imposed tuition pricing constraints limit pricing flexibility and will likely suppress tuition revenue growth
- While debt metrics has improved, elevated financial leverage could limit the ability to issue more debt without additional revenue growth and spendable cash and investments

Recommendations & Observations

- Pursue strategies, working within the existing statutory framework relating to reversions, to increase liquidity through growth in cash reserves.
- Continue to seek strategies to limit new debt in the near term while addressing critical infrastructure needs, in accordance with UNC Greensboro's existing debt policy and in service of UNC Greensboro's other strategic initiatives.
- Prudent financial management will stabilize performance margins and liquidity reserves.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**University of North Carolina at Greensboro**	**Northern Arizona University**	**Portland State University**	**Florida Atlantic University**	**Ball State University**
Most Senior Rating	**Aa3**	**A1**	**N/A**	**A1**	**Aa3**
Total Long-Term Debt ($, in millions)	247	706	184	275	319
Total Cash & Investments ($, in millions)	758	346	266	409	346
Operating Revenue ($, in millions)	500	691	499	641	516
Operating Expenses ($, in millions)	451	672	512	601	508
Market Performance Ratios					
Annual Change in Operating Revenue (%)	0.2%	7.9%	-6.1%	1.8%	5.7%
Operating Ratios					
Operating Cash Flow Margin (%)	18.5%	14.1%	5.5%	12.0%	10.1%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	1.6	0.5	0.5	0.7	0.7
Total Debt to Operating Expenses (x)	0.5	1.1	0.4	0.5	0.6
Monthly Days Cash on Hand (x)	120	137	200	262	298
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	3.1	0.5	1.4	1.5	1.1
Debt Service to Operating Expenses (%)	5.0%	7.3%	4.0%	1.2%	7.0%
Total Debt-to-Cash Flow (x)	2.7	7.3	6.7	3.6	6.1

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Approved by the University of North Carolina Board of Governors on May 15, 2025

Debt Management Policies

UNC Greensboro's current debt policy is included in the following pages.

Office of the Controller Policy 13 University Debt

The University of North Carolina at Greensboro

Approved by Paul Forte, Interim AVC for Finance, August 4, 2021

Revised August 4, 2021

1. Purpose

This Policy outlines the University's use of debt as a source of capital and provides debt management guidelines.

1.1 Legal Authority

The financings of The University of North Carolina at Greensboro (UNCG or University) will conform to the authority granted by North Carolina and Federal laws. Only projects that directly or indirectly relate to the mission of the University will be considered for debt financing.

1.1.1 General Revenue Bonds

The Board of Governors of the University of North Carolina is authorized under Chapter 116 of the General Statutes of North Carolina as amended, to issue, subject to the approval of the Board of Governors, 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 UNCG or refunding any bonds issued under any provision of any Article of Chapter 116 for the benefit of UNCG.

1.1.2 Energy Savings Performance Contracts

UNCG has the power, pursuant to Chapter 142, Article 8 of the General Statutes of North Carolina, to enter into installment financing contracts to finance the purchase of personal property, including equipment for energy savings projects. For energy savings projects, approval is required by the Office of State Budget and Management, the State Treasurer, the State Energy Office, and the Council of State.

1.1.3 Interest Rate Swaps

Interest rate swaps and other derivative products are authorized under Chapter 159 of the General Statutes of North Carolina. In general, interest rate swaps are utilized to reduce the cost and/or risk of existing or planned University debt. By using swaps in a prudent manner, the University can take advantage of market opportunities to reduce

debt service cost and/or interest rate risk. The use of swaps must be tied directly to University debt instruments. Swaps may not be utilized for speculative purposes.

2. Scope

The Debt Policy covers all forms of debt including long-term, short-term, fixed-rate, variable-rate, tax-exempt and taxable debt.

The objective of this policy is to provide a framework that will allow the Board of Trustees and University Finance Managers to:

Make prudent utilization of debt to provide a low-cost source of capital to fund capital projects and other strategic initiatives to achieve the University's mission and strategic objectives.

a. Manage the University's overall debt level to provide appropriate access to capital and to maintain a credit rating deemed acceptable by the Board. The minimum acceptable underlying rating for a University issue is the single "A" category by the major rating agencies.
b. Manage the University debt portfolio by balancing the goal of attaining the lowest cost of capital with the goal of minimizing interest rate risk.
c. Manage outstanding debt over time to achieve a low cost of capital and to take advantage of interest rate cycles and refunding opportunities.
d. Assure projects financed have a feasible plan of repayment; and
e. Maintain compliance with all post-issuance obligations and requirements.

3. Definitions and Roles and Responsibilities

3.1 Definitions

3.1.1 **Board**: Board of Governors of the University of North Carolina

3.1.2 **Board of Trustees**: Board of Trustees for The University of North Carolina at Greensboro

3.2 Roles and Responsibilities

3.2.1 The University takes a comprehensive team approach relative to managing debt. The "Debt Management Team" consists of the Vice Chancellor for Finance and Administration (VC – Finance and Administration), the Associate Vice Chancellor for Finance (AVC – Finance), the Director of Financial Planning & Budgets (Budget Director), the University Controller (Controller), the Bond Legal Counsel (Bond Counsel), and the Financial Advisor.

3.2.2 The VC – Finance and Administration participates in the executive level capital planning for all University Facilities. For Self-liquidating Capital Projects, the VC – Finance and Administration coordinates, through the Associate Vice Chancellor for Facilities, the development and periodic updating of the self-liquidating capital projects multi-year plan, which is the basis for defining the debt needs.

3.2.3 The AVC for Finance works closely with the VC for Finance and Administration and the Budget Director in the selection of the primary advisors on debt. These primary advisors are the Bond Counsel and the Financial Advisor, who are engaged for a period of years, upon approval by the Vice President for Finance of the University of North Carolina. It is the AVC – Finance's role to work with the Financial Advisor and assess debt capacity based on the current outstanding debt and any planned issues, including the multi-year Self-Liquidating Capital Projects plan. If it is determined that the University will reach its debt capacity from issuing debt on the proposed projects, then priorities and timing will be addressed with the VC – Finance and Administration and the project owners to best meet the overall needs of the University. During the year, the AVC – Finance meets periodically with the Financial Advisor and/or Bond Counsel and other members of the Management Team to discuss debt needs, opportunities and options, including any upcoming debt issues and/or refunding's. If action is warranted, the entire team is pulled together to decide upon the merits and, if justified, to define a plan to accomplish the debt issuance, refunding, swap, liquidation, or other initiative.

3.2.4 It is the Budget Director's primary role to assemble the project description and required financial and statistical information, review the official statements and to do the reporting required by the U.S. Securities and Exchange Commission (SEC) utilizing the Municipal Securities Rulemaking Board (MSRB) / Electronic Municipal Market Access (EMMA) website.

3.2.5 It is the role of the Financial Advisor and Bond Counsel to recommend the approach and financing instrument to best meet the needs of the University and to coordinate the RFP and selection of financial institutions and/or underwriters. The Bond Counsel secures the most favorable terms and covenants and coordinates the preparation of legal documents with input and review by the Debt Management Team. The Financial Advisor coordinates the preparation of the details of the financing and insurance or other credit enhancements. The Financial Advisor also coordinates review and rating by the appropriate rating agencies.

3.2.6 It is the Controller's primary role to coordinate receipt and distribution of proceeds, payments to fiscal agents, allocations of debt service payments to project owners, arbitrage calculations and reporting, and financial reporting.

4. Policy

4.1 Debt Management Strategies

4.1.1 Fixed versus variable rate allocation

The University will assess prevailing market interest rates and the current debt mix to determine whether to issue fixed or variable rate debt. Variable rate debt can provide a lower cost of capital but introduces additional risks. To limit this risk, variable rate debt will be no more than 40% of the overall debt outstanding. Variable rate exposure may be achieved directly through debt issuance or indirectly by entering an interest rate swap contract.

4.1.2 Methods of Sale

The University will consider various methods of sale. Negotiated and competitive sales will be considered on an individual transaction basis. Issue size and complexity will be factors in determining which method of sale to pursue. A retail sales approach may be implemented if deemed appropriate for the particular transaction.

4.1.3 Purchase of Insurance or Credit Enhancement

The University will evaluate insurance and credit enhancement opportunities and utilize them if they are deemed cost effective.

4.1.4 Refunding Targets

The University along with the Financial Advisors will monitor the debt portfolio for refunding and/or restructuring opportunities. Refunding transactions must weigh the current opportunity against possible future refunding opportunities. In general, for a stand-alone refunding, the University will enter a transaction that produces net present value savings greater than 3% of the par amount refunded. The savings threshold can be less for refunding combined with new issues or other refunding, or for business reasons such as freeing up a reserve fund.

4.1.5 Selection of Underwriters and Participants on the Selling Team

The University will utilize a request for proposal process to select senior and co managing underwriters for University debt issuance. The University will reserve the right to utilize a competitive process for any debt issue.

4.1.6 Efficiency of Issuance

The University will combine capital projects within a reasonable time horizon into a single issuance to save costs, to the extent that it is feasible. For small issues even after combining, the University of North Carolina bond pool will be utilized if the timing meets UNCG's needs and it is cost effective and efficient for UNCG. For larger issues, the bond pool will be utilized if significant cost savings can be realized as well as being efficient and timely for UNCG. Stand-alone issues will be utilized when in the best

interest of UNCG upon approval of the Senior Vice President for Finance & Administration and CFO for the University of North Carolina System.

4.1.7 Integrity of Revenue Streams

The revenue system (housing & dining, or parking, or student fees, etc.) for each self liquidating capital project must stand on its own bottom line, supported by a revenue stream that can fully liquidate the debt over the amortization period in a fiscally sound manner. Debt service costs will be allocated to the capital project owners in proportion to the project's participation in the borrowing.

4.1.8 Debt Service Leveling and Reserve for Variable Rate Debt Fluctuations The University will allocate debt service costs on capital projects funded with variable rate debt to the capital project owners on a fixed rate basis, effective at the time of issue, over the course of the amortization period. The differences between the allocation and the actual debt service will be placed in a reserve and returned to the project owners at the end of the amortization period if not needed to repay the debt. This is effectively an internal hedge to protect business operations from wide fluctuation in variable rates over the life of the debt with a leveling factor. Interest income will be allocated to the reserve.

4.1.9 Public-Private Partnership

Given limited debt capacity and substantial capital needs, opportunities for alternative and non-traditional transaction structures may be considered. All structures may be considered only when the economic benefit and the likely impact on the University's debt capacity and credit have been determined. Specifically, for any third-party or developer-based financing, management ensures the full credit impact of the structure is evaluated and quantified.

4.1.10 Use of Benchmarks and Debt Ratios

The Current Operations and Capital Improvements Appropriations Act of 2015, which was signed into law on September 18, 2015 added a new Article 5 to Chapter 116D of the General Statutes of North Carolina (the "Act"), requiring the University to provide to the UNC Board of Governors with an annual report on its current and anticipated debt levels. The Act expressly requires the University to report on two ratios – debt to obligated resources and a five-year payout ratio. The UNC Board of Governors has also required the University to provide two supplementary ratios to measure the University's debt burden – expendable resources to debt and debt service to operating expenses. In setting its target, the University considered several quantitative and qualitative factors, including comparisons to its designated peer institutions, its strategic initiatives, its historical results, its average age of plant and its recent and projected growth.

The **debt to obligated resources** compares outstanding debt to the funds legally available to service its debt. This provides a general indication of the University's ability to repay debt from wealth that can be accessed over time. This ratio is tied to the statutory framework for University debt. The target ratio for the University is 2.0 with a ceiling of 2.5.

The **five-year payout** measures the percentage of University debt to be retired within the subsequent five-year period. This ratio indicates how rapidly the University's debt is amortizing and how much additional debt capacity may be created in the near term. The target ratio for the University is 20% with a floor of 15.0%.

The e**xpendable resources to debt** measure the number of times the University's liquid and expendable net assets cover its aggregate debt. This ratio provides a general indication of the University's ability to repay debt from wealth that can be accessed over time. The target ratio for the University is 0.65.

The **debt service to operations** measures debt service burden as a percentage of University total operating expenses. This ratio indicates the University's operating flexibility to finance existing requirements and new initiatives. Expenses are used rather than revenues because expenses tend to be more stable year-over-year. The target ratio for the University is 8.0%.

5. Compliance and Enforcement/Debt Compliance and Reporting

5.1 The University recognizes the importance of complying with federal and institutional requirements regarding the issuance and ongoing management of its debt. Post issuance compliance is managed by the University Controller throughout the life of the . bonds.

5.1.1 Use of Proceeds and of Property Compliance

The University will comply with Internal Revenue Service rules related to monitoring and tracking of private uses and private payments with respect to facilities financed with tax-exempt bonds.

5.1.2 Arbitrage Yield Restriction and Rebate Compliance

The University will comply with arbitrage requirements on invested tax-exempt bond proceeds. Arbitrage calculations will be performed as needed

5.1.3 Continuing Disclosure Compliance

The University will meet the ongoing disclosure requirements in accordance with SEC Rule 15c2-12 (MSRB). The University will submit all reporting required with respect to outstanding bonds or certificates of participation to which such Rule is applicable.

5.1.4 The University also recognizes that in order to maintain cost-effective access to the capital markets, it needs to provide appropriate information to the rating agencies which maintain ratings on the University's debt as well as investors who purchase such debt. The University will provide necessary information to these parties on a timely basis.

6. Additional Information

6.1 Resources

N.C.G.S. § 116D, Article 3
Chapter 116 of the General Statutes of North Carolina
Chapter 142, Article 8 of the General Statutes of North Carolina
Chapter 159 of the General Statutes of North Carolina
Board of Governors
Board of Trustees
Article 5 to Chapter 116D of the General Statutes of North Carolina (the "Act")
SEC Rule 15c2-12

6.2 Approval Authority

This policy will be approved by the Interim Associate Vice Chancellor for Finance.

6.3 Contact for Additional Information

- Responsible Executive: Paul Forte, Interim AVC for Finance, (336)334-5806, **pdforte@uncg.edu**
- Responsible Administrator: Mandy Nash, University Controller, (336)334-5180, **awnash@uncg.edu**

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

The University of North Carolina at Pembroke

Institution Report

The University of North Carolina at Pembroke

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), The University of North Carolina at Pembroke ("***UNCP***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. UNCP has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, UNCP, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily-required ratios—**debt to obligated resources** and the **five-year payout ratio**—UNCP has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, UNCP's debt capacity reflects the amount of debt UNCP could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that UNCP intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- UNCP's current debt profile, including project descriptions financed with, and the sources of repayment for, UNCP's outstanding debt;
- UNCP's current credit profile, along with recommendations for maintaining or improving UNCP's credit rating; and
- A copy of any UNCP debt management policy currently in effect.

Overview of UNCP

For the fall 2024 semester, UNCP had a headcount student population of approximately 7,674, including 5,437 undergraduate students and 2,237 graduate students. Over the past five years, UNCP's enrollment has decreased approximately 7.1 percent.

UNCP's average age of plant is 12.8 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

UNCP does not anticipate incurring any additional debt during the Study Period. UNCP has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 AND GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on UNCP's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to UNCP by the federal government (discounted by an assumed 6.2 percent sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt UNCP expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below may overstate UNCP's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(100,588,891)	10,879,256	125,915,733		36,206,098
2021	(99,263,261)	13,754,537	117,020,967	-12.96%	31,512,243
2022	(89,699,112)	11,147,436	108,064,376	-6.35%	29,512,700
2023	(71,419,818)	11,016,207	92,935,165	10.23%	32,531,554
2024	(53,890,902)	13,245,310	88,330,156	46.58%	47,684,564
2025	49,067,416	-	-	2.90%	49,067,416
2026	50,294,102	-	-	2.50%	50,294,102
2027	51,551,454	-	-	2.50%	51,551,454
2028	52,840,241	-	-	2.50%	52,840,241
2029	54,161,247	-	-	2.50%	54,161,247

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	139,923,743	(3,273,131)	6,984,647		143,635,259
2021	149,816,479	(2,875,281)	7,395,732	7.45%	154,336,930
2022	162,577,389	2,443,116	8,371,680	12.35%	173,392,185
2023	155,714,573	(112,817)	14,429,755	-1.94%	170,031,511
2024	161,826,723	(2,549,174)	4,316,504	-3.79%	163,594,053
2025	168,338,281	-	-	2.90%	168,338,281
2026	172,546,738	-	-	2.50%	172,546,738
2027	176,860,406	-	-	2.50%	176,860,406
2028	181,281,916	-	-	2.50%	181,281,916
2029	185,813,964	-	-	2.50%	185,813,964

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	3,914,168	1,898,691	5,812,859	43,073,984
2026	2,430,882	1,752,431	4,183,314	40,643,102
2027	2,571,629	1,648,592	4,220,220	38,071,473
2028	2,717,585	1,538,861	4,256,446	35,353,887
2029	2,838,858	1,422,726	4,261,585	32,515,029
2030	2,998,578	1,300,699	4,299,277	29,516,451
2031	9,679,050	1,023,438	10,702,488	19,837,401
2032	3,109,481	744,419	3,853,900	16,727,920
2033	3,289,087	610,477	3,899,564	13,438,832
2034	3,449,095	484,476	3,933,571	9,989,737
2035	3,484,737	355,571	3,840,308	6,505,000
2036	1,095,000	223,319	1,318,319	5,410,000
2037	875,000	188,950	1,063,950	4,535,000
2038	1,655,000	123,013	1,778,013	2,880,000
2039	930,000	93,600	1,023,600	1,950,000
2040	960,000	63,375	1,023,375	990,000
2041	990,000	32,175	1,022,175	-
2042			-	-
2043			-	-
2044			-	-
2045			-	-
2046			-	-
2047			-	-
2048			-	-

3. Proposed Debt Financings

While UNCP evaluates its capital investment needs on a regular basis, UNCP currently has no legislatively approved projects that it anticipates financing during the Study Period.

