



Audited Financial Statements

June 30, 2026

NORTH CAROLINA HOUSING FINANCE AGENCY FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2026

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Independent Auditor's Report

The Board of Directors
North Carolina Housing Finance Agency
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the North Carolina Housing Finance Agency (the Agency), a public agency component unit of the State of North Carolina as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2026, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the



information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The combining statement of net position; the combining statement of revenues, expenses and changes in net position and the combining statement cash flows (collectively, the Supplementary Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2026 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

BDO USA, P.C.

September 25, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2026

1. Overview of the Financial Statements

The North Carolina Housing Finance Agency (Agency) was created in 1973 to provide safe, affordable housing opportunities to enhance the quality of life of North Carolinians. The Agency focuses its efforts on providing assistance to borrowers purchasing a home, financing affordable rental housing, and helping homeowners who are facing foreclosure or living in substandard housing. Activities are financed primarily through the issuance of bonds, sale of mortgage-backed securities (MBS) and administration of federal and state housing programs.

The Agency's basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements. The Supplementary Information section breaks out these statements by accounting entity, as described further in Note A to the Financial Statements.

The following discussion provides an objective analysis of the Agency's financial performance.

2. Financial Summary

The following tables summarize the changes in financial position between June 30, 2026 and June 30, 2025 (*in thousands*):

<u>Condensed Statements of Net Position</u>	<u>2026</u>	<u>2025</u>	<u>Change</u>	<u>%</u>
Assets*				
Cash and cash equivalents	\$ 1,090,129	\$ 1,330,725	\$ (240,596)	(18.1)
Investments	3,700,479	3,185,956	514,523	16.1
Accrued interest receivable on investments	18,389	16,041	2,348	14.6
Mortgage loans receivable, net	243,705	271,479	(27,774)	(10.2)
Mortgage loans held for sale	59,422	548	58,874	10,743.4
Hedging derivatives asset	7,795	3,362	4,433	131.9
Accrued interest receivable on mortgage loans	1,016	1,010	6	0.6
State receivables	-	821	(821)	(100.0)
Capital assets, net	853	1,478	(625)	(42.3)
Other assets, net	6,828	4,530	2,298	50.7
Total Assets	\$ 5,128,616	\$ 4,815,950	\$ 312,666	6.5
Deferred Outflows of Resources				
Deferred outflows for pensions	\$ 3,491	\$ 4,716	\$ (1,225)	(26.0)
Deferred outflows for other postemployment benefits	4,597	6,220	(1,623)	(26.1)
Accumulated decrease in fair value of hedging derivative	-	547	(547)	(100.0)
Total Deferred Outflows of Resources	\$ 8,088	\$ 11,483	\$ (3,395)	(29.6)
Liabilities*				
Bonds payable, net	\$ 3,916,601	\$ 3,703,161	\$ 213,440	5.8
Accrued interest payable	83,755	67,890	15,865	23.4
Accounts payable	4,770	3,286	1,484	45.2
Hedging derivatives liability	-	547	(547)	(100.0)
Unearned revenues	40,160	31,470	8,690	27.6
Pension liability	7,067	8,828	(1,761)	(19.9)
Other postemployment benefits	11,119	17,443	(6,324)	(36.3)
Lease liabilities	795	1,438	(643)	(44.7)
Other liabilities	10,357	7,672	2,685	35.0
Total Liabilities	\$ 4,074,624	\$ 3,841,735	\$ 232,889	6.1

Condensed Statements of Net Position (Continued)	2026	2025	Change	%
Deferred Inflows of Resources				
Deferred inflows for pensions	\$ 227	\$ 26	\$ 201	773.1
Deferred inflows for other postemployment benefits	6,101	2,517	3,584	142.4
Accumulated increase in fair value of hedging derivative	7,