4. Financial Ratios

Debt to Obligated Resources

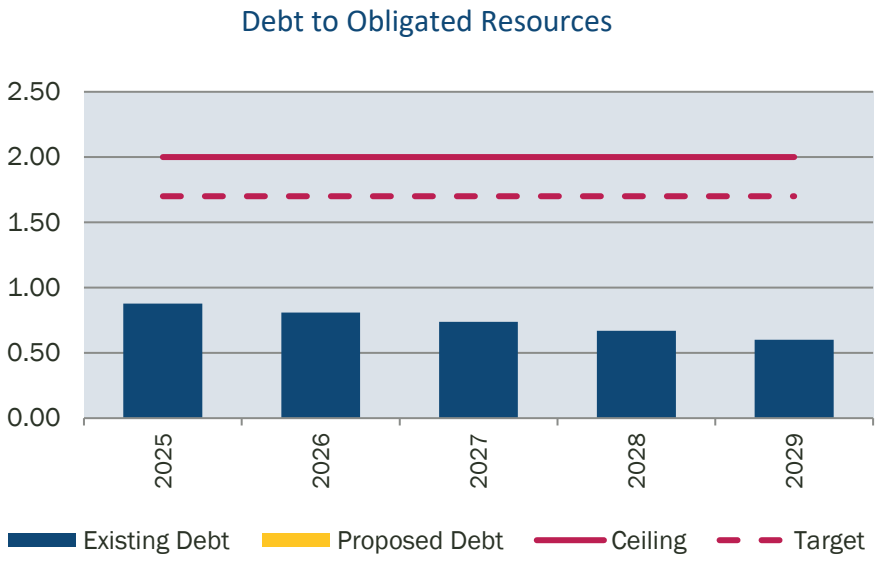
- **What does it measure?** UNCP's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

- Target Ratio: 1.70
- Ceiling Ratio: Not to exceed 2.00
- Projected 2025 Ratio: 0.88
- Highest Study Period Ratio: 0.88 (2025)

*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	49,067,416	2.90%	43,073,984	-	0.88	n/a	0.88
2026	50,294,102	2.50%	40,643,102	-	0.81	n/a	0.81
2027	51,551,454	2.50%	38,071,473	-	0.74	n/a	0.74
2028	52,840,241	2.50%	35,353,887	-	0.67	n/a	0.67
2029	54,161,247	2.50%	32,515,029	-	0.60	n/a	0.60



5-Year Payout Ratio Overview

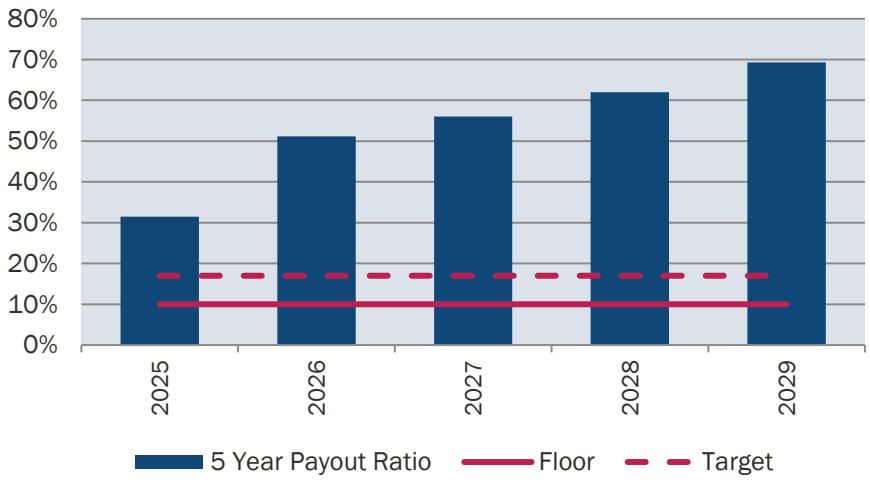
- **What does it measure?** The percentage of UNCP's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

- Target Ratio: 17%
- Floor Ratio: Not less than 10%
- Projected 2025 Ratio: 31%
- Lowest Study Period Ratio: 31% (2025)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	43,073,984	31%
2026	40,643,102	51%
2027	38,071,473	56%
2028	35,353,887	62%
2029	32,515,029	69%

5-Year Payout Ratio



Debt Service to Operating Expenses

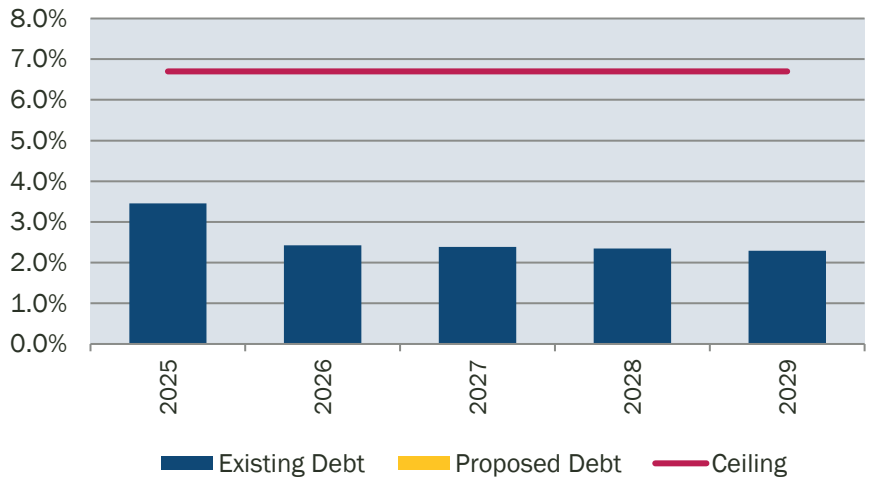
- **What does it measure?** UNCP's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 6.70%
- Projected 2025 Ratio: 3.45%
- Highest Study Period Ratio: 3.45% (2025)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	168,338,281	2.90%	5,812,859	-	3.45%	n/a	3.45%
2026	172,546,738	2.50%	4,183,314	-	2.42%	n/a	2.42%
2027	176,860,406	2.50%	4,220,220	-	2.39%	n/a	2.39%
2028	181,281,916	2.50%	4,256,446	-	2.35%	n/a	2.35%
2029	185,813,964	2.50%	4,261,585	-	2.29%	n/a	2.29%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, UNCP's debt capacity is based on the amount of debt UNCP could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	0.88	2.00	55,060,849
2026	0.81	2.00	59,945,102
2027	0.74	2.00	65,031,436
2028	0.67	2.00	70,326,594
2029	0.60	2.00	75,807,464

Limitations on Debt Capacity and Credit Rating Implications

- The debt capacity calculation shown above provides a general indication of UNCP's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- **If UNCP were to use all of its calculated debt capacity during the Study Period, UNCP's credit ratings may face significant downward pressure**.
- Projecting the exact amount UNCP could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **The State's Impact**
        - In assessing each institution's credit rating, rating agencies also consider the State's credit rating and demographic trends, the health of its pension system, the level of support it has historically provided to the institution, and any legislation or policies affecting campus operations.
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.
        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.
    - **Factor Interdependence**

- The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
- For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.

- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

UNCP's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2008 A UNCP	04/02/2008	1,110,000	10/01/2033	Pool Revenue	Loan Prepayment	Auxiliary Receipts
2015 UNCP	10/15/2015	1,620,000	04/01/2025	General Revenue	Student Health Center/Partial Refunding of 2003B	Auxiliary Receipts
2017 UNCP	03/31/2017	6,885,000	03/01/2036	Limited Obligation	Refunding 2004 and 2006	Housing Receipts
2019 A UNCP	05/23/2019	4,556,853	06/01/2031	Housing Revenue	Refunding 2001	Housing Receipts
2019 B UNCP	05/23/2019	11,001,470	06/01/2035	Housing Revenue	Fund New Courtyard Project	Housing Receipts
2019 UNCP	12/05/2019	13,010,000	03/01/2041	Limited Obligation	Refunding 2010B	Housing Receipts
2020 UNCP	06/24/2020	144,830	06/24/2027	Note	Student Transport	Auxiliary Receipts
2022 UNCP	07/27/2007	750,000	07/27/2037	Note	Fund Fieldhouse	Auxiliary Receipts
2023 UNCP	10/31/2023	7,910,000	10/01/2030	Note	Outdoor Rec Complex	Auxiliary Receipts
	Total	**46,988,152**				

7. Credit Profile

The following page provides a snapshot of UNCP's current credit ratings, along with (1) a summary of various credit factors identified in UNCP's most recent rating report and (2) recommendations for maintaining and improving UNCP's credit ratings in the future.

Credit Profile of the University – (General Revenue)

Overview

- Issuer credit rating for UNCP is based on the foregoing information and previous comments
- S&P no longer provides a credit rating of UNCP's general revenue bonds
- Rating agencies have not updated their issuer credit rating (ICR) for UNCP since 2014
- Prior to UNCP paying off its 2006B Pool Bonds in 2020, S&P maintained an "A-" rating on UNCP general revenue credit. Because S&P has not changed UNCP's limited obligation bond rating ("BBB") since this payoff, we continue to assume an A- implied rating.

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

Non Investment Grade

Key Information Noted in Reports

Credit Strengths

- Historically strong, albeit recently reduced, state operating and capital support from North Carolina
- Enrollment and demand likely to remain stable or grow modestly

Credit Challenges

- Small financial cushion and less flexibility at the current rating level
- Lost revenue streams as a result of the COVID-19 pandemic
- Heavy reliance on state appropriations
- Operating performance that is generally negative on a full-accrual basis, albeit positive on a cash basis.

Recommendations & Observations

- Continue to develop and implement strategies and policies to meet UNCP's unique challenges, including strategies to stabilize and improve enrollment and revenue.
- Due to the COVID pandemic, S&P's negative outlook to a number of colleges, including UNCP, is based on a lack of financial cushion to absorb revenue reductions, thinner operating margins and lack of liquidity from worsening economic conditions.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**University of North Carolina at Pembroke**	**Illinois State University**	**Rowan University**	**University of Central Arkansas**	**University of North Florida**
Most Senior Rating	**N/A**	**A2**	**A2**	**A2**	**A2**
Total Long-Term Debt ($, in millions)	50	179	950	209	116
Total Cash & Investments ($, in millions)	101	325	373	93	158
Operating Revenue ($, in millions)	141	488	789	188	318
Operating Expenses ($, in millions)	162	491	839	191	312
Market Performance Ratios					
Annual Change in Operating Revenue (%)	3.5%	-16.6%	7.2%	0.6%	0.9%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	0.6	0.7	0.4	0.5	0.5
Total Debt to Operating Expenses (x)	0.3	0.4	1.1	1.1	0.4
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	2.0	1.8	0.4	0.4	1.4
Debt Service to Operating Expenses (%)	3.6%	4.1%	10.3%	8.5%	4.0%

*Note: Moody's does not rate UNCP. Peers chosen from BOG approved peers. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available from audited financial statements and Moody's MFRA database.

Debt Management Policy

UNCP's current debt policy is included in the following pages.

POL 07.35.01
Debt Management Policy

Authority: Board of Trustees

History:
- First Issued: February 16, 2018
- Revised: November 11, 2022

Related Policies:

Additional References:
- NCGS §116D-55 - Managing Debt Capacity
- NCGS §116D-56 - Debt affordability study required
- UNC System Debt Capacity Study Target Ratio – FY2021

Contact Information: Vice Chancellor for Finance and Administration, 910-521-6209

1. INTRODUCTION

1.1 The University of North Carolina at Pembroke ("UNCP") views its debt capacity as a limited resource that should be used, when appropriate, to help fund the capital investments necessary for the realization of UNCP's mission and, consequently, the successful implementation of UNCP's strategic vision to challenge students to embrace difference and adapt to change, think critically, communicate effectively, and become responsible citizens. UNCP recognizes the important role that debt-related strategies may play as it makes the necessary investments in its infrastructure in order to become and remain the destination institution for dedicated students seeking challenging academic programs, engaged faculty and a vibrant campus culture.

1.2 This Policy has been developed to assist UNCP's efforts to manage its debt on a long-term, portfolio basis and in a manner consistent with UNCP's stated policies, objectives and core values. Like other limited resources, UNCP's debt capacity should be used and allocated strategically and equitably.

1.3 Specifically, the objective of this Policy is to provide a framework that will enable UNCP's Board of Trustees (the "Board") and finance staff to:

1.3.1. Identify and prioritize projects eligible for debt financing;

1.3.2. Limit and manage risk within UNCP's debt portfolio;

1.3.3. Establish debt management guidelines and quantitative parameters for evaluating UNCP's financial health, debt affordability and debt capacity;

1.3.4. Manage and protect UNCP's credit profile in order to maintain UNCP's credit rating at a strategically optimized level and maintain access to the capital markets; and

1.3.5. Ensure UNCP remains in compliance with all of its post-issuance obligations and requirements.

1.4 This Policy is intended solely for UNCP's internal planning purposes. The Vice Chancellor for Finance and Administration will review this Policy annually and, if necessary, recommend changes to ensure that it remains consistent with University's strategic objectives and the evolving demands and accepted practices of the public higher education marketplace. Proposed changes to this Policy are subject to the Board's approval. Attaining or maintaining a specific credit rating is not an objective of this Policy.

2. AUTHORIZATION AND OVERSIGHT

2.1 UNCP's Vice Chancellor for Finance and Administration is responsible for the day-to-day management of UNCP's financial affairs in accordance with the terms of this Policy and for all of UNCP's debt financing activities. Each University financing will conform to all applicable State and Federal laws.

2.2 The Board will consider for approval each proposed financing in accordance with the requirements of any applicable State law.

3. PROCESS FOR IDENTIFYING AND PRIORITIZING CAPITAL PROJECTS REQUIRING DEBT

3.1 Only projects that directly or indirectly relate to the mission and vision of UNCP will be considered for debt financing.

3.1.1. Self-Liquidating Projects – A project that has a related revenue stream (self-liquidating project) will receive priority consideration. Each self-liquidating project financing must be supported by an achievable plan of finance that provides, or identifies, sources of funds, sufficient to (1) service the debt associated with the project, (2) pay for any related infrastructure improvements, (3) cover any new or increased operating costs and (4) fund appropriate reserves for anticipated replacement and renovation costs.

3.1.2. Energy Conservation Projects – Each energy conservation project financing must provide annual savings sufficient to service the applicable debt and all related monitoring costs.

3.1.3. Other Projects – Other projects funded through budgetary savings, gifts and grants will be considered on a case-by-case basis. Any projects that will require gift financing or include a gift financing component must be jointly approved by the Vice Chancellor for Finance and Administration and the Vice Chancellor for Advancement before any project-restricted donations are solicited. The fundraising goal for any project to be financed primarily with donations should also include, when feasible, an appropriately-sized endowment for deferred maintenance and other ancillary ownership costs. In all cases, institutional strategy, and not donor capacity, must drive the decision to pursue any proposed project.

4. BENCHMARKS AND DEBT RATIOS

4.1 Overview

4.1.1 When evaluating its current financial health and any proposed plan of finance, UNCP takes into account both its debt affordability and its debt capacity. Debt affordability focuses on UNCP's cash flows and measures UNCP's ability to service its debt through its operating budget and identified revenue streams. Debt capacity, on the other hand, focuses on the relationship between UNCP's net assets and its total debt outstanding.

4.1.2 Debt capacity and affordability are impacted by a number of factors, including UNCP's enrollment trends, reserve levels, operating performance, ability to generate additional revenues to support debt service, competing capital improvement or programmatic needs, and general market conditions. Because of the number of potential variables, UNCP's debt capacity cannot be calculated based on any single ratio or even a small handful of ratios.

4.1.3 UNCP understands, however, that it is important to consider and monitor objective metrics when evaluating UNCP's financial health and its ability to incur additional debt. To that end, UNCP has identified three key financial ratios that it will use to assess its ability to absorb additional debt based on its current and projected financial condition:

4.1.3.1. Debt to Obligated Resources

4.1.3.2 Five Year Payout Ratio

4.1.3.3. Expendable Resources to Debt

4.1.3.4. Debt Service to Operating Expenses

4.1.4 Note that the selected financial ratios are also monitored as part of the debt capacity study for The University of North Carolina delivered each year under Article 5 of Chapter 116D of the North Carolina General Statutes (the "UNC Debt Capacity Study"), which UNCP believes will promote clarity and consistency in UNCP's debt management and planning efforts.

4.1.5 UNCP has established for each ratio a floor or ceiling target, as the case may be, with the expectation that UNCP will operate within the parameters of those ratios most of the time. To the extent possible, the policy ratios established from time to time in this Policy should align with the ratios used in the report UNCP submits each year as part of the UNC Debt Capacity Study. The policy ratios have been established to help preserve UNCP's financial health and operating flexibility and to ensure UNCP is able to access the market to address capital needs or to take advantage of potential refinancing opportunities.

4.1.6 UNCP recognizes that the policy ratios, while helpful, have limitations and should not be viewed in isolation of UNCP's strategic plan or other planning tools. In accordance with the recommendations set forth in the initial UNC Debt Capacity Study delivered April 1, 2016, UNCP has developed as part of this Policy specific criteria for evaluating and, if warranted, approving critical infrastructure projects even when UNCP has limited debt capacity as calculated by the UNC Debt Capacity Study or the benchmark ratios in this Policy. In such

instances, the Board may approve the issuance of debt with respect to a proposed project based on one or more of the following findings:

4.1.6.1. The proposed project would generate additional revenues (including, if applicable, dedicated student fees or grants) sufficient to support the financing, which revenues are not currently captured in the benchmark ratios.

4.1.6.2. The proposed project would be financed entirely with private donations based on pledges already in hand.

4.1.6.3. The proposed project is essential to the implementation of one of the Board's strategic priorities.

4.1.6.4. The proposed project addresses life and safety issues or addresses other critical infrastructure needs.

4.1.6.5. Foregoing or delaying the proposed project would result in significant additional costs to UNCP or would negatively impact UNCP's credit rating.

At no point, however, should UNCP intentionally operate outside an established policy ratio without conscious and explicit planning.

4.2 Ratio One – Debt to Obligated Resources

4.2.1 The ratio, which is based on the legal structure proscribed by the General Revenue Bond Statutes, provides a general indication of UNCP's ability to absorb debt on its balance sheet and is the primary ratio used to calculate UNCP's "debt capacity" under the methodology used in the UNC Debt Capacity Study

4.2.2 Policy Ratio: Not to exceed 2.00x (UNC Debt Capacity Study Target Ratio = 1.70x)

4.3 Ratio Two – Five Year Payout Ratio

4.3.1 The ratio measures the percentage of University debt scheduled to be retired in the next five years.

4.3.2 Policy Ratio: Not less than 10% (UNC Debt Capacity Study Target Ratio = 17%)

4.4 Ratio Three – Expendable Resources to Debt

4.4.1 The ratio, which is widely tracked by rating agencies and other capital market participants, is a basic measure of financial health and assesses UNCP's ability to settle its debt obligations using only its available net assets as of a particular date

4.4.2 Policy Ratio: Not less than 0.39x

4.5 Ratio Four – Debt Service to Operating Expenses

4.5.1 The ratio, which is widely tracked by rating agencies and other capital market participants, evaluates UNCP's relative cost of borrowing to its overall expenditures and provides a measure of UNCP's budgetary flexibility

4.5.2 Policy Ratio: Not to exceed 6.70%

4.6 Reporting

4.6.1 The Vice Chancellor for Finance and Administration will review each ratio in connection with the delivery of the University's audited financials and will provide an annual report to the Board detailing (1) the calculation of each ratio for that fiscal year and (2) an explanation for any ratio that falls outside the University's stated policy ratio, along with (a) any applicable recommendations, strategies and an expected timeframe for aligning such ratio with the University's stated policy or (b) the rationale for any recommended changes to any such stated policy ratio going forward (including any revisions necessitated by changes in accounting standards or rating agency methodologies).

5. DEBT PORTFOLIO MANAGEMENT AND TRANSACTION STRUCTURE CONSIDERATIONS

5.1 Generally

5.1.1 Numerous types of financing structures and funding sources are available, each with specific benefits, risks, and costs. Potential funding sources and structures will be reviewed and considered by the Vice Chancellor for Finance and Administration within the context of this Policy and the overall portfolio to ensure that any financial product or structure is consistent with UNCP's stated objectives. As part of effective debt management, UNCP must also consider its investment and cash management strategies, which influence the desired structure of the debt portfolio.

5.2 Method of Sale

5.2.1 UNCP will consider various methods of sale on a transaction-by-transaction basis to determine which method of sale (i.e., competitive, negotiated or private placement) best serves UNCP's strategic plan and financing objectives. In making that determination, UNCP will consider, among other factors: (1) the size and complexity of the issue, (2) the current interest rate environment and other market factors (such as bank and investor appetite) that might affect UNCP's cost of funds, and (3) possible risks associated with each method of sale (e.g., rollover risk associated with a financing that is privately placed with a bank for a committed term that is less than the term of the financing).

5.3 Tax Treatment

5.3.1 When feasible and appropriate for the particular project, the use of tax-exempt debt is generally preferable to taxable debt. Issuing taxable debt may reduce UNCP's overall debt affordability due to higher rates but may be appropriate for projects that do not qualify for tax-exemption, or that may require interim funding. For example, taxable debt may be justified if it

sufficiently mitigates UNCP's ongoing administrative and compliance risks. When used, taxable debt should be structured to provide maximum repayment flexibility and rapid principal amortization.

5.4 Structure and Maturity

5.4.1 To the extent practicable, UNCP should structure its debt to provide for level annual payments of debt service, though UNCP may elect alternative structures when the Vice Chancellor for Finance and Administration determines it to be in UNCP's best interest. In addition, when financing projects that are expected to be self-supporting (such as a revenue-producing facility or a facility to be funded entirely through a dedicated fundraising campaign), the debt service may be structured to match future anticipated receipts.

5.4.2 UNCP will use maturity structures that correspond with the life of the facilities financed, not to exceed 30 years. Equipment should be financed for a period not to exceed 120% of its useful life. Such determinations may be made on a blended basis, taking into account all assets financed as part of a single debt offering. As market dynamics change, maturity structures should be reevaluated. Call features should be structured to provide the highest degree of flexibility relative to cost.

5.5 Variable Rate Debt

5.5.1 UNCP recognizes that a degree of exposure to variable interest rates within UNCP's debt portfolio may be desirable in order to (1) take advantage of repayment or restructuring flexibility, (2) benefit from historically lower average interest costs and (3) provide a "match" between debt service requirements and the projected cash flows from UNCP's assets. UNCP's debt portfolio should be managed to ensure that no more than 20% of UNCP's total debt bears interest at an unhedged variable rate.

5.5.2 UNCP's finance staff will monitor overall interest rate exposure and will analyze and quantify potential risks, including interest rate, liquidity and rollover risks. UNCP may manage the liquidity risk of variable rate debt either through its own working capital/investment portfolio, the type of instrument used, or by using third party sources of liquidity. UNCP may manage interest rate risk in its portfolio through specific budget and central bank management strategies or through the use of derivative instruments.

5.6 Public-Private Partnerships (P3)

5.6.1 To address UNCP's anticipated capital needs as efficiently and prudently as possible, UNCP may choose to explore and consider opportunities for alternative and non-traditional transaction structures (collectively, "P3 Arrangements").

5.6.2 Due to the higher perceived risk and increased complexity of P3 Arrangements, and because the cash flows for the project must satisfy the private partner's expected risk-adjusted rate of return, the financing and initial transaction costs for projects acquired through P3 Arrangements are generally higher than projects financed with proceeds of traditional debt instruments. P3 Arrangements should therefore be pursued only when UNCP has determined that (1) a traditional financing alternative is not feasible, (2) a P3 Arrangement will likely

produce construction or overall operating results that are superior, faster or more efficient than a traditional delivery model or (3) a P3 Arrangement serves one of the Board's broader strategic objectives (e.g., a decision that operating a particular auxiliary function is no longer consistent with UNCP's core mission).

5.6.3 Absent a compelling strategic reason to the contrary, P3 Arrangements should not be considered if the Vice Chancellor for Finance and Administration determines, in consultation with UNCP's advisors, that the P3 Arrangement will be viewed as "on-credit" (i.e., treated as University debt) by UNCP's auditors or outside rating agencies. When evaluating whether the P3 Arrangement should be viewed as "on-credit," rating agencies consider UNCP's economic interest in the project and the level of control it exerts over the project. Further, rating agencies will generally treat a P3 Arrangement as University debt if the project is located on UNCP's campus or if the facility is to be used for an essential University function. For this reason, any P3 Arrangement for a university-related facility to be located on land owned by the State, UNCP or a UNCP affiliate must be approved in advance by the Vice Chancellor for Finance and Administration.

5.7 Refunding Considerations

5.7.1 UNCP will actively monitor its outstanding debt portfolio for refunding or restructuring opportunities. Absent a compelling economic or strategic reason to the contrary, UNCP should evaluate opportunities to issue bonds for the purpose of refunding existing debt obligations of UNCP ("Refunding Bonds") using the following general guidelines:

5.7.1.1. The life of the Refunding Bonds should not exceed the remaining life of the bonds being refunded.

5.7.1.2. Refunding Bonds issued to achieve debt service savings should have a target savings level measured on a present net value basis of at least 3% of the par amount refunded.

5.7.1.3. Refunding Bonds that do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling interest.

5.7.1.4. Refunding Bonds may also be issued to relieve UNCP of certain limitations, covenants, payment obligations or reserve requirements that reduce operational flexibility.

6. DERIVATIVE PRODUCTS

6.1 UNCP recognizes that derivative products may provide for more flexible management of the debt portfolio. In certain circumstances, interest rate swaps and other derivatives permit UNCP to adjust its mix of fixed- and variable-rate debt and manage its interest rate exposures. Derivatives may also be an effective way to manage liquidity risks. UNCP will use derivatives only to manage and mitigate risk; UNCP will not use derivatives to create leverage or engage in speculative transactions.

6.2 As with underlying debt, UNCP's finance staff will evaluate any derivative product comprehensively, taking into account its potential costs, benefits and risks, including, without

limitation, any tax risk, interest rate risk, liquidity risk, credit risk, basis risk, rollover risk, termination risk, counterparty risk, and amortization risk. Before entering into any derivative product, the Vice Chancellor for Finance and Administration must (1) conclude, based on the advice of a reputable swap advisor, that the terms of any swap transaction are fair and reasonable under current market conditions and (2) ensure that UNCP's finance staff has a clear understanding of the proposed transaction's costs, cash flow impact and reporting treatment.

6.3 UNCP will use derivatives only when the Vice Chancellor for Finance and Administration determines, based on the foregoing analysis, that the instrument provides the most effective method for accomplishing UNCP's strategic objectives without imposing inappropriate risks on UNCP.

7. DEFINITIONS

7.1 Debt to Obligated Resources - UNCP's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt under the General Revenue Bond Statutes. It is calculated by taking Aggregate debt and dividing it by obligated resources[1]

7.2 Expendable Resources to Debt - The number of times UNCP's liquid and expendable net assets covers its aggregate debt. It is calculated as follows: The sum of (1) Adjusted Unrestricted Net Assets and (2) Restricted Expendable Net Assets divided by aggregate debt

7.3 Debt Service to Operating Expenses - UNCP's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.

1 Available Funds - a concept commonly used to capture each UNC campus's obligated resources in its loan and bond documentation, has been used as a proxy for obligated resources. The two concepts are generally identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of UNCP's obligated resources.

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

University of North Carolina School of the Arts
Institution Report

Approved by the University of North Carolina Board of Governors on May 15, 2025

University of North Carolina School of the Arts

Table of Contents

1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), University of North Carolina School of the Arts ("***UNCSA***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. UNCSA has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, UNCSA, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily-required ratios—**debt to obligated resources** and the **five-year payout ratio**—UNCSA has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, UNCSA's debt capacity reflects the amount of debt UNCSA could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that UNCSA intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- UNCSA's current debt profile, including project descriptions financed with, and the sources of repayment for, UNCSA's outstanding debt;
- UNCSA's current credit profile, along with recommendations for maintaining or improving UNCSA's credit rating; and
- A copy of any UNCSA debt management policy currently in effect.

Overview of UNCSA

For the fall 2024 semester, UNCSA had a headcount student population of 1,364, including 253 high school students, 946 undergraduate students, and 165 graduate students. Over the past five years, UNCSA's enrollment has increased approximately 3.8 percent.

UNCSA's average age of plant is 14.4 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

UNCSA does not anticipate significant additional borrowings during the Study Period. UNCSA has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on UNCSA's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to UNCSA by the federal government (discounted by an assumed 6.2% sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt UNCSA expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below overstate UNCSA's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(34,073,710)	4,919,099	56,113,501		26,958,890
2021	(36,942,603)	6,184,543	53,440,541	-15.86%	22,682,481
2022	(26,157,630)	5,012,184	50,744,508	30.49%	29,599,062
2023	(19,979,950)	5,207,015	45,286,560	3.09%	30,513,625
2024	(10,583,657)	6,393,582	43,093,240	27.49%	38,903,165
2025	40,031,357	-	-	2.90%	40,031,357
2026	41,032,141	-	-	2.50%	41,032,141
2027	42,057,944	-	-	2.50%	42,057,944
2028	43,109,393	-	-	2.50%	43,109,393
2029	44,187,128	-	-	2.50%	44,187,128

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	70,748,990	(1,706,439)	1,311,536		70,354,087
2021	66,749,647	(1,383,343)	1,831,699	-4.49%	67,198,003
2022	70,654,444	1,038,269	2,293,151	10.10%	73,985,864
2023	75,235,733	(376,087)	5,038,793	7.99%	79,898,439
2024	84,781,341	(1,399,332)	1,869,082	6.70%	85,251,091
2025	87,723,373	-	-	2.90%	87,723,373
2026	89,916,457	-	-	2.50%	89,916,457
2027	92,164,368	-	-	2.50%	92,164,368
2028	94,468,478	-	-	2.50%	94,468,478
2029	96,830,190	-	-	2.50%	96,830,190

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	973,000	1,663,815	2,636,815	42,859,000
2026	1,010,000	1,626,505	2,636,505	41,849,000
2027	1,056,000	1,587,705	2,643,705	40,793,000
2028	1,098,000	1,546,935	2,644,935	39,695,000
2029	1,146,000	1,504,425	2,650,425	38,549,000
2030	1,194,000	1,459,905	2,653,905	37,355,000
2031	1,225,000	1,436,025	2,661,025	36,130,000
2032	1,285,000	1,374,775	2,659,775	34,845,000
2033	1,350,000	1,310,525	2,660,525	33,495,000
2034	1,415,000	1,243,025	2,658,025	32,080,000
2035	1,485,000	1,172,275	2,657,275	30,595,000
2036	1,560,000	1,098,025	2,658,025	29,035,000
2037	1,640,000	1,020,025	2,660,025	27,395,000
2038	1,690,000	970,825	2,660,825	25,705,000
2039	1,740,000	920,125	2,660,125	23,965,000
2040	1,790,000	867,925	2,657,925	22,175,000
2041	1,860,000	796,325	2,656,325	20,315,000
2042	1,935,000	721,925	2,656,925	18,380,000
2043	2,015,000	644,525	2,659,525	16,365,000
2044	2,095,000	563,925	2,658,925	14,270,000
2045	2,180,000	480,125	2,660,125	12,090,000
2046	2,265,000	392,925	2,657,925	9,825,000
2047	2,340,000	319,313	2,659,313	7,485,000
2048	2,415,000	243,263	2,658,263	5,070,000
2049	2,495,000	164,775	2,659,775	2,575,000
2050	2,575,000	83,688	2,658,688	-

3. Proposed Debt Financings

While UNCSA evaluates its capital investment needs on a regular basis, UNCSA currently has no legislatively approved projects that it anticipates financing during the Study Period.

4. Financial Ratios

Debt to Obligated Resources

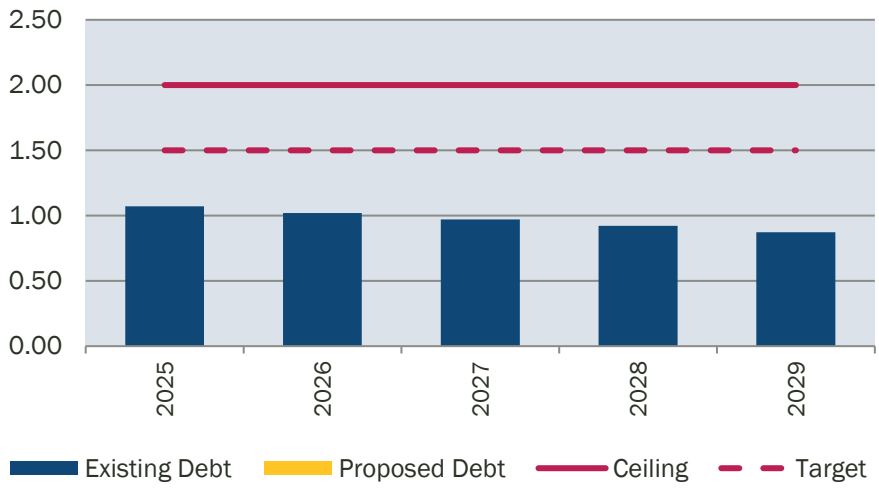
- **What does it measure?** UNCSA's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

- Target Ratio: 1.50
- Ceiling Ratio: Not to exceed 2.00
- Projected 2025 Ratio: 1.07
- Highest Study Period Ratio: 1.07 (2025)

*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	40,031,357	2.90%	42,859,000	-	1.07	n/a	1.07
2026	41,032,141	2.50%	41,849,000	-	1.02	n/a	1.02
2027	42,057,944	2.50%	40,793,000	-	0.97	n/a	0.97
2028	43,109,393	2.50%	39,695,000	-	0.92	n/a	0.92
2029	44,187,128	2.50%	38,549,000	-	0.87	n/a	0.87



5-Year Payout Ratio Overview

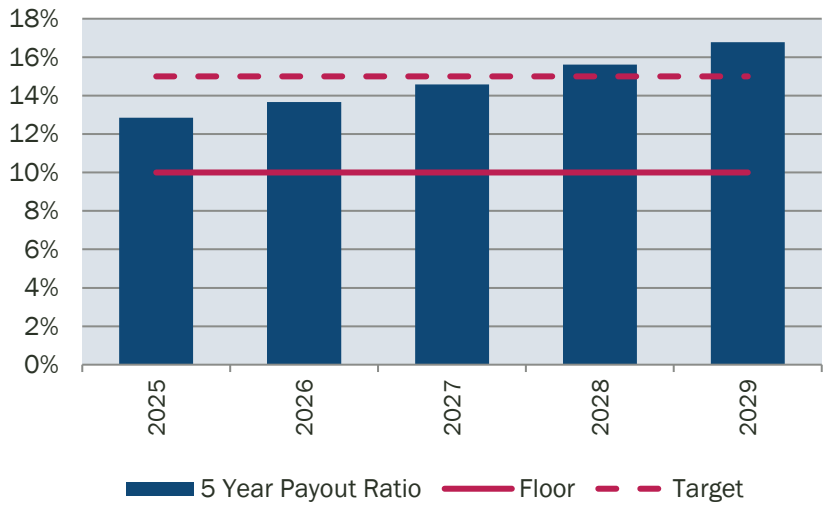
- **What does it measure?** The percentage of UNCSA's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

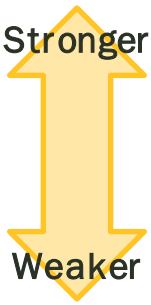
- Target Ratio: 15%
- Floor Ratio: Not less than 10%
- Projected 2025 Ratio: 13%
- Lowest Study Period Ratio: 13% (2025)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	42,859,000	13%
2026	41,849,000	14%
2027	40,793,000	15%
2028	39,695,000	16%
2029	38,549,000	17%

5-Year Payout Ratio





Debt Service to Operating Expenses

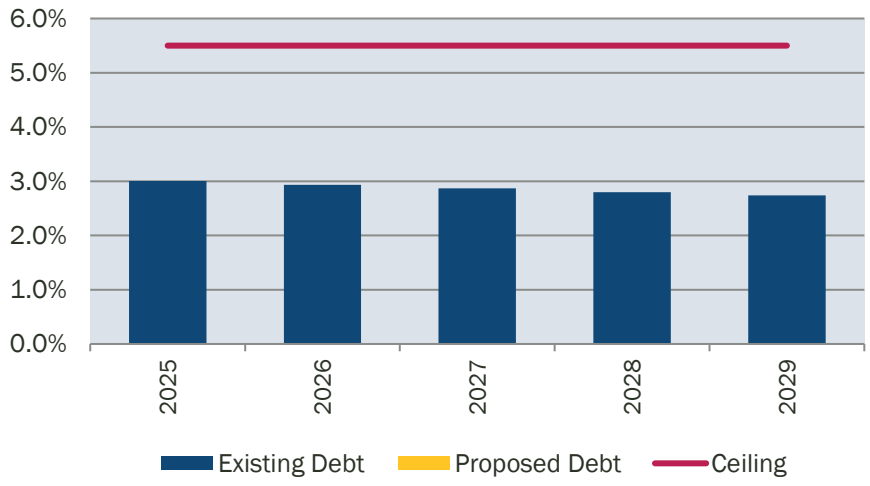
- **What does it measure?** UNCSA's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 5.50%
- Projected 2025 Ratio: 3.01%
- Highest Study Period Ratio: 3.01% (2025)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	87,723,373	2.90%	2,636,815	-	3.01%	n/a	3.01%
2026	89,916,457	2.50%	2,636,505	-	2.93%	n/a	2.93%
2027	92,164,368	2.50%	2,643,705	-	2.87%	n/a	2.87%
2028	94,468,478	2.50%	2,644,935	-	2.80%	n/a	2.80%
2029	96,830,190	2.50%	2,650,425	-	2.74%	n/a	2.74%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, UNCSA's debt capacity is based on the amount of debt UNCSA could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	1.07	2.00	37,203,714
2026	1.02	2.00	40,215,281
2027	0.97	2.00	43,322,888
2028	0.92	2.00	46,523,786
2029	0.87	2.00	49,825,255

Limitations on Debt Capacity, Credit Rating Implications, and Comment from UNCSA

- The debt capacity calculation shown above provides a general indication of UNCSA's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- **If UNCSA were to use all of its calculated debt capacity during the Study Period, UNCSA's credit ratings may face significant downward pressure**.
- Projecting the exact amount UNCSA could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **The State's Impact**
        - In assessing each institution's credit rating, rating agencies also consider the State's credit rating and demographic trends, the health of its pension system, the level of support it has historically provided to the institution, and any legislation or policies affecting campus operations.
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.
        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.
    - **Factor Interdependence**

- The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
- For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.

- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

UNCSA's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2020 UNCSA	06/10/2020	41,385,000	02/01/2050	General Revenue	New Dorm Construction	Housing Revenues
2021 UNCSA	05/11/2021	2,447,000	06/01/2030	Certificates of Participation	Refunding 2015	Student Fees
	Total	**43,832,000**				

7. Credit Profile

The following page provides a snapshot of UNCSA's historical key credit metrics, along with (1) a summary of various observations and (2) recommendations for maintaining and improving UNCSA's credit profile in the future.

Credit Profile of the University – (General Revenue)

Overview

- Moody's assigned UNCSA's general revenue bonds an A2 rating. The outlook is stable.
- Credit rating remained unchanged with UNCSA's sale of General Revenue Bonds, Series 2020

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Non Investment Grade		

Key Information Noted in Reports

Credit Strengths

- Niche role, good enrollment diversification, and affordable tuition pricing support
- Favorable student demand and incremental enrollment growth
- Strong financial support from Aaa-rated North Carolina
- In fall 2019, 43% of out-of-state students which is not cap-constrained
- Manageable leverage and solid operating reserve

Credit Challenges

- Thin operating performance, small scope of operations, and tuition pricing limitations
- Cash flow margins are likely to remain weaker than similarly rated peers

Recommendations & Observations

- Continue trend of strengthening of available funds and balance sheet metrics (Expendable Financial Resources, Total Financial Resources, Total Cash and Investments)
- Wealth and liquidity supported by donor support and fundraising efforts to help finance capital needs. Revenue growth and improved performance margins can improve debt affordability for capital projects.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**University of North Carolina School of the Arts**	**The Juilliard School**	**Berklee College of Music**	**University of Cincinnati**	**Savannah College of Art and Design**
Most Senior Rating	**A2**	**Aa2**	**A2**	**Aa3**	**A2**
Total Long-Term Debt ($, in millions)	44	191	261	1157	165
Total Cash & Investments ($, in millions)	204	1424	546	1549	661
Operating Revenue ($, in millions)	80	17	8	1501	17
Operating Expenses ($, in millions)	85	153	354	1508	407
Market Performance Ratios					
Annual Change in Operating Revenue (%)	2.9%	1.5%	4.7%	3.5%	11.2%
Operating Ratios					
Operating Cash Flow Margin (%)	3.2%	4.4%	12.1%	13.8%	40.5%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	2.4	9.3	1.5	1.0	1.6
Total Debt to Operating Expenses (x)	0.5	1.2	0.7	0.8	0.4
Monthly Days Cash on Hand (x)	165	1028	173	239	643
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	4.6	7.5	2.1	1.3	4.0
Debt Service to Operating Expenses (%)	3.0%	5.5%	4.3%	5.0%	1.1%
Total Debt-to-Cash Flow (x)	17.0	31.3	5.9	5.6	0.7

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Approved by the University of North Carolina Board of Governors on May 15, 2025

Debt Management Policy

UNCSA's current debt policy is included in the following pages.

Debt Management Manual

University of North Carolina School of the Arts

March 5, 2025

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Introduction

The University of North Carolina School of the Arts ("UNCSA") views its debt capacity as a limited resource that should be used, when appropriate, to help fund the capital investments necessary for the successful implementation of UNCSA's strategic vision to prepare its gifted emerging artists with the experience, knowledge, and skills needed to excel in their disciplines and in their lives, and it serves and enriches the cultural and economic prosperity of the people of North Carolina and the nation. UNCSA recognizes the important role that debt-related strategies may play as it makes the necessary investments in its infrastructure in order to become and remain the destination institution for dedicated students seeking challenging academic programs, engaged faculty and a vibrant campus culture.

This Manual has been developed to assist UNCSA's efforts to manage its debt on a long-term, portfolio basis and in a manner consistent with UNCSA's stated policies, objectives and core values. Like other limited resources, UNCSA's debt capacity should be used and allocated strategically and equitably.

Specifically, the objective of this Manual is to provide a framework that will enable UNCSA's Board of Trustees (the "Board") and finance staff to:

(i) Identify and prioritize projects eligible for debt financing;

(ii) Limit and manage risk within UNCSA's debt portfolio;

(iii) Establish debt management guidelines and quantitative parameters for evaluating UNCSA's financial health, debt affordability and debt capacity;

(iv) Manage and protect UNCSA's credit profile in order to maintain UNCSA's credit rating at a strategically optimized level and maintain access to the capital markets; and

(v) Ensure UNCSA remains in compliance with all of its post-issuance obligations and requirements.

This Manual is intended solely for UNCSA's internal planning purposes. The Vice Chancellor for Finance and Administration and/or the Associate Vice Chancellor for Finance will review this Manual annually and, if necessary, recommend changes to ensure that it remains consistent with University's strategic objectives and the evolving demands and accepted practices of the public higher education marketplace. Proposed changes to this Manual are subject to the Chancellor's approval.

2. Authorization and Oversight

UNCSA's Associate Vice Chancellor for Finance is responsible for the day-to-day management of UNCSA's financial affairs in accordance with the terms of this Manual and for all of UNCSA's debt financing activities. Each University financing will conform to all applicable State and Federal laws.

The Board will consider for approval each proposed financing in accordance with the requirements of any applicable State law.

3. Process for Identifying and Prioritizing Capital Projects Requiring Debt

Only projects that directly or indirectly relate to the mission of UNCSA will be considered for debt financing.

(i) Self-Liquidating Projects – A project that has a related revenue stream (self-liquidating project) will receive priority consideration. Each self-liquidating project financing must be supported by an achievable plan of finance that provides, or identifies sources of funds, sufficient to (1) service the debt associated with the project, (2) pay for any related infrastructure improvements, (3) cover any new or increased operating costs and (4) fund appropriate reserves for anticipated replacement and renovation costs.

(ii) Energy Conservation Projects – Each energy conservation project financing must provide annual savings sufficient to service the applicable debt and all related monitoring costs.

(iii) Other Projects – Other projects funded through budgetary savings, gifts and grants will be considered on a case-by-case basis. Any projects that will require gift financing or include a gift financing component must be approved by the Vice Chancellor for Finance and Administration before any project-restricted donations are solicited. The fundraising goal for any project to be financed primarily with donations should also include, when feasible, an appropriately-sized endowment for deferred maintenance and other ancillary ownership costs. In all cases, institutional strategy, and not donor capacity, must drive the decision to pursue any proposed project.

4. Benchmarks and Debt Ratios

Overview

When evaluating its current financial health and any proposed plan of finance, UNCSA takes into account both its debt affordability and its debt capacity. Debt affordability focuses on UNCSA's cash flows and measures UNCSA's ability to service its debt through its operating budget and identified revenue streams. Debt capacity, on the other hand, focuses on the relationship between UNCSA's net assets and its total debt outstanding.

Debt capacity and affordability are impacted by a number of factors, including UNCSA's enrollment trends, reserve levels, operating performance, ability to generate additional revenues to support debt service, competing capital improvement or programmatic needs, and general market conditions. Because of the number of potential variables, UNCSA's debt capacity cannot be calculated based on any single ratio or even a small handful of ratios.

UNCSA believes, however, that it is important to consider and monitor objective metrics when evaluating UNCSA's financial health and its ability to incur additional debt. To that end, UNCSA has identified three key financial ratios that it will use to assess its ability to absorb additional debt based on its current and projected financial condition:

(i) Debt to Obligated Resources

(ii) 5-Year Payout Ratio

(iii) Debt Service to Operating Expenses

Note that the selected financial ratios are also monitored as part of the debt capacity study for The University of North Carolina delivered each year under Article 5 of Chapter 116D of the North Carolina General Statutes (the "UNC Debt Capacity Study"), which UNCSA believes will promote clarity and consistency in UNCSA's debt management and planning efforts.

UNCSA has established for each ratio a floor or ceiling target, as the case may be, with the expectation that UNCSA will operate within the parameters of those ratios most of the time. To the extent possible, the policy ratios established from time to time in this Manual should align with the ratios used in the report UNCSA

submits each year as part of the UNC Debt Capacity Study. The policy ratios have been established to help preserve UNCSA's financial health and operating flexibility and to ensure UNCSA is able to access the market to address capital needs or to take advantage of potential refinancing opportunities. Attaining or maintaining a specific credit rating is not an objective of this Manual.

UNCSA recognizes that the policy ratios, while helpful, have limitations and should not be viewed in isolation of UNCSA's strategic plan or other planning tools. In accordance with the recommendations set forth in the initial UNC Debt Capacity Study delivered April 1, 2016, UNCSA has developed as part of this Manual specific criteria for evaluating and, if warranted, approving critical infrastructure projects even when UNCSA has limited debt capacity as calculated by the UNC Debt Capacity Study or the benchmark ratios in this Manual. In such instances, the Board may approve the issuance of debt with respect to a proposed project based on one or more of the following findings:

(i) The proposed project would generate additional revenues (including, if applicable, dedicated student fees or grants) sufficient to support the financing, which revenues are not currently captured in the benchmark ratios.

(ii) The proposed project would be financed entirely with private donations based on pledges already in hand.

(iii) The proposed project is essential to the implementation of one of the Board's strategic priorities.

(iv) The proposed project addresses life and safety issues or addresses other critical infrastructure needs.

(v) Foregoing or delaying the proposed project would result in significant additional costs to UNCSA or would negatively impact UNCSA's credit rating.

At no point, however, should UNCSA intentionally operate outside an established policy ratio without conscious and explicit planning.

Ratio 1 – Debt to Obligated Resources

What does it measure?	UNCSA's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt under the General Revenue Bond Statutes
Why is it tracked?	The ratio, which is based on the legal structure proscribed by the General Revenue Bond Statutes, provides a general indication of UNCSA's ability to absorb debt on its balance sheet and is the primary ratio used to calculate UNCSA's "debt capacity" under the methodology used in the UNC Debt Capacity Study
How is it calculated?	Aggregate debt divided by obligated resources*
Policy Ratio:	Not to exceed 2.00x (UNC Debt Capacity Study Target Ratio = 1.50x)

*Available Funds, which is the concept commonly used to capture each UNC's campus's obligated resources in its loan and bond documentation, has been used as a proxy for obligated resources. The two concepts are generally identical, though *Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of UNCSA's* obligated resources.

Ratio 2 – 5-Year Payout Ratio

What does it measure?	The percentage of UNCSA's debt scheduled to be retired in the next five years.
Why is it tracked?	The ratio measures how aggressively UNCSA is amortizing its debt.
How is it calculated?	Aggregate principal to be paid in the next five years divided by aggregate debt.
Policy Ratio:	Not less than 10% (Target Ratio 15%)

Ratio 3 – Debt Service to Operating Expenses

What does it measure?	UNCSA's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues
Why is it tracked?	The ratio, which is widely tracked by rating agencies and other capital market participants, evaluates UNCSA's relative cost of borrowing to its overall expenditures and provides a measure of UNCSA's budgetary flexibility
How is it calculated?	Annual debt service divided by annual operating expenses
Policy Ratio:	Not to exceed 5.50%

Reporting

The Vice Chancellor for Finance and Administration and/or the Associate Vice Chancellor for Finance will review each ratio in connection with the delivery of the University's audited financial statements and will provide an annual report to the Board substantially detailing (1) the calculation of each ratio for that fiscal year and (2) an explanation for any ratio that falls outside the University's stated policy ratio, along with (a) any applicable recommendations, strategies and an expected time frame for aligning such ratio with the University's stated policy or (b) the rationale for any recommended changes to any such stated policy ratio going forward (including any revisions necessitated by changes in accounting standards or rating agency methodologies).

5. Debt Portfolio Management and Transaction Structure Considerations

Generally

Numerous types of financing structures and funding sources are available, each with specific benefits, risks, and costs. Potential funding sources and structures will be reviewed and considered by the Vice Chancellor for Finance and Administration and/or Associate Vice Chancellor for Finance within the context of this Manual and the overall portfolio to ensure that any financial product or structure is consistent with UNCSA's stated objectives. As part of effective debt management, UNCSA must also consider its investment and cash management strategies, which influence the desired structure of the debt portfolio.

Method of Sale

UNCSA will consider various methods of sale on a transaction-by-transaction basis to determine which method of sale (i.e., competitive, negotiated or private placement) best serves UNCSA's strategic plan and financing objectives. In making that determination, UNCSA will consider, among other factors: (1) the size and complexity of the issue, (2) the current interest rate environment and other market factors (such as bank and investor appetite) that might affect UNCSA's cost of funds, and (3) possible risks associated with each method of sale (e.g., rollover risk associated with a financing that is privately placed with a bank for a committed term that is less than the term of the financing).

Tax Treatment

When feasible and appropriate for the particular project, the use of tax-exempt debt is generally preferable to taxable debt. Issuing taxable debt may reduce UNCSA's overall debt affordability due to higher rates but may be appropriate for projects that do not qualify for tax-exemption, or that may require interim funding. For example, taxable debt may be justified if it sufficiently mitigates UNCSA's ongoing administrative and compliance risks. When used, taxable debt should be structured to provide maximum repayment flexibility and rapid principal amortization.

Structure and Maturity

To the extent practicable, UNCSA should structure its debt to provide for level annual payments of debt service, though UNCSA may elect alternative structures when the Vice Chancellor for Finance and Administration determines it to be in UNCSA's best interest. In addition, when financing projects that are expected to be self-supporting (such as a revenue-producing facility or a facility to be funded entirely through a dedicated fundraising campaign), the debt service may be structured to match future anticipated receipts.

UNCSA will use maturity structures that correspond with the life of the facilities financed, not to exceed 30 years. Equipment should be financed for a period not to exceed 120% of its useful life. Such determinations may be made on a blended basis, taking into account all assets financed as part of a single debt offering. As market dynamics change, maturity structures should be reevaluated. Call features should be structured to provide the highest degree of flexibility relative to cost.

Variable Rate Debt

UNCSA recognizes that a degree of exposure to variable interest rates within UNCSA's debt portfolio may be desirable in order to (1) take advantage of repayment or restructuring flexibility, (2) benefit from historically lower average interest costs and (3) provide a "match" between debt service requirements and the projected cash flows from UNCSA's assets. UNCSA's debt portfolio should be managed to ensure that no more than 20% of UNCSA's total debt bears interest at an unhedged variable rate.

UNCSA's finance staff will monitor overall interest rate exposure and will analyze and quantify potential risks, including interest rate, liquidity and rollover risks. UNCSA may manage the liquidity risk of variable rate debt either through its own working capital/investment portfolio, the type of instrument used, or by using third party sources of liquidity. UNCSA may manage interest rate risk in its portfolio through specific budget and central bank management strategies or through the use of derivative instruments.

[Public Private Partnerships]

To address UNCSA's anticipated capital needs as efficiently and prudently as possible, UNCSA may choose to explore and consider opportunities for alternative and non-traditional transaction structures (collectively, "P3 Arrangements").

Due to their higher perceived risk and increased complexity, and because the cash flows for the project must satisfy the private partner's expected risk-adjusted rate of return, the financing and initial transaction costs for projects acquired through P3 Arrangements are generally higher than projects financed with proceeds of traditional debt instruments. P3 Arrangements should therefore be pursued only when UNCSA has determined that (1) a traditional financing alternative is not feasible, (2) a P3 Arrangement will likely produce construction or overall operating results that are superior, faster or more efficient than a traditional delivery model or (3) a P3 Arrangement serves one of the Board's broader strategic objectives (e.g., a decision that operating a particular auxiliary function is no longer consistent with UNCSA's core mission).

Absent a compelling strategic reason to the contrary, P3 Arrangements should not be considered if the Vice Chancellor for Finance and Administration determines, in consultation with UNCSA's advisors, that the P3 Arrangement will be viewed as "on-credit" (i.e., treated as University debt) by UNCSA's auditors or outside rating agencies. When evaluating whether the P3 Arrangement should be viewed as "on-credit," rating agencies consider UNCSA's economic interest in the project and the level of control it exerts over the project. Further, rating agencies will generally treat a P3 Arrangement as University debt if the project is located on UNCSA's campus or if the facility is to be used for an essential University function. For this reason, any P3 Arrangement for a university-related facility to be located on land owned by the State, UNCSA or a UNCSA affiliate must be approved in advance by the Chancellor.

Refunding Considerations

UNCSA will actively monitor its outstanding debt portfolio for refunding or restructuring opportunities. Absent a compelling economic or strategic reason to the contrary, UNCSA should evaluate opportunities to issue bonds for the purpose of refunding existing debt obligations of UNCSA ("Refunding Bonds") using the following general guidelines:

(i) The life of the Refunding Bonds should not exceed the remaining life of the bonds being refunded.

(ii) Refunding Bonds issued to achieve debt service savings should have a target savings level measured on a present net value basis of at least 3% of the par amount refunded.

(iii) Refunding Bonds that do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling interest.

(iv) Refunding Bonds may also be issued to relieve UNCSA of certain limitations, covenants, payment obligations or reserve requirements that reduce operational flexibility.

6. Derivative Products

UNCSA recognizes that derivative products may provide for more flexible management of the debt portfolio. In certain circumstances, interest rate swaps and other derivatives permit UNCSA to adjust its mix of fixed- and variable-rate debt and manage its interest rate exposures. Derivatives may also be an effective way to manage liquidity risks. UNCSA will use derivatives only to manage and mitigate risk; UNCSA will not use derivatives to create leverage or engage in speculative transactions.

As with underlying debt, UNCSA's finance staff will evaluate any derivative product comprehensively, taking into account its potential costs, benefits and risks, including, without limitation, any tax risk, interest rate risk, liquidity risk, credit risk, basis risk, rollover risk, termination risk, counterparty risk, and amortization risk. Before entering into any derivative product, the Vice Chancellor for Finance and Administration and/or Associate Vice Chancellor for Finance must (1) conclude, based on the advice of a reputable swap advisor, that the terms of any swap transaction are fair and reasonable under current market conditions and (2) ensure that UNCSA's finance staff has a clear understanding of the proposed transaction's costs, cash flow impact and reporting treatment.

UNCSA will use derivatives only when the Vice Chancellor for Finance and Administration and/or Associate Vice Chancellor for Finance determines, based on the foregoing analysis, that the instrument provides the most effective method for accomplishing UNCSA's strategic objectives without imposing inappropriate risks on UNCSA.

7. Post-Issuance Compliance Matters

On their adoption, the Associate Vice Chancellor for Finance will attach as Appendix A to this Strategy any policies relating to post-issuance compliance.

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

University of North Carolina Wilmington

Institution Report

University of North Carolina Wilmington

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), University of North Carolina Wilmington ("***UNCW***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. UNCW has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, UNCW, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily-required ratios—**debt to obligated resources** and the **five-year payout ratio**—UNCW has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, UNCW's debt capacity reflects the amount of debt UNCW could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that UNCW intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- UNCW's current debt profile, including project descriptions financed with, and the sources of repayment for, UNCW's outstanding debt;
- UNCW's current credit profile, along with recommendations for maintaining or improving UNCW's credit rating; and
- A copy of any UNCW debt management policy currently in effect.

Overview of UNCW

For the fall 2024 semester, UNCW had a headcount student population of approximately 18,848, including approximately 15,254 undergraduate students and 3,594 graduate students. Over the past five years, UNCW's enrollment has increased approximately 5.2 percent.

UNCW's average age of plant is 11.3 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

UNCW anticipates incurring no additional debt during the Study Period. UNCW has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on UNCW's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to UNCW by the federal government (discounted by an assumed 6.2 percent sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt UNCW expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below overstate UNCW's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	Prior Year GASB 68 Adjustment	Prior Year GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(120,543,758)	15,000,984	314,686,525		209,143,751
2021	(131,785,799)	22,963,235	304,443,579	-6.47%	195,621,015
2022	(96,892,355)	28,104,833	287,013,555	11.56%	218,226,033
2023	(34,603,111)	22,889,157	271,418,174	19.01%	259,704,220
2024	42,356,034	23,918,726	246,497,687	20.43%	312,772,447
2025	321,842,848	-	-	2.90%	321,842,848
2026	329,888,919	-	-	2.50%	329,888,919
2027	338,136,142	-	-	2.50%	338,136,142
2028	346,589,546	-	-	2.50%	346,589,546
2029	355,254,284	-	-	2.50%	355,254,284

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	350,511,186	7,955,430	(10,243,854)		348,222,762
2021	357,542,466	5,134,756	(13,531,859)	0.26%	349,145,363
2022	369,963,611	(5,236,053)	(13,964,055)	0.46%	350,763,503
2023	382,561,233	1,159,002	(23,382,868)	2.73%	360,337,367
2024	460,036,933	5,017,715	(5,556,247)	27.52%	459,498,401
2025	472,823,855	-	-	2.90%	472,823,855
2026	484,644,451	-	-	2.50%	484,644,451
2027	496,760,562	-	-	2.50%	496,760,562
2028	509,179,576	-	-	2.50%	509,179,576
2029	521,909,066	-	-	2.50%	521,909,066

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	10,156,004	6,941,694	17,097,698	169,178,353
2026	10,531,772	6,555,269	17,087,041	158,646,580
2027	10,165,565	6,179,812	16,345,377	148,481,015
2028	10,735,330	5,805,108	16,540,438	137,745,685
2029	9,829,685	5,371,170	15,200,856	127,916,000
2030	9,658,000	4,936,518	14,594,518	118,258,000
2031	10,024,000	4,554,754	14,578,754	108,234,000
2032	10,458,000	4,124,149	14,582,149	97,776,000
2033	10,897,000	3,674,626	14,571,626	86,879,000
2034	11,339,000	3,238,481	14,577,481	75,540,000
2035	11,240,000	2,764,525	14,004,525	64,300,000
2036	11,710,000	2,281,200	13,991,200	52,590,000
2037	10,255,000	1,790,300	12,045,300	42,335,000
2038	7,900,000	1,392,900	9,292,900	34,435,000
2039	4,730,000	1,131,675	5,861,675	29,705,000
2040	4,915,000	954,350	5,869,350	24,790,000
2041	2,260,000	826,000	3,086,000	22,530,000
2042	2,330,000	749,850	3,079,850	20,200,000
2043	2,415,000	671,050	3,086,050	17,785,000
2044	2,500,000	589,400	3,089,400	15,285,000
2045	2,580,000	504,850	3,084,850	12,705,000
2046	2,665,000	417,550	3,082,550	10,040,000
2047	2,755,000	327,250	3,082,250	7,285,000
2048	2,850,000	233,850	3,083,850	4,435,000
2049	2,945,000	137,200	3,082,200	1,490,000
2050	1,120,000	37,200	1,157,200	370,000
2051	370,000	7,400	377,400	-

3. Proposed Debt Financings

While UNCW evaluates its capital investment needs on a regular basis, UNCW currently has no legislatively approved projects that it anticipates financing during the Study Period.

4. Financial Ratios

Debt to Obligated Resources

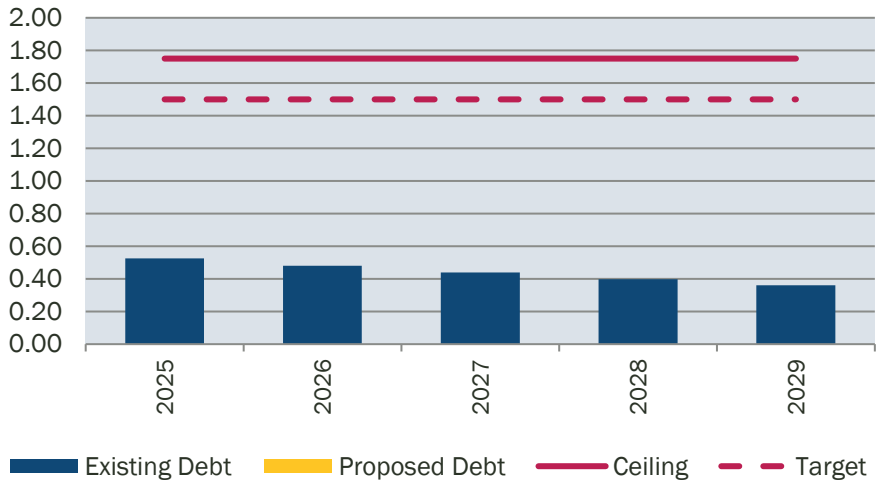
- **What does it measure?** UNCW's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

- Target Ratio: 1.50
- Ceiling Ratio: Not to exceed 1.75
- Projected 2025 Ratio: 0.53
- Highest Study Period Ratio: 0.53 (2025)

*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	321,842,848	2.90%	169,178,353	-	0.53	n/a	0.53
2026	329,888,919	2.50%	158,646,580	-	0.48	n/a	0.48
2027	338,136,142	2.50%	148,481,015	-	0.44	n/a	0.44
2028	346,589,546	2.50%	137,745,685	-	0.40	n/a	0.40
2029	355,254,284	2.50%	127,916,000	-	0.36	n/a	0.36



5-Year Payout Ratio Overview

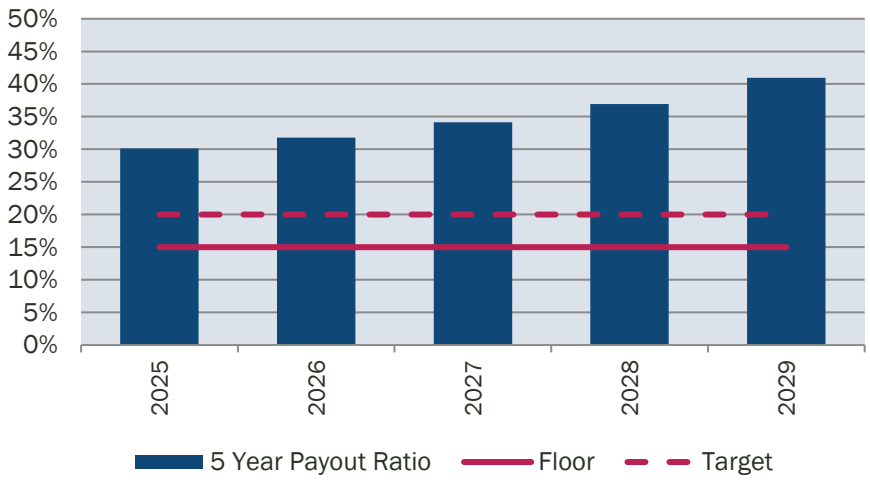
- **What does it measure?** The percentage of UNCW's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

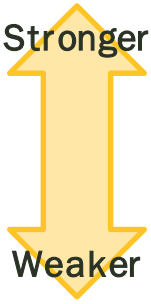
- Target Ratio: 20%
- Floor Ratio: Not less than 15%
- Projected 2025 Ratio: 30%
- Lowest Study Period Ratio: 30% (2025)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	169,178,353	30%
2026	158,646,580	32%
2027	148,481,015	34%
2028	137,745,685	37%
2029	127,916,000	41%

5-Year Payout Ratio





Approved by the University of North Carolina Board of Governors on May 15, 2025

Debt Service to Operating Expenses

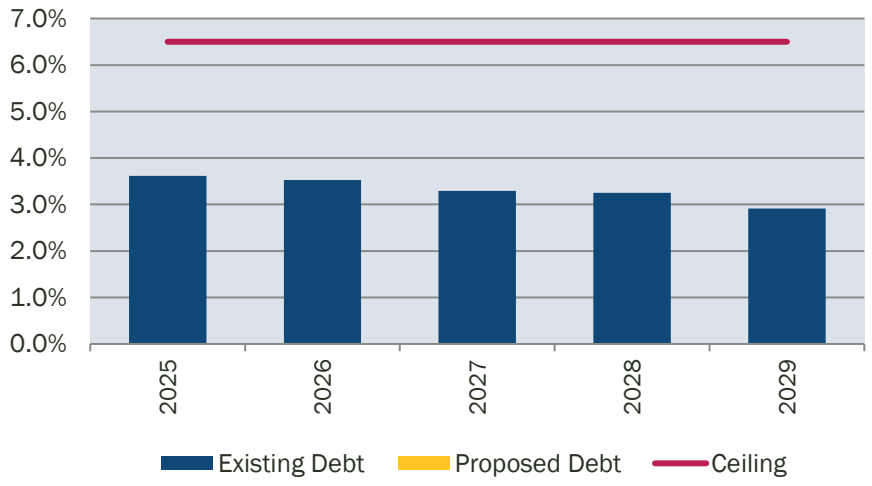
- **What does it measure?** UNCW's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 6.50%
- Projected 2025 Ratio: 3.62%
- Highest Study Period Ratio: 3.62% (2025)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	472,823,855	2.90%	17,097,698	-	3.62%	n/a	3.62%
2026	484,644,451	2.50%	17,087,041	-	3.53%	n/a	3.53%
2027	496,760,562	2.50%	16,345,377	-	3.29%	n/a	3.29%
2028	509,179,576	2.50%	16,540,438	-	3.25%	n/a	3.25%
2029	521,909,066	2.50%	15,200,856	-	2.91%	n/a	2.91%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, UNCW's debt capacity is based on the amount of debt UNCW could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	0.53	1.75	394,046,631
2026	0.48	1.75	418,659,028
2027	0.44	1.75	443,257,233
2028	0.40	1.75	468,786,020
2029	0.36	1.75	493,778,998

Limitations on Debt Capacity and Credit Rating Implications

- The debt capacity calculation shown above provides a general indication of UNCW's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- **If UNCW were to use all of its calculated debt capacity during the Study Period, UNCW's credit ratings may face significant downward pressure**.
- Projecting the exact amount UNCW could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **The State's Impact**
        - In assessing each institution's credit rating, rating agencies also consider the State's credit rating and demographic trends, the health of its pension system, the level of support it has historically provided to the institution, and any legislation or policies affecting campus operations.
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.
        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.
    - **Factor Interdependence**

- The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
- For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.

- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

UNCW's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2015 UNCW	05/12/2015	43,985,000	06/01/2037	Limited Obligation	Refunding 2005 and 2006	Seahawk Projects Revenues; Housing Revenues; Dining Revenues; Parking Revenues
2016 UNCW	11/18/2016	5,665,000	10/01/2033	General Revenue	Refunding 2006A	Union Debt Fee; Parking Revenues; Dining Revenues; Housing Revenues
2016 UNCW	07/06/2016	47,990,000	06/01/2038	Limited Obligation	Refunding 2008	Seahawk Projects Revenues; Housing Revenues; Dining Revenues; Parking Revenues
2019 B UNCW	10/31/2019	39,485,000	10/01/2049	General Revenue	Dining Hall, Refunding 2010D, Refunding 2010	General Revenues; Student Debt Fee; Dining Revenues
2019 UNCW	04/11/2019	21,350,000	04/01/2049	General Revenue	Parking Deck	Parking Revenues
2019 UNCW	07/03/2019	709,356	06/10/2029	Note	Truist Hall	Unobligated Trust Funds
2020 A UNCW	01/07/2020	2,985,000	10/01/2026	General Revenue	Refunding 2010C	Student Debt Fee; Dining Revenues
2020 B UNCW	05/19/2020	8,745,000	01/01/2028	General Revenue	Refunding 2011 and 2012	Student Debt Fee; Housing Revenues; Dining Revenues
2021 UNCW	08/17/2021	8,420,000	10/01/2050	General Revenue	Construction of Recreational Fields and Facilities	Student Debt Fee
	Total	**179,334,356**				

*The 2015 and 2016 Limited Obligation Bonds are obligations of the UNCW Corporation, and the Truist Hall note payable is an obligation of the UNCW Corporation II. Both corporations are associated entities of UNCW whose financials are blended into UNCW's statements.

Approved by the University of North Carolina Board of Governors on May 15, 2025

7. Credit Profile

The following page provides a snapshot of UNCW's current credit ratings, along with (1) a summary of various credit factors identified in UNCW's most recent rating report and (2) recommendations for maintaining and improving UNCW's credit ratings in the future.

Credit Profile of the University – (General Revenue)

Overview

- Moody's maintains UNCW's general revenue bonds to an Aa3 rating. The outlook is stable.
- Credit rating remained unchanged with UNCW's sale of General Revenue Bonds, Series 2021

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

Non Investment Grade

Key Information Noted in Rating Reports

Credit Strengths

- Favorable market profile with growing enrollment, competitive pricing, and comprehensive program offerings
- Strong financial support from Aaa-rated North Carolina for both operating and capital projects
- Favorable student demand and enrollment growth
- Effective financial management allowing the favorable operating performance and growing liquidity

Credit Challenges

- High debt burden relative to reserves, operating revenue, and cash flow
- Environmental risks due to coastal location
- State-imposed tuition pricing puts constraints to tuition revenue growth
- Geographic concentration of enrollment and undergraduate focus increase exposure to conditions within North Carolina

Recommendations & Observations

- Continue to develop initiatives to highlight and strengthen UNCW's distinctive market position.
- Continued assessment of operating cash flows and reserves can improve performance margins and debt affordability.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**University of North Carolina Wilmington**	**Rowan University**	**University of Rhode Island**	**Ohio University**	**Western Washington University**
Most Senior Rating	**Aa3**	**A2**	**Aa3**	**Aa3**	**A2**
Total Long-Term Debt ($, in millions)	187	950	271	617	147
Total Cash & Investments ($, in millions)	441	373	216	811	138
Operating Revenue ($, in millions)	479	789	618	746	362
Operating Expenses ($, in millions)	440	839	625	749	377
Market Performance Ratios					
Annual Change in Operating Revenue (%)	10.0%	7.2%	0.3%	4.7%	4.5%
Operating Ratios					
Operating Cash Flow Margin (%)	15.5%	6.9%	9.3%	12.2%	5.9%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	0.9	0.4	0.3	1.1	0.4
Total Debt to Operating Expenses (x)	0.4	1.1	0.4	0.8	0.4
Monthly Days Cash on Hand (x)	188	109	137	311	110
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	2.3	0.4	0.8	1.3	0.9
Debt Service to Operating Expenses (%)	4.0%	10.3%	4.2%	5.2%	3.2%
Total Debt-to-Cash Flow (x)	2.5	17.6	4.7	6.8	7.0

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Approved by the University of North Carolina Board of Governors on May 15, 2025

Debt Management Policy

UNCW's current debt policy is attached.

University of North Carolina Wilmington
Debt Management Guidelines

1. Introduction

University of North Carolina Wilmington ("UNCW") views its debt capacity as a resource that should be used, when appropriate, to help fund the capital investments necessary to successfully implement UNCW's strategic plans and to preserve the operational flexibility and resources necessary to support UNCW's current and future programming. UNCW recognizes its important financial stewardship role to invest in campus infrastructure in order to meet anticipated demand. These Debt Management Guidelines ("Guidelines") have been developed as a framework to assist UNCW's efforts to manage its debt on a long-term, portfolio basis and in a manner consistent with UNCW's stated policies, objectives, and core values.

These Guidelines are intended solely for UNCW's internal planning purposes. The Vice Chancellor for Business Affairs will revisit these Guidelines as needed and recommend changes to ensure they remain consistent with the University's strategic objectives and the evolving demands and accepted practices of the public higher education marketplace.

These Guidelines cover all forms of debt including long-term, short-term, fixed-rate, and variable-rate. They also cover other forms of financing including both on-balance sheet and off-balance sheet structures, such as leases, and other structured products used to fund capital projects.

The use of derivatives or public private partnerships is not covered under these Guidelines. If these options are considered, they will be managed under a separate guideline.

2. Authorization and Oversight

UNCW's Vice Chancellor for Business Affairs is responsible for the day-to-day management of UNCW's financial affairs and for all of UNCW's debt financing activities. All financing arrangements will comply with all applicable state and federal laws. The Board of Trustees approves applicable financing activities in compliance with state law.

3. Process for Identifying and Prioritizing Capital Projects Requiring Debt

Projects that directly or indirectly relate to the mission of UNCW will be considered for debt financing.

Self-Liquidating Projects – A project that has a related revenue stream (self-liquidating project) will receive priority consideration. Each self-liquidating project must be supported by an achievable plan of finance that provides, or identifies sources of funds, sufficient to (1) service the debt associated with the project, (2) pay for any related infrastructure improvements, (3) cover any new or increased operating costs and (4) fund appropriate reserves for anticipated replacement and renovation costs.

Energy Conservation Projects – Each energy conservation project financing must provide annual savings sufficient to service the applicable debt and all related monitoring costs.

Other Projects – Other projects funded through budgetary savings, gifts and grants will be considered on a case-by-case basis.

4. Target Debt Ratios

When evaluating its current financial health and any proposed plan of finance, UNCW takes into account both debt affordability and debt capacity. Debt affordability focuses on UNCW's cash flows and measures UNCW's ability to service debt through its operating budget and identified revenue streams. Debt capacity focuses on the relationship between UNCW's net assets and total debt outstanding.

Debt capacity and affordability are impacted by a number of factors, including UNCW's enrollment trends, reserve levels, operating performance, ability to generate additional revenues to support debt service, competing capital improvement or programmatic needs, and general market conditions. Because of the number of potential variables, UNCW's debt capacity cannot be calculated using any single ratio or even a small handful of ratios.

UNCW believes that it is important to consider and monitor objective metrics when evaluating UNCW's financial health and its ability to incur additional debt. To that end, UNCW will use three key financial ratios to assess its ability to absorb additional debt based on its current and projected financial condition:

(i) Debt to Obligated Resources *
(ii) Annual Debt Service Coverage**
(iii) Debt Service to Operating Expenses *

* Monitored as part of the debt capacity study for The University of North Carolina delivered each year under Article 5 of Chapter 116D of the North Carolina General Statutes (the "UNC Debt Capacity Study").
** Considered relevant indicators of Leverage and Debt Affordability by Moody's Investor Service (Global Higher Education Rating Methodology, August 2021).

Target ratios have been established to help preserve UNCW's financial health and operating flexibility and to ensure UNCW is able to access the market to address capital needs and to take advantage of potential refinancing opportunities.

UNCW recognizes that the target ratios, while helpful, have limitations and should be viewed together with UNCW's strategic plan or other planning tools. UNCW has developed specific criteria for evaluating and approving critical infrastructure projects even if UNCW reaches its debt capacity as calculated by the UNC Debt Capacity Study or the Guidelines' target ratios. In such instances, it may be appropriate to issue debt with respect to a proposed project based on one or more of the following findings:

(i) The proposed project would generate additional revenues (including, if applicable, dedicated student fees, rents, or grants) sufficient to support the financing that are not currently captured in the benchmark ratios.
(ii) The proposed project is essential to the implementation of one of the University's strategic priorities.
(iii) The proposed project addresses life and safety issues or addresses other critical infrastructure needs.
(iv) Foregoing or delaying the proposed project would result in significant additional costs to UNCW or would negatively impact UNCW's credit rating.

The University will review each ratio by March 1st of each year and will provide a report to the Vice Chancellor for Business Affairs detailing (1) the calculation of each ratio for that fiscal year and (2) an explanation for any ratio that falls outside the University's stated target ratio, along with (a) any applicable recommendations, strategies and an expected timeframe for aligning with the Guidelines or (b) the rationale for any recommended

changes to any such stated target ratio going forward (including any revisions necessitated by changes in accounting standards or rating agency methodologies).

Ratio 1 – Debt to Obligated Resources

What does it measure? Aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt under the General Revenue Bond Statutes. Each UNC constituent institution is required to report this target ratio under the provisions of the Debt Study). This ratio is not used outside the state and is only included due to the Debt Study.

How is it calculated? Aggregate debt divided by obligated resources.
Obligated resources is defined as Available Funds plus an adjustment for non-cash expenses related to the implementation of GASB 68. Available funds is a concept commonly used to capture each UNC's campus's obligated resources in loan and bond documentation.

Target Ceiling Ratio: Not to exceed 1.75x

Ratio 2 – Annual Debt Service Coverage

What does it measure? This leverage ratio is an important indicator of the ability of the university to indicator of the university's ability to consistently generate sufficient cash flow to repay debt.

How is it calculated? EBIDA divided by annual debt service.

Target Floor Ratio: Not less than 1.0x
Target Ratio: Above 1.5x

Ratio 3 – Debt Service to Operating Expense

What does it measure? Debt service burden as a percentage of total expenses, which is used as the denominator because it is typically more stable than revenues

How is it calculated? Annual debt service divided by annual operating expenses

Target Ceiling Ratio: Not to exceed 6.5%

5. Debt Portfolio Management and Transaction Structure Considerations

Numerous types of financing structures and funding sources are available, each with specific benefits, risks, and costs. Potential funding sources and structures will be reviewed and considered by the Vice Chancellor for Business Affairs within the context of these Guidelines and the overall portfolio to ensure that any financial product or structure is consistent with UNCW's stated objectives. As part of effective debt management, UNCW must also consider its investment and cash management strategies, which influence the desired structure of the debt portfolio.

Method of Sale

UNCW will consider various methods of sale on a transaction-by-transaction basis to determine which method of sale (i.e., competitive, negotiated or private placement) best serves UNCW's strategic plan and financing objectives. In making that determination, UNCW will consider, among other factors: (1) the size and complexity of the issue, (2) the current interest rate environment and other market factors (such as bank and investor appetite) that might affect UNCW's cost of funds, and (3) possible risks associated with each method of sale (e.g., rollover risk associated with a financing that is privately placed with a bank for a committed term that is less than the term of the financing).

Tax Treatment

When feasible and appropriate for the particular project, the use of tax-exempt debt is generally preferable to taxable debt. Issuing taxable debt may reduce UNCW's overall debt affordability due to higher rates but may be appropriate for projects that do not qualify for tax-exemption, or that may require interim funding. For example, taxable debt may be justified if it sufficiently mitigates UNCW's ongoing administrative and compliance risks. When used, taxable debt should be structured to provide maximum repayment flexibility and rapid principal amortization.

Structure and Maturity

To the extent practicable, UNCW should structure its debt to provide for level annual payments of debt service, though UNCW may elect alternative structures when the Vice Chancellor for Business Affairs determines it to be in UNCW's best interest. In addition, when financing projects that are expected to be self-supporting (such as a revenue-producing facility or a facility to be funded entirely through a dedicated fundraising campaign), the debt service may be structured to match future anticipated receipts.

UNCW will use maturity structures that correspond with the life of the facilities financed, not to exceed 30 years. Such determinations may be made on a blended basis, taking into account all assets financed as part of a single debt offering. As market dynamics change, maturity structures should be reevaluated. Call features should be structured to provide the highest degree of flexibility relative to cost.

General Revenue Pledge

UNCW will utilize general revenue secured debt for all financing needs, unless there is compelling reason to structure specific revenue pledges independent of general revenue projects. The general revenue pledge provides a strong, flexible security which captures the strengths of auxiliary and student related revenues as well as research programs. In addition, general revenue debt does not subject the University to operating or financial covenants and coverage levels imposed by the market or external constituents.

Variable Rate Debt

While fixed rate debt is preferable, UNCW recognizes that a degree of exposure to variable interest rates within UNCW's debt portfolio may be desirable as part of a short-term bond anticipation note or in order to (1) take advantage of repayment or restructuring flexibility, (2) benefit from historically lower average interest costs or (3) provide a "match" between debt service requirements and the projected cash flows from UNCW's assets. UNCW's debt portfolio should be managed to ensure that no more than a minimum amount of UNCW's total long-term debt bears interest at an unhedged variable rate.

UNCW will monitor overall interest rate exposure. UNCW may manage the liquidity risk of variable rate debt either through its own working capital/investment portfolio, the type of instrument used, or by using third party sources of liquidity. UNCW may manage interest rate risk in its portfolio through specific budget and central bank management strategies or through the use of derivative instruments.

Refunding Considerations

UNCW will actively monitor its outstanding debt portfolio for refunding or restructuring opportunities. Absent a compelling economic or strategic reason to the contrary, UNCW should evaluate opportunities to issue bonds for the purpose of refunding existing debt obligations of UNCW ("Refunding Bonds") using the following general guidelines:

(i) The life of the Refunding Bonds should not exceed thirty years beyond the original issue date.
(ii) Refunding Bonds issued to achieve debt service savings should have a target savings level measured on a present net value basis of at least 2% of the par amount refunded.
(iii) Refunding Bonds that do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling interest.
(iv) Refunding Bonds may also be issued to relieve UNCW of certain limitations, covenants, payment obligations or reserve requirements that reduce operational flexibility.

6. Post-Issuance Compliance Matters

UNCW will develop a separate guideline on post-issuance compliance matters.

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

Western Carolina University
Institution Report

Western Carolina University

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), Western Carolina University ("***WCU***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. WCU has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, WCU, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily-required ratios—**debt to obligated resources** and the **five-year payout ratio**—WCU has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, WCU's debt capacity reflects the amount of debt WCU could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that WCU intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- WCU's current debt profile, including project descriptions financed with, and the sources of repayment for, WCU's outstanding debt;
- WCU's current credit profile, along with recommendations for maintaining or improving WCU's credit rating; and
- A copy of any WCU debt management policy currently in effect.

Overview of WCU

For the fall 2024 semester, WCU had a headcount student population of approximately 11,686, including 10,112 undergraduate students and 1,574 graduate students. Over the past five years, WCU's enrollment has decreased by approximately 4.5 percent.

WCU's average age of plant is 14.4 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

WCU anticipates incurring $30 million in new debt issuances during the study period detailed in **Section 3**. WCU has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 and GASB 75.
- Outstanding debt service is based on WCU's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to WCU by the federal government (discounted by an assumed 6.2% sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt WCU expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below may overstate WCU's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(84,726,621)	18,272,918	221,863,705		155,410,002
2021	(72,268,375)	22,389,492	207,586,210	1.48%	157,707,327
2022	(55,622,311)	27,455,216	208,518,947	14.36%	180,351,852
2023	(11,542,634)	17,216,405	192,499,362	9.88%	198,173,133
2024	55,495,947	22,422,900	159,581,631	19.84%	237,500,478
2025	62,189,007	14,551,181	167,647,804	2.90%	244,387,992
2026	61,923,989	10,139,198	178,434,505	2.50%	250,497,692
2027	73,104,259	(609,513)	184,265,388	2.50%	256,760,134
2028	79,696,851	1,232,171	182,250,115	2.50%	263,179,137
2029	87,208,502	-	182,550,114	2.50%	269,758,616

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	241,820,397	(5,452,096)	9,371,699		245,740,000
2021	243,163,504	(6,994,979)	4,709,932	-1.98%	240,878,457
2022	250,955,911	4,979,778	(6,064,280)	3.73%	249,871,409
2023	258,607,948	10,890,320	(16,310,065)	1.33%	253,188,203
2024	275,291,192	15,778,863	542,556	15.18%	291,612,611
2025	300,263,831	7,871,719	(8,066,173)	2.90%	300,069,377
2026	313,945,829	4,411,983	(10,786,701)	2.50%	307,571,111
2027	310,342,561	10,748,711	(5,830,883)	2.50%	315,260,389
2028	320,503,968	622,658	2,015,273	2.50%	323,141,899
2029	331,220,445	-	1	2.50%	331,220,446

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	8,175,000	8,538,486	16,713,486	209,545,000
2026	9,125,000	8,230,095	17,355,095	200,420,000
2027	9,120,000	7,875,690	16,995,690	191,300,000
2028	8,950,000	7,519,308	16,469,308	182,350,000
2029	8,530,000	7,188,514	15,718,514	173,820,000
2030	8,905,000	6,811,635	15,716,635	164,915,000
2031	9,295,000	6,427,141	15,722,141	155,620,000
2032	9,700,000	6,023,865	15,723,865	145,920,000
2033	9,460,000	5,631,279	15,091,279	136,460,000
2034	9,160,000	5,244,991	14,404,991	127,300,000
2035	8,100,000	4,885,788	12,985,788	119,200,000
2036	8,390,000	4,592,625	12,982,625	110,810,000
2037	8,695,000	4,285,450	12,980,450	102,115,000
2038	9,030,000	3,948,500	12,978,500	93,085,000
2039	9,360,000	3,622,663	12,982,663	83,725,000
2040	7,000,000	3,283,888	10,283,888	76,725,000
2041	7,255,000	3,030,906	10,285,906	69,470,000
2042	7,525,000	2,763,300	10,288,300	61,945,000
2043	7,860,000	2,426,450	10,286,450	54,085,000
2044	8,210,000	2,074,250	10,284,250	45,875,000
2045	8,565,000	1,724,238	10,289,238	37,310,000
2046	8,915,000	1,377,166	10,292,166	28,395,000
2047	8,125,000	1,044,425	9,169,425	20,270,000
2048	8,445,000	727,109	9,172,109	11,825,000
2049	5,795,000	451,300	6,246,300	6,030,000
2050	6,030,000	218,600	6,248,600	-

3. Proposed Debt Financings

The table below summarizes any legislatively approved projects that UNC-Chapel Hill expects to finance during the Study Period. Using the assumptions outlined in the table below, the model has developed a tailored, but conservative, debt service schedule for each proposed financing and incorporated each pro forma debt service schedule into its calculations of the financial ratios as detailed in **Section 4** below.

Western Carolina University Proposed Debt Financings

FY Issued	Description	Borrowing Amount	Term	Principal Deferral	Structure	Rate
2025	Athletic Facility Improvement	30,000,000	30		Level D/S	4.52%

4. Financial Ratios

Debt to Obligated Resources

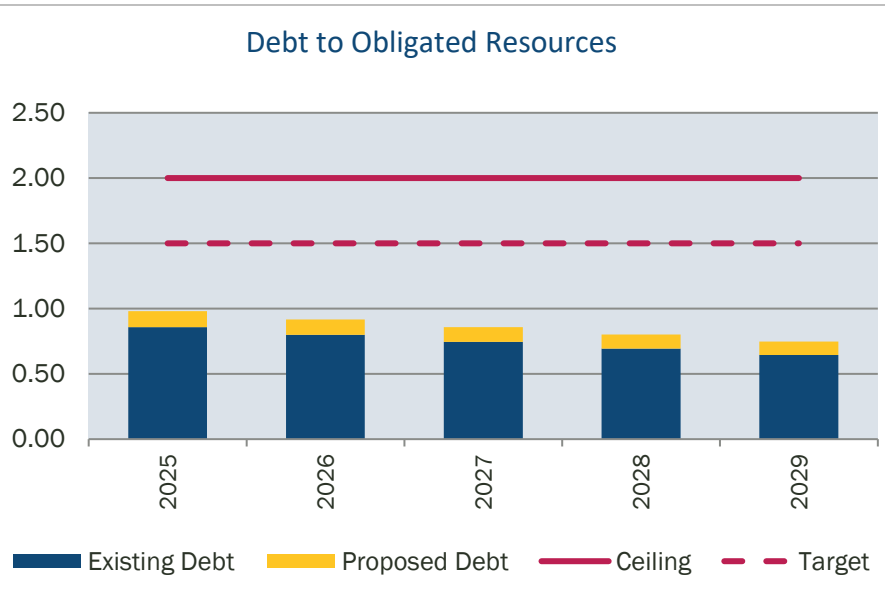
- **What does it measure?** WCU's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

- Target Ratio: 1.50
- Ceiling Ratio: Not to exceed 2.00
- Projected 2025 Ratio: 0.98
- Highest Study Period Ratio: 0.98 (2025)

*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	244,387,992	2.90%	209,545,000	30,000,000	0.86	0.12	0.98
2026	250,497,692	2.50%	200,420,000	29,509,918	0.80	0.12	0.92
2027	256,760,134	2.50%	191,300,000	28,997,684	0.75	0.11	0.86
2028	263,179,137	2.50%	182,350,000	28,462,297	0.69	0.11	0.80
2029	269,758,616	2.50%	173,820,000	27,902,710	0.64	0.10	0.75



5-Year Payout Ratio Overview

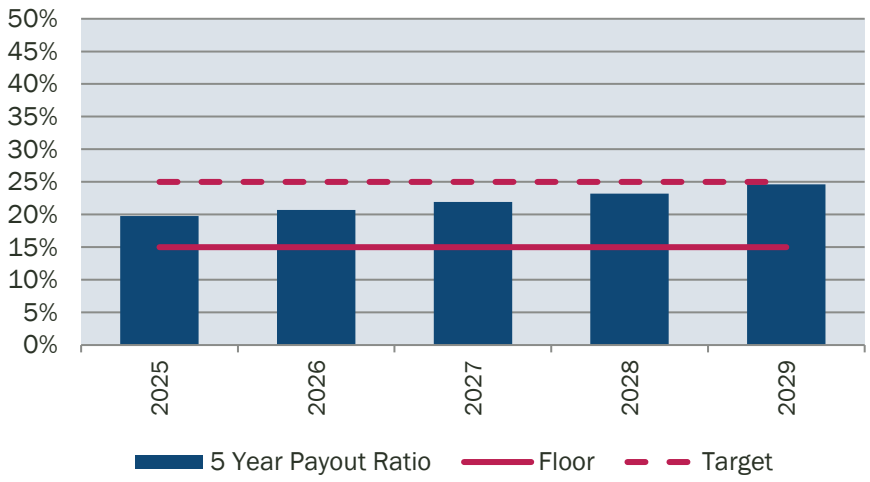
- **What does it measure?** The percentage of WCU's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

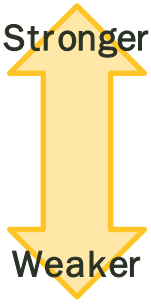
- Target Ratio: 25%
- Floor Ratio: Not less than 15%
- Projected 2025 Ratio: 20%
- Lowest Study Period Ratio: 20% (2025)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	239,545,000	20%
2026	229,929,918	21%
2027	220,297,684	22%
2028	210,812,297	23%
2029	201,722,710	25%

5-Year Payout Ratio





Debt Service to Operating Expenses

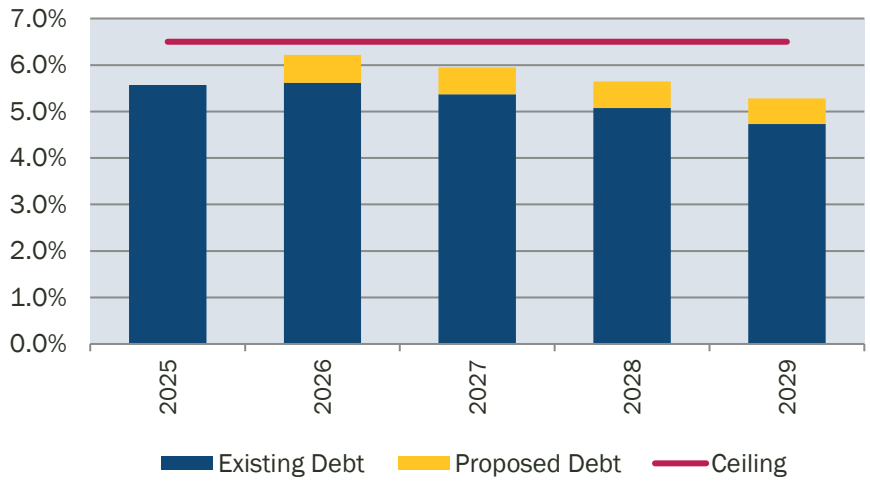
- **What does it measure?** WCU's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 6.50%
- Projected 2025 Ratio: 5.57%
- Highest Study Period Ratio: 6.22% (2026)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	300,069,377	2.90%	16,713,486	-	5.57%	n/a	5.57%
2026	308,927,111	2.50%	17,355,095	1,846,082	5.62%	0.60%	6.22%
2027	316,594,237	2.50%	16,995,690	1,846,082	5.37%	0.58%	5.95%
2028	324,452,594	2.50%	16,469,308	1,846,082	5.08%	0.57%	5.65%
2029	332,506,942	2.50%	15,718,514	1,846,082	4.73%	0.56%	5.28%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, WCU's debt capacity is based on the amount of debt WCU could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	0.98	2.00	249,230,984
2026	0.92	2.00	271,065,466
2027	0.86	2.00	293,222,584
2028	0.80	2.00	315,545,978
2029	0.75	2.00	337,794,521

Limitations on Debt Capacity, Credit Rating Implications, and Comment from WCU

- The debt capacity calculation shown above provides a general indication of WCU's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- **If WCU were to use all of its calculated debt capacity during the Study Period, WCU's credit ratings may face significant downward pressure**.
- Projecting the exact amount WCU could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **The State's Impact**
        - In assessing each institution's credit rating, rating agencies also consider the State's credit rating and demographic trends, the health of its pension system, the level of support it has historically provided to the institution, and any legislation or policies affecting campus operations.
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.
        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.
    - **Factor Interdependence**

- The quantitative and qualitative factors interact with one another in ways that are difficult to predict.
- For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.

- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

WCU's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2015 A WCU	11/19/2015	29,675,000	10/01/2045	General Revenue	Brown Renovation	Student Fees
2015 B WCU	11/19/2015	2,190,000	10/01/2026	General Revenue	Refunding 2006A	Student Fees
2015 WCU	04/30/2015	4,380,000	06/01/2032	Limited Obligation	Refunding 2005	Housing Revenue
2016 WCU	04/27/2016	30,495,000	06/01/2039	Limited Obligation	Refunding 2008	Housing Revenue
2018 WCU	04/05/2018	42,910,000	10/01/2047	General Revenue	Upper Campus New Residence Hall	Housing Revenue
2020 B WCU	09/30/2020	75,815,000	04/01/2050	General Revenue	Lower Campus Residence Hall	Housing Revenue
2020 C WCU	09/30/2020	8,595,000	04/01/2028	General Revenue	Refunding 2011B	Housing Revenue; Student Fees
2020 WCU	03/18/2020	18,450,000	10/01/2049	General Revenue	Parking Garage	Parking Revenue
2023 WCU	06/01/2023	5,210,000	06/01/2033	Limited Obligation	Refunding 2013 LOB	Housing Revenue
	Total	**217,720,000**				

7. Credit Profile

The following page provides a snapshot of WCU's current credit ratings, along with (1) a summary of various credit factors identified in WCU's most recent rating report and (2) recommendations for maintaining and improving WCU's credit ratings in the future.

Credit Profile of the University – (General Revenue)

Overview

- Moody's maintains a Aa3 rating on WCU's general revenue bonds. The outlook is stable .
- Credit rating remained unchanged with WCU's sale of General Revenue Refunding Bonds, Series 2020B and Series 2020C

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

Non Investment Grade

Key Information Noted in Reports

Credit Strengths

- Steadily growing enrollment and close budget oversight
- Low-cost provider of higher education
- Consistently favorable operating performance and strong liquidity
- Solid financial support from the State of North Carolina (Aaa stable)
- Well-managed financial operations provide solid and consistent operating performance
- Financial reserves are increasing at a pace above other Aa3rated peers

Credit Challenges

- Heavy reliance on state funding with the reliance increasing due to NC Promise Tuition Plan
- State imposed pricing restrictions limits the university's ability to address unforeseen budget pressures
- Limited additional debt capacity without financial reserve growth

Recommendations & Observations

- Continue to develop and implement strategies and policies to meet WCU's unique challenges, including strategies to grow wealth to provide a stronger cushion relative to debt and improve revenue diversity.
- Continued assessment of operating cash flows and reserves can improve performance margins and debt affordability.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**Western Carolina University**	**Indiana State University**	**Western Kentucky University**	**Ferris State University**	**Central Washington University**
Most Senior Rating	**Aa3**	**A1**	**A2**	**A1**	**A3**
Total Long-Term Debt ($, in millions)	227	199	248	90	131
Total Cash & Investments ($, in millions)	353	121	73	116	64
Operating Revenue ($, in millions)	316	215	286	258	249
Operating Expenses ($, in millions)	288	214	303	247	265
Market Performance Ratios					
Annual Change in Operating Revenue (%)	7.1%	1.1%	1.4%	-6.8%	6.1%
Operating Ratios					
Operating Cash Flow Margin (%)	16.1%	15.3%	7.5%	10.4%	5.3%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	1.2	0.6	0.2	0.5	0.2
Total Debt to Operating Expenses (x)	0.8	0.9	0.8	0.4	0.5
Monthly Days Cash on Hand (x)	250	234	98	180	81
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	1.6	0.6	0.3	1.3	0.5
Debt Service to Operating Expenses (%)	5.6%	9.5%	5.8%	4.0%	4.4%
Total Debt-to-Cash Flow (x)	4.5	6.0	11.5	3.4	9.9

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Approved by the University of North Carolina Board of Governors on May 15, 2025

9. Debt Management Policies

WCU's current debt policy is attached.

Proposed – December 8, 2016

Debt Management Strategy

Western Carolina University

Approved by the University of North Carolina Board of Governors on May 15, 2025

Table of Contents

1. Introduction

Western Carolina University ("WCU") views its debt capacity as a limited resource that should be used, when appropriate, to help fund the capital investments necessary for the successful implementation of WCU's strategic vision to serve the people of North Carolina and beyond, while preserving the operational flexibility and resources necessary to support WCU's current and future programming. WCU recognizes the important role that the responsible stewardship of its financial resources will play as WCU seeks to invest in its campus and related infrastructure in order to meet anticipated demand.

This Strategy has been developed to assist WCU's efforts to manage its debt on a long-term, portfolio basis and in a manner consistent with WCU's stated policies, objectives and core values. Like other limited resources, WCU's debt capacity should be used and allocated strategically and equitably.

Specifically, the objective of this Strategy is to provide a framework that will enable WCU's Board of Trustees (the "Board") and finance staff to:

(i) Identify and prioritize projects eligible for debt financing;

(ii) Limit and manage risk within WCU's debt portfolio;

(iii) Establish debt management guidelines and quantitative parameters for evaluating WCU's financial health, debt affordability and debt capacity;

(iv) Manage and protect WCU's credit profile in order to maintain WCU's credit rating at a strategically optimized level and maintain access to the capital markets; and

(v) Ensure WCU remains in compliance with all of its post-issuance obligations and requirements.

This Strategy is intended solely for WCU's internal planning purposes. The Vice Chancellor for Administration & Finance will review this Strategy annually and, if necessary, recommend changes to ensure that it remains consistent with the University's strategic objectives and the evolving demands and accepted practices of the public higher education marketplace. Proposed changes to this Strategy are subject to the Board's approval.

2. Authorization and Oversight

WCU's Vice Chancellor for Administration & Finance is responsible for the day-to-day management of WCU's financial affairs in accordance with the terms of this Strategy and for all of WCU's debt financing activities. Each University financing will conform to all applicable State and Federal laws.

The Board will consider for approval each proposed financing in accordance with the requirements of any applicable State law.

3. Process for Identifying and Prioritizing Capital Projects Requiring Debt

Only projects that directly or indirectly relate to the mission of WCU will be considered for debt financing.

(i) Self-Liquidating Projects – A project that has a related revenue stream (self-liquidating project) will receive priority consideration. Each self-liquidating project financing must be supported by an achievable plan of finance that provides, or identifies sources of funds, sufficient to (1) service the debt associated with the project, (2) pay for any related infrastructure improvements, (3) cover any new or increased operating costs and (4) fund appropriate reserves for anticipated replacement and renovation costs.

(ii) Energy Conservation Projects – Each energy conservation project financing must provide annual savings sufficient to service the applicable debt and all related monitoring costs.

(iii) Other Projects – Other projects funded through budgetary savings, gifts and grants will be considered on a case-by-case basis. Any project requiring financing to be repaid primarily with gift receipts (a "Gift-Financed Project") must be approved by the Chancellor with consultation from the Vice Chancellor for Development and Alumni Relations and the Vice Chancellor for Administration & Finance before any project-restricted donations are solicited. In all cases, institutional strategy, and not donor capacity, must drive the decision to pursue any proposed project.

The fundraising goal for any Gift-Financed Project should include, when feasible, an appropriately-sized endowment for deferred maintenance and other ancillary ownership costs. When such endowment is not feasible, the plan of finance for the Gift-Financed Project must identify other sources of funds sufficient to cover incremental increases in operating costs and to fund appropriate reserves for anticipated replacement and renovation costs relating to the Gift-Financed Project.

The University recognizes that it will begin to incur (1) significant soft costs for any Gift-Financed Project when an architect is selected and (2) significant hard costs for a project when construction actually begins. For any Gift-Financed Project, therefore, the University must have raised (1) at least 25% of the applicable fundraising goal in gifts and pledges before selecting an architect and (2) 100% of such fundraising goal in gifts before beginning construction. If less than 100% of the fundraising goal has been met, the University may still begin construction for a Gift-Financed Project if it has developed an achievable plan of finance that identifies sources of funds (other than gifts) sufficient to support a permanent financing for any difference between the applicable fundraising goal and the amount of gifts actually received to date. This Strategy recognizes that extraordinary circumstances may warrant strategic exceptions to the policies outlined in this paragraph, but any such exception must be approved by the Board of Trustees.

4. Benchmarks and Debt Ratios

Overview

When evaluating its current financial health and any proposed plan of finance, WCU takes into account both its debt affordability and its debt capacity. Debt affordability focuses on WCU's cash flows and measures WCU's ability to service its debt through its operating budget and identified revenue streams. Debt capacity, on the other hand, focuses on the relationship between WCU's net assets and its total debt outstanding.

Debt capacity and affordability are impacted by a number of factors, including WCU's enrollment trends, reserve levels, operating performance, ability to generate additional revenues to support debt service, competing capital improvement or programmatic needs, and general market conditions. Because of the number of potential variables, WCU's debt capacity cannot be calculated based on any single ratio or even a small handful of ratios.

WCU believes, however, that it is important to consider and monitor objective metrics when evaluating WCU's financial health and its ability to incur additional debt. To that end, WCU has identified four key financial ratios that it will use to assess its ability to absorb additional debt based on its current and projected financial condition:

(i) Debt to Obligated Resources

(ii) Debt Service Coverage Ratio

(iii) Expendable Resources to Debt

(iv) Debt Service to Operating Expenses

Note that the selected financial ratios are the same benchmarks monitored as part of the debt capacity study for The University of North Carolina delivered each year under Article 5 of Chapter 116D of the North Carolina General Statutes (the "UNC Debt Capacity Study"), which WCU believes will promote clarity and consistency in WCU's debt management and planning efforts.

WCU has established for each ratio a floor or ceiling target, as the case may be, with the expectation that WCU will operate within the parameters of those ratios most of the time. To the extent possible, the policy ratios established from time to time in this Strategy should align with the ratios used in the report WCU submits each year as part of the UNC Debt Capacity Study. The policy ratios have been established to help preserve WCU's financial health and operating flexibility and to ensure WCU is able to access the market to address capital needs or to take advantage of potential refinancing opportunities. Attaining or maintaining a specific credit rating is not an objective of this Strategy.

WCU recognizes that the policy ratios, while helpful, have limitations and should not be viewed in isolation of WCU's strategic plan or other planning tools. In accordance with the recommendations set forth in the initial UNC Debt Capacity Study delivered April 1, 2016, WCU has developed as part of this Strategy specific criteria for evaluating and, if warranted, approving critical infrastructure projects even when WCU has limited debt capacity as calculated by the UNC Debt Capacity Study or the benchmark ratios in this Strategy. In such instances, the Board may approve the issuance of debt with respect to a proposed project based on one or more of the following findings:

(i) The proposed project would generate additional revenues (including, if applicable, dedicated student fees or grants) sufficient to support the financing, which revenues are not currently captured in the benchmark ratios.

(ii) The proposed project would be financed entirely with private donations based on pledges already in hand.

(iii) The proposed project is essential to the implementation of one of the Board's strategic priorities.

(iv) The proposed project addresses life and safety issues or addresses other critical infrastructure needs.

(v) Foregoing or delaying the proposed project would result in significant additional costs to WCU or would negatively impact WCU's credit rating.

At no point, however, should WCU intentionally operate outside an established policy ratio without conscious and explicit planning.

Ratio 1 – Debt to Obligated Resources

What does it measure? WCU's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt under the General Revenue Bond Statutes

How is it calculated? Aggregate debt divided by obligated resources*

Policy Ratio: Not to exceed 2.00x

*Available Funds, which is the concept commonly used to capture each UNC's campus's obligated resources in its loan and bond documentation, has been used as a proxy for obligated resources. The two concepts are generally identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of WCU's obligated resources.

Ratio 2 – Debt Service Coverage Ratio Overview

What does it measure? WCU's ability to service its annual debt service obligations from WCU's operating cash flows

How is it calculated? Operating cash flow divided by annual debt service

Policy Ratio: Not less than 2.00x

Ratio 3 – Expendable Resources to Debt

What does it measure? The number of times WCU's liquid and expendable net assets covers its aggregate debt

How is it calculated? The sum of (1) Adjusted Unrestricted Net Assets and (2) Restricted Expendable Net Assets divided by aggregate debt

Policy Ratio: Not less than 0.45x

Ratio 4 – Debt Service to Operating Expenses

What does it measure? WCU's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues

How is it calculated? Annual debt service divided by annual operating expenses

Policy Ratio: Not to exceed 5.40%

Reporting

In an instance where the University falls outside a stated policy ratio, the Vice Chancellor for Administration & Finance will review each ratio in connection with the delivery of the University's audited financials and will provide a report to the Board detailing (1) the calculation of each ratio for that fiscal year and (2) an explanation for any ratio that falls outside the University's stated policy ratio, along with (a) any applicable recommendations, strategies and an expected timeframe for aligning such ratio with the University's stated policy or (b) the rationale for any recommended changes to any such stated policy ratio going forward (including any revisions necessitated by changes in accounting standards or rating agency methodologies).

5. Debt Portfolio Management and Transaction Structure Considerations

Generally

Numerous types of financing structures and funding sources are available, each with specific benefits, risks, and costs. Potential funding sources and structures will be reviewed and considered by the Vice Chancellor for Administration & Finance within the context of this Strategy and the overall portfolio to ensure that any financial product or structure is consistent with WCU's stated objectives. As part of effective debt management, WCU must also consider its investment and cash management strategies, which influence the desired structure of the debt portfolio.

Method of Sale

WCU will consider various methods of sale on a transaction-by-transaction basis to determine which method of sale (i.e., competitive, negotiated or private placement) best serves WCU's strategic plan and financing objectives. In making that determination, WCU will consider, among other factors: (1) the size and complexity of the issue, (2) the current interest rate environment and other market factors (such as bank and investor appetite) that might affect WCU's cost of funds, and (3) possible risks associated with each method of sale (e.g., rollover risk associated with a financing that is privately placed with a bank for a committed term that is less than the term of the financing).

Tax Treatment

When feasible and appropriate for the particular project, the use of tax-exempt debt is generally preferable to taxable debt. Issuing taxable debt may reduce WCU's overall debt affordability due to higher rates but may be appropriate for projects that do not qualify for tax-exemption, or that may require interim funding. For example, taxable debt may be justified if it sufficiently mitigates WCU's ongoing administrative and compliance risks.

When used, taxable debt should be structured to provide maximum repayment flexibility and rapid principal amortization.

Structure and Maturity

To the extent practicable, WCU should structure its debt to provide for level annual payments of debt service, though WCU may elect alternative structures when the Vice Chancellor for Administration & Finance determines it to be in WCU's best interest. In addition, when financing projects that are expected to be self-supporting (such as a revenue-producing facility or a facility to be funded entirely through a dedicated fundraising campaign), the debt service may be structured to match future anticipated receipts.

WCU will use maturity structures that correspond with the life of the facilities financed, not to exceed 30 years. Equipment should be financed for a period not to exceed 120% of its useful life. Such determinations may be made on a blended basis, taking into account all assets financed as part of a single debt offering. As market dynamics change, maturity structures should be reevaluated. Call features should be structured to provide the highest degree of flexibility relative to cost.

Variable Rate Debt

WCU recognizes that a degree of exposure to variable interest rates within WCU's debt portfolio may be desirable in order to (1) take advantage of repayment or restructuring flexibility, (2) benefit from historically lower average interest costs and (3) provide a "match" between debt service requirements and the projected cash flows from WCU's assets. WCU's debt portfolio should be managed to ensure that no more than 20% of WCU's total debt bears interest at an unhedged variable rate.

WCU's finance staff will monitor overall interest rate exposure and will analyze and quantify potential risks, including interest rate, liquidity and rollover risks. WCU may manage the liquidity risk of variable rate debt either through its own working capital/investment portfolio, the type of instrument used, or by using third party sources of liquidity. WCU may manage interest rate risk in its portfolio through specific budget and central bank management strategies or through the use of derivative instruments.

Public Private Partnerships

To address WCU's anticipated capital needs as efficiently and prudently as possible, WCU may choose to explore and consider opportunities for alternative and non-traditional transaction structures (collectively, "P3 Arrangements").

Due to their higher perceived risk and increased complexity, and because the cash flows for the project must satisfy the private partner's expected risk-adjusted rate of return, the financing and initial transaction costs for projects acquired through P3 Arrangements are generally higher than projects financed with proceeds of traditional debt instruments. P3 Arrangements should therefore be pursued only when WCU has determined that (1) a traditional financing alternative is not feasible, (2) a P3 Arrangement will likely produce construction or overall operating results that are superior, faster or more efficient than a traditional delivery model or (3) a P3 Arrangement serves one of the Board's broader strategic objectives (e.g., a decision that operating a particular auxiliary function is no longer consistent with WCU's core mission).

Absent a compelling strategic reason to the contrary, P3 Arrangements should not be considered if the Vice Chancellor for Administration & Finance determines, in consultation with WCU's advisors, that the P3 Arrangement will be viewed as "on-credit" (i.e., treated as University debt) by WCU's auditors or outside rating agencies. When evaluating whether the P3 Arrangement should be viewed as "on-credit," rating agencies consider WCU's economic interest in the project and the level of control it exerts over the project. Further, rating

agencies will generally treat a P3 Arrangement as University debt if the project is located on WCU's campus or if the facility is to be used for an essential University function. For this reason, any P3 Arrangement for a university-related facility to be located on land owned by the State, WCU or a WCU affiliate must be approved in advance by the Vice Chancellor for Administration & Finance.

Refunding Considerations

WCU will actively monitor its outstanding debt portfolio for refunding or restructuring opportunities. Absent a compelling economic or strategic reason to the contrary, WCU should evaluate opportunities to issue bonds for the purpose of refunding existing debt obligations of WCU ("Refunding Bonds") using the following general guidelines:

(i) The life of the Refunding Bonds should not exceed the remaining life of the bonds being refunded.

(ii) Refunding Bonds issued to achieve debt service savings should have a target savings level measured on a present net value basis of at least 3% of the par amount refunded.

(iii) Refunding Bonds that do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling interest.

(iv) Refunding Bonds may also be issued to relieve WCU of certain limitations, covenants, payment obligations or reserve requirements that reduce operational flexibility.

6. Derivative Products

WCU recognizes that derivative products may provide for more flexible management of the debt portfolio. In certain circumstances, interest rate swaps and other derivatives permit WCU to adjust its mix of fixed- and variable-rate debt and manage its interest rate exposures. Derivatives may also be an effective way to manage liquidity risks. WCU will use derivatives only to manage and mitigate risk; WCU will not use derivatives to create leverage or engage in speculative transactions.

As with underlying debt, WCU's finance staff will evaluate any derivative product comprehensively, taking into account its potential costs, benefits and risks, including, without limitation, any tax risk, interest rate risk, liquidity risk, credit risk, basis risk, rollover risk, termination risk, counterparty risk, and amortization risk. Before entering into any derivative product, the Vice Chancellor for Administration & Finance must (1) conclude, based on the advice of a reputable swap advisor, that the terms of any swap transaction are fair and reasonable under current market conditions and (2) ensure that WCU's finance staff has a clear understanding of the proposed transaction's costs, cash flow impact and reporting treatment.

WCU will use derivatives only when the Vice Chancellor for Administration & Finance determines, based on the foregoing analysis, that the instrument provides the most effective method for accomplishing WCU's strategic objectives without imposing inappropriate risks on WCU.

7. Post-Issuance Compliance Matters

To the extent WCU adopts any formal policies relating to post-issuance compliance matters after the effective date of this Strategy, the Vice Chancellor for Administration & Finance will attach each such policy as **Appendix A** to this Strategy.

May 14, 2025

The University of North Carolina System
Debt Capacity Study – Fiscal Year 2024

Winston-Salem State University
Institution Report

Winston-Salem State University

Approved by the University of North Carolina Board of Governors on May 15, 2025

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1. Executive Summary

Overview of the Institution Report

Pursuant to Article 5 of Chapter 116D of the North Carolina General Statutes (the "***Act***"), Winston-Salem State University ("***WSSU***") has submitted this report (this "***Institution Report***") as part of the annual debt capacity study (the "***Study***") undertaken by The University of North Carolina (the "***University***") in accordance with the Act. Each capitalized term used but not defined in this Institution Report has the meaning given to such term in the Study.

This Institution Report details the historical and projected financial information incorporated into the financial model developed in connection with the Study. WSSU has used the model to calculate and project the following three financial ratios:

- Debt to Obligated Resources
- Five-Year Payout Ratio
- Debt Service to Operating Expenses

See **Appendix A** to the Study for more information on the ratios and related definitions.

To produce a tailored, meaningful model, WSSU, in consultation with the UNC System Office, has set its own policies for each model ratio. For the two statutorily-required ratios—**debt to obligated resources** and the **five-year payout ratio**—WSSU has set both a target policy and a floor or ceiling policy, as applicable.

For the purposes of the Study, WSSU's debt capacity reflects the amount of debt WSSU could issue during the Study Period without exceeding its ceiling ratio for **debt to obligated resources**, after taking into account debt the General Assembly has previously approved that WSSU intends to issue during the Study Period. Details regarding each approved project are provided in Section 3.

This Institution Report also includes the following information required by the Act:

- WSSU's current debt profile, including project descriptions financed with, and the sources of repayment for, WSSU's outstanding debt;
- WSSU's current credit profile, along with recommendations for maintaining or improving WSSU's credit rating; and
- A copy of any WSSU debt management policy currently in effect.

Overview of WSSU

For the fall 2024 semester, WSSU had a headcount student population of approximately 4,782, including 4,192 undergraduate students and 590 graduate students. Over the past five years, WSSU's enrollment has decreased by 7.5 percent.

WSSU's average age of plant is 14.8 years. Age of plant is a financial ratio calculated by dividing the accumulated depreciation by the annual depreciation expense. A low age of plant generally indicates the institution is taking a sustainable approach to its deferred maintenance and reinvestment programs.

WSSU anticipates incurring no additional debt during the Study Period. WSSU has made no changes to the financial model's standard growth assumptions.

2. Institution Data

Notes

- Obligated Resources equals Available Funds plus an adjustment for any noncash charge relating to the implementation of GASB 68 & 75.
- Operating Expenses equals Operating Expenses plus an adjustment for any noncash charge relating to the implementation of GASB 68 & 75.
- Outstanding debt service is based on WSSU's outstanding debt **as of June 30, 2024**, excluding state appropriated debt (such as energy savings contracts). Debt service is net of any interest subsidies owed to WSSU by the federal government (discounted by an assumed 6.2 percent sequestration rate) and uses reasonable unhedged variable rate assumptions.
- New money debt issued **after June 30, 2024**, together with any legislatively approved debt WSSU expects to issue during the Study Period, **are included** in the model as "proposed debt service" and are taken into account in the projected financial ratios shown in this Institution Report.
- Repayments, redemptions, or refundings that have occurred **after June 30, 2024** are not included in the model, meaning the debt service schedules reflected below may overstate WSSU's current debt burden.

Obligated Resources

Fiscal Year	Available Funds (Before GASB Adjustment)	GASB 68 Adjustment	GASB 75 Adjustment	AF Growth	Available Funds (After GASB Adjustment)
2020	(98,844,354)	12,914,807	128,641,318		42,711,771
2021	(84,930,675)	14,468,109	117,639,378	10.45%	47,176,812
2022	(58,067,484)	11,336,839	106,746,311	27.21%	60,015,666
2023	(18,782,661)	10,136,444	89,974,702	35.51%	81,328,485
2024	5,998,513	11,041,078	81,186,777	20.78%	98,226,368
2025	101,074,932	-	-	2.90%	101,074,932
2026	103,601,806	-	-	2.50%	103,601,806
2027	106,191,851	-	-	2.50%	106,191,851
2028	108,846,647	-	-	2.50%	108,846,647
2029	111,567,813	-	-	2.50%	111,567,813

Operating Expenses

Fiscal Year	Operating Exp.	GASB 68 Adjustment	GASB 75 Adjustment	Growth	Operating Exp.
2020	136,593,006	(3,156,861)	7,538,849		140,974,994
2021	132,892,487	(1,548,448)	9,608,118	-0.02%	140,952,157
2022	163,054,508	3,148,439	10,317,116	25.23%	176,520,063
2023	155,816,792	1,202,699	16,055,303	-1.95%	173,074,794
2024	151,713,418	(1,138,324)	8,674,463	-7.99%	159,249,557
2025	163,867,794	-	-	2.90%	163,867,794
2026	167,964,489	-	-	2.50%	167,964,489
2027	172,163,601	-	-	2.50%	172,163,601
2028	176,467,691	-	-	2.50%	176,467,691
2029	180,879,383	-	-	2.50%	180,879,383

Outstanding Debt

Fiscal Year	Principal	Net Interest	Debt Service	Principal Balance
2025	2,955,000	3,156,746	6,111,746	63,825,000
2026	3,805,000	3,070,375	6,875,375	60,020,000
2027	3,990,000	2,879,375	6,869,375	56,030,000
2028	4,230,000	2,678,750	6,908,750	51,800,000
2029	4,450,000	2,466,250	6,916,250	47,350,000
2030	4,665,000	2,242,625	6,907,625	42,685,000
2031	4,905,000	2,008,125	6,913,125	37,780,000
2032	5,150,000	1,761,625	6,911,625	32,630,000
2033	5,410,000	1,502,875	6,912,875	27,220,000
2034	4,500,000	1,246,950	5,746,950	22,720,000
2035	4,290,000	1,048,875	5,338,875	18,430,000
2036	3,005,000	850,575	3,855,575	15,425,000
2037	1,810,000	711,775	2,521,775	13,615,000
2038	1,290,000	630,325	1,920,325	12,325,000
2039	1,345,000	569,275	1,914,275	10,980,000
2040	1,410,000	505,375	1,915,375	9,570,000
2041	1,475,000	438,500	1,913,500	8,095,000
2042	1,550,000	368,450	1,918,450	6,545,000
2043	1,620,000	294,775	1,914,775	4,925,000
2044	1,140,000	217,750	1,357,750	3,785,000
2045	1,200,000	159,250	1,359,250	2,585,000
2046	1,260,000	97,750	1,357,750	1,325,000
2047	1,325,000	33,125	1,358,125	-
2048			-	-

3. Proposed Debt Financings

While WSSU evaluates its capital investment needs on a regular basis, WSSU currently has no legislatively approved projects that it anticipates financing during the Study Period.

4. Financial Ratios

Debt to Obligated Resources

- **What does it measure?** WSSU's aggregate outstanding debt as compared to its obligated resources—the funds legally available to service its debt.
- **How is it calculated?** Aggregate debt divided by obligated resources*

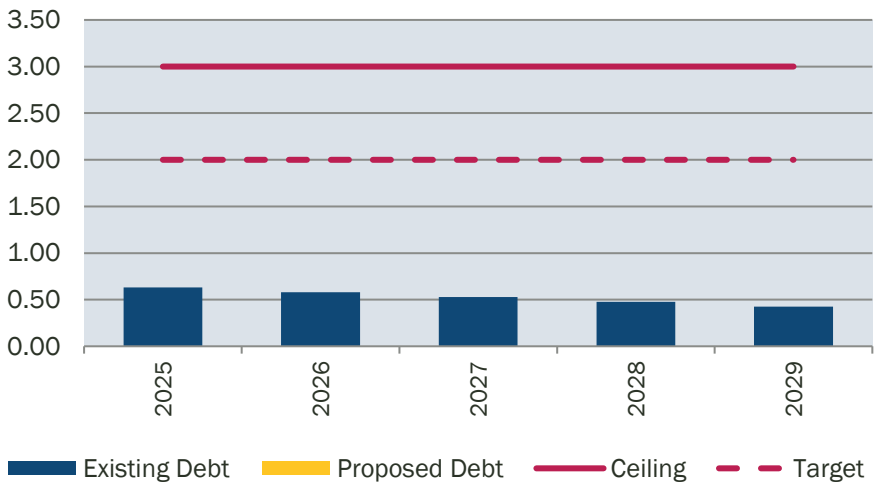
- Target Ratio: 2.00
- Ceiling Ratio: Not to exceed 3.00
- Projected 2025 Ratio: 0.63
- Highest Study Period Ratio: 0.63 (2025)

*Available Funds, which is the concept commonly used to capture an institution's obligated resources in its loan and bond documentation, has been used in the model as a proxy for obligated resources. For most institutions, the two concepts are identical, though Available Funds may include additional deductions for certain specifically pledged revenues, making it a conservative measure of an institution's obligated resources.

Debt to Obligated Resources

Fiscal Year	Obligated Resources	Growth	Existing Debt	Proposed Debt	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	101,074,932	2.90%	63,825,000	-	0.63	n/a	0.63
2026	103,601,806	2.50%	60,020,000	-	0.58	n/a	0.58
2027	106,191,851	2.50%	56,030,000	-	0.53	n/a	0.53
2028	108,846,647	2.50%	51,800,000	-	0.48	n/a	0.48
2029	111,567,813	2.50%	47,350,000	-	0.42	n/a	0.42

Debt to Obligated Resources



5-Year Payout Ratio Overview

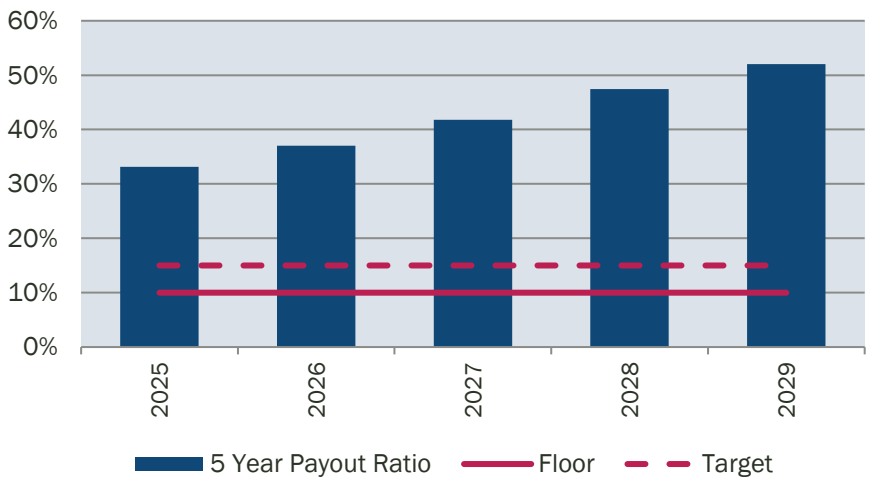
- **What does it measure?** The percentage of WSSU's debt scheduled to be retired in the next five years.
- **How is it calculated?** Aggregate principal to be paid in the next five years divided by aggregate debt

- Target Ratio: 15%
- Floor Ratio: Not less than 10%
- Projected 2025 Ratio: 33%
- Lowest Study Period Ratio: 33% (2025)

5-Year Payout Ratio

Fiscal Year	Principal Balance	Ratio
2025	63,825,000	33%
2026	60,020,000	37%
2027	56,030,000	42%
2028	51,800,000	47%
2029	47,350,000	52%

5-Year Payout Ratio



Debt Service to Operating Expenses

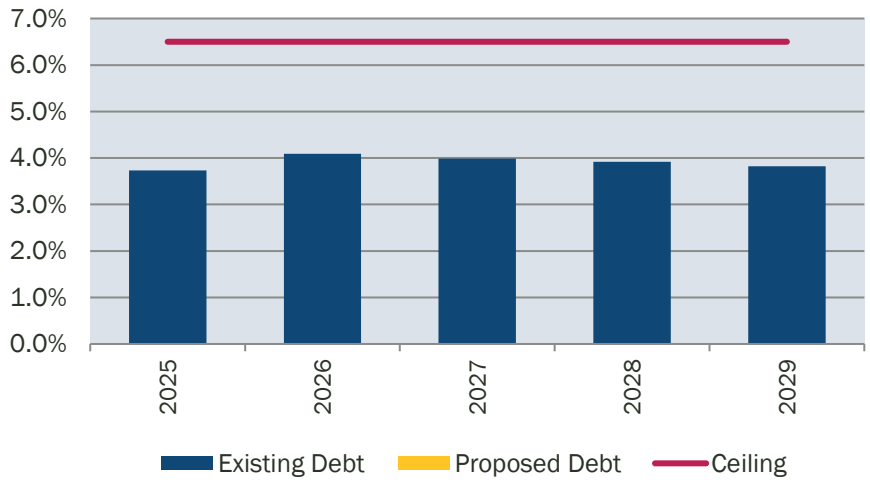
- **What does it measure?** WSSU's debt service burden as a percentage of its total expenses, which is used as the denominator because it is typically more stable than revenues.
- **How is it calculated?** Annual debt service divided by annual operating expenses (as adjusted to include interest expense of proposed debt)

- Policy Ratio: Not to exceed 6.50%
- Projected 2025 Ratio: 3.73%
- Highest Study Period Ratio: 4.09% (2026)

Debt Service to Operating Expenses

Fiscal Year	Operating Expenses	Growth	Existing Debt Service	Proposed Debt Service	Ratio - Existing	Ratio - Proposed	Ratio - Total
2025	163,867,794	2.90%	6,111,746	-	3.73%	n/a	3.73%
2026	167,964,489	2.50%	6,875,375	-	4.09%	n/a	4.09%
2027	172,163,601	2.50%	6,869,375	-	3.99%	n/a	3.99%
2028	176,467,691	2.50%	6,908,750	-	3.92%	n/a	3.92%
2029	180,879,383	2.50%	6,916,250	-	3.82%	n/a	3.82%

Debt Service to Operating Expenses



5. Debt Capacity Calculation

Debt Capacity Calculation

- For the purposes of this Institution Report and the Study, WSSU's debt capacity is based on the amount of debt WSSU could issue during the Study Period (after taking into account any legislatively approved projects detailed in **Section 3** above) without exceeding its ceiling ratio for **debt to obligated resources**.

Fiscal Year	Debt to Obligated Resources (Current Ratio)	Debt to Obligated Resources (Ceiling)	Debt Capacity Calculation
2025	0.63	3.00	239,399,797
2026	0.58	3.00	250,785,417
2027	0.53	3.00	262,545,553
2028	0.48	3.00	274,739,942
2029	0.42	3.00	287,353,440

Limitations on Debt Capacity and Credit Rating Implications

- The debt capacity calculation shown above provides a general indication of WSSU's ability to absorb debt on its balance sheet during the Study Period and may help identify trends and issues over time.
- "**Debt capacity**" does not necessarily equate to "**debt affordability**," which takes into account a number of quantitative and qualitative factors, including project revenues and expenses, cost of funds, and competing strategic priorities.
- Projecting the exact amount WSSU could issue during the Study Period without negatively impacting its credit rating is difficult for a number of reasons.
    - **Use of Multiple Factors**
        - Any single financial ratio makes up only a fraction of the "scorecard" used by rating agencies to guide their credit analysis.
        - Under Moody's approach, for example, the **financial leverage ratio** accounts for only **10 percent** of an issuer's overall score.
    - **The State's Impact**
        - In assessing each institution's credit rating, rating agencies also consider the State's credit rating and demographic trends, the health of its pension system, the level of support it has historically provided to the institution, and any legislation or policies affecting campus operations.
        - Historically, each institution's credit rating has been bolstered by the State's strong support and overall financial health. As a result, many institutions "underperform" relative to the national median ratios for their rating category.
        - If "debt capacity" were linked to those national median ratios, many institutions would have limited debt capacity for an extended period of time.
    - **Factor Interdependence**
        - The quantitative and qualitative factors interact with one another in ways that are difficult to predict.

- For example, a university's "**strategic positioning**" score, which accounts for 10 percent of its overall score under Moody's criteria, could deteriorate if a university either (1) issued excessive debt or (2) failed to reinvest in its campus to address its deferred maintenance obligations.

- **Distortions Across Rating Categories**
  - Because quantitative ratios account for only a portion of an issuer's final rating, the national median for any single ratio is not perfectly correlated to rating outcomes, meaning the median ratio for a lower rating category may be more stringent than the median ratio for a higher rating category. For the highest and lowest rating categories, the correlation between any single ratio and rating outcomes becomes even weaker.
  - Tying capacity directly to ratings may also distort strategic objectives. For example, an institution may be penalized for improving its rating, as it may suddenly lose all of its debt capacity because it must now comply with a much more stringent ratio.

6. Debt Profile

WSSU's detailed debt profile, including a brief description of each financed project and the source of repayment for each outstanding debt obligation, is reflected in the table on the following page.

Summary of Debt Outstanding as of FYE June 30, 2024

Series	Dated Date	Outstanding Par Amount	Final Maturity	Type	Purpose	Source of Repayment
2016 WSSU	09/08/2016	9,245,000.00	06/01/2036	Limited Obligation	Refunding 2006 Foundation Heights	Housing Revenues
2017 WSSU	04/05/2017	22,215,000.00	10/01/2046	General Revenue	Refunding of 2008A and Campus Residence Hall	Housing Revenues; Debt Service Fee
2022 WSSU	01/13/2022	20,350,000.00	04/01/2043	General Revenue	Current refunding 2013. Student Success Center, North Campus Bridge and Parking Lot, and Reaves Student Activities Center	Housing Revenues; Debt Service Fee
2024 WSSU	06/26/2024	14,970,000.00	06/01/2035	Limited Obligation	Refunding 2014	Housing Revenues
	Total	**66,780,000.00**				

7. Credit Profile

The following page provides a snapshot of WSSU's current credit ratings, along with (1) a summary of various credit factors identified in WSSU's most recent rating report and (2) recommendations for maintaining and improving WSSU's credit ratings in the future.

Credit Profile of the University – (General Revenue)

Overview

- In October 2023, Moody's upgraded WSSU's rating from A3 to A2 and changed the outlook from positive to stable.
- In November 2022, Standard and Poor's upgraded WSSU's rating from BBB+ to A- on its' general revenue bonds. S&P revised the outlook from positive to stable.

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

Non Investment Grade

Key Information Noted in Rating Reports

Credit Strengths

- Significant growth in total wealth over the past five years supported by strong fundraising
- Strong operating support from state appropriations that is significantly higher than the public university median
- Low cost, metropolitan location and diverse programmatic offerings provide some market distinction
- Solid Earnings Before Interest, Taxes, Depreciation, and Amortization (EBIDA) margins and debt service coverage

Credit Challenges

- Pricing restrictions set by the State and UNC System and price sensitive student population
- Highly competitive student market environment heightened by WSSU's reliance on in-state students
- High reliance on state funding

Recommendations & Observations

- Continue to develop and implement strategies and policies to meet WSSU's unique challenges, including strategies to stabilize and improve enrollment and revenue.
- Continued assessment of growth expectations to operating cash flows and reserves to improve performance margins and debt affordability.

Approved by the University of North Carolina Board of Governors on May 15, 2025

8. Peer Comparison

Moody's Key Credit Ratios		Most Recent Peer Institution Data			
Peer Institution	**Winston-Salem State University**	**Eastern Illinois University**	**Alabama State University**	**Ramapo College**	**Rowan University**
Most Senior Rating	**A2**	**Baa3**	**Baa3**	**A2**	**A2**
Total Long-Term Debt ($, in millions)	77	55	44	203	950
Total Cash & Investments ($, in millions)	188	81	74	113	373
Operating Revenue ($, in millions)	166	172	165	191	789
Operating Expenses ($, in millions)	156	171	147	186	839
Market Performance Ratios					
Annual Change in Operating Revenue (%)	2.1%	4.6%	12.6%	13.1%	7.2%
Operating Ratios					
Operating Cash Flow Margin (%)	15.2%	10.8%	19.6%	16.0%	6.9%
Wealth & Liquidity Ratios					
Total Cash & Investments to Operating Expenses (x)	1.2	0.5	0.5	0.6	0.4
Total Debt to Operating Expenses (x)	0.5	0.3	0.3	1.1	1.1
Monthly Days Cash on Hand (x)	138	161	133	244	109
Leverage Ratios					
Total Cash & Investments to Total Debt (x)	2.4	1.5	1.7	0.6	0.4
Debt Service to Operating Expenses (%)	4.7%	5.2%	4.5%	4.8%	10.3%
Total Debt-to-Cash Flow (x)	3.1	3.0	1.4	6.6	17.6

*Note: Peers chosen from BOG approved peers if available in Moody's Municipal Financial Ratio Analysis (MFRA) Database. If approved peer data is unavailable, universities with similar credit ratings are used. Data is the most recent available in the MFRA database.

Approved by the University of North Carolina Board of Governors on May 15, 2025

Debt Management Policies

WSSU's current debt policy is attached.

WINSTON-SALEM STATE UNIVERSITY

DEBT CAPACITY POLICY

I. SUMMARY

Debt financing, especially tax-exempt debt, provides a low cost source of capital for the Winston-Salem State University (University) to fund capital investments to achieve its mission and strategic objectives. Indeed, as the economic landscape continues to evolve and change, the use of debt will become an increasingly important tool that enables the University to move its strategy forward. In this environment, appropriate financial leverage plays a key role and is considered a long-term component of the University's balance sheet. Given that the University has limited debt repayment resources, the allocation of and management of debt is a limited resource. The guidelines provided in this document are the framework by which decisions will be made regarding the issuance of debt to finance particular capital improvements.

II. AUTHORITY

North Carolina General Statutes Chapter J 160 Article 3 authorize the Board of Governors of the University of North Carolina (the Board) to issue special obligation bonds for improvements to the facilities of the University of North Carolina System.

Prior to a bond issue, the Board designates the capital improvements financed as "special obligation bond projects" and the University's Board of Trustees approves the issuance of special obligation bonds for those projects.

The State Energy Conservation Finance Act. Article 8 of Chapter 142 of the North Carolina General Statutes authorizes the Board to solicit and through G.S. 143-64.J 7A. finance guaranteed energy conservation measures. These financing agreements must have the approval of the Office of State Budget and Management, the State Treasurer, and Counsel of State prior to closing.

III. CRITERIA

The University's debt capacity is a limited resource. Only projects that relate to the mission of the University, directly or indirectly, will be considered for debt financing. In general, projects that will be approved are broader in scope than college, or unit-based projects. However, certain mission-critical school-based projects can also receive approval.

State funding and philanthropy are expected to remain major sources of financing for the University's capital projects. In assessing the possible use of debt, all other financing and revenue sources will be considered. State appropriations and bonds, philanthropy, project-generating revenues, research facilities and administration cost reimbursement, expendable reserves, and

Approved by the University of North Carolina Board of Governors on May 15, 2025

other sources are expected to finance a portion of the cost of a project. Debt is to be used conservatively and strategically.

Projects financed through a bonding program will have received approval through the NC State Legislature annual non-appropriated capital improvements bill and will have been designated as "special obligation projects" by the North Carolina Board of Governors. Energy conservation measures will have received state agency approval as required.

A project that has a related revenue stream (self-liquidating project) will receive priority consideration. For these projects, the use of debt must be supported by an achievable financial plan that includes servicing the debt, including interest expense, financing related infrastructure and utilities, meeting any new or increased operating costs (including security applications), and providing for appropriate replacement and renovation costs. Energy conservation measures must show that savings will be adequate to service the debt and an annual monitoring costs. Other projects funded by budgetary savings, gifts, and grants will be considered on a case by case basis. Any projects that will require gift financing, or include a gift financing component, must be jointly approved by the Vice Chancellor for University Advancement and the Vice Chancellor for Finance and Administration before approaching any prospective donors about gifts to the project. In all cases, institutional strategy and not donor capacity must drive the decision to build a project.

IV. MAINTENANCE OF CREDIT RATING

Maintaining a high credit rating will permit the University to continue to issue debt and finance capital projects at favorable interest rates while meeting its strategic objectives. While the University's decision to issue additional debt will be primarily focused on the strategic importance of the new capital improvements, the potential impact of a change in credit rating will also be reviewed. The University recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. Nevertheless, the University is committed to ensuring that actions within its control are prudent. Management will provide the rating agencies with full and timely access to required information. The University currently receives credit ratings from Standard and Poor's Financial Services and Moody's Investor Services.

V. METHODS OF SALE

The standard methods of sale are competitive, negotiated and private placement. University management will evaluate each method of sale and determine the best type for each bond issue.

VI. FINANCING TEAM PROFESSIONALS

Selection of financing team professionals will be accomplished based on guidance from UNC General Administration, Bond Counsel, Financial Advisor (if needed) and Underwriter pool will be selected using appropriate contractual processes.

VII. REFUNDING

Refunding and/or restructuring opportunities will be evaluated on a regular basis. Costs incurred by the refunding activity will be taken into consideration with a target of 3% present value savings. The University will also consider refinancing for other strategic reasons including the elimination of certain limitations, covenants, payment obligations or reserve requirements that reduce flexibility.

VIII. ARBITRAGE

The University will comply with federal arbitrage requirements on invested tax-exempt bond proceeds, causing arbitrage rebate calculations to be performed annually and rebate payments to be remitted to the IRS periodically as required. The University currently uses Bingham Arbitrage Rebate Services (third party) to compute any arbitrage liability.

IX. TYPES OF INSTRUMENTS

Tax-exempt debt - The University recognizes the benefits associated with tax- exempt debt, and therefore will manage the tax-exempt portfolio to maximize the use of tax-exempt debt subject to changing conditions and changes in tax law.

Construction Bridge Loans – Due to timing, the need to begin a project and receipt bond proceeds does not always coincide. Therefore, there may be a need for temporary financing (normally a note payable) until the bond proceeds are received. The University will solicit bids from financial institutions and will accept the bid that offers the lowest costs (interest, fees, etc.) that also provides the most flexibility in repayment.

X. MATURITY AND DEBT SERVICE

The useful life of the capital project financed will be taken into consideration when determining the length of financing. No capital project will be financed for more than 120% of its useful life. Call features should be structured to provide the highest degree of flexibility relative to cost. Structure of debt service will take into consideration existing debt and future capital plans. In addition, the University's amortization of debt service may be spread along the full yield curve depending on market conditions.

XI. DISCLOSURES AND COMPLIANCE

Annually, the University will review compliance with covenants and requirements under outstanding bond indentures. The University will continue to meet its ongoing disclosure requirements in accordance with SEC rule 15c2-12. The University will submit financial reports, statistical data, and any other material events as required under outstanding bond indentures. The University will comply with arbitrage requirements on invested bond funds. The University will comply with Internal Revenue Service rules related to private use and use of proceeds on tax-exempt debt.

XII. USE OF BENCHMARKS AND DEBT RATIOS

The Current Operations and Capital Improvements Appropriations Act of 2015, which was signed into law on September 18, 2015 added a new Article 5 to Chapter 116D of the General Statutes of North Carolina (the "Act"), requiring the University to provide to the UNC Board of Governors with an annual report on its current and anticipated debt levels. The Act expressly requires the University to report on two ratios – **debt to obligated resources** and a **five-year payout ratio.** The UNC Board of Governors has also required the University to provide two supplementary ratios to measure the University's debt burden – **expendable resources to debt** and **debt service to operating expenses**. In setting its target, the University considered a number of quantitative and qualitative factors, including comparisons to its designated peer institutions, its strategic initiatives, its historical results, its average age of plant and its recent and projected growth.

The **debt to obligated resources** compares outstanding debt to the funds legally available to service its debt. This provides a general indication of the University's ability to repay debt from wealth that can be accessed over time. This ratio is tied to the statutory framework for University debt. *The target ratio for the University is 2.0 with a ceiling of 3.0.*

The **five-year payout** measures the percentage of University debt to be retired within the subsequent five year period. This ratio indicates how rapidly the University's debt is amortizing and how much additional debt capacity may be created in the near term. *The target ratio for the University is 15% with a floor of 10.0%.*

The **debt service to operations** measures debt service burden as a percentage of University total operating expenses. This ratio indicates the University's operating flexibility to finance existing requirements and new initiatives. Expenses are used rather than revenues because expenses tend to be more stable year-over-year. *The target ratio for the University is 6.5%.*

The **expendable resources to debt** measures the number of times the University's liquid and expendable net assets covers its aggregate debt. This ratio provides a general indication of the University's ability to repay debt from wealth that can be accessed over time. *The target ratio for the University is 0.25.*

Effective Date: This policy becomes effective upon adoption by the Board of Trustees.

Adopted: December 9, 2016

William U. Harris
Chairman, Board of Trustees
Winston-Salem State University

Scott F. Wierman
Secretary, Board of Trustees
Winston-Salem State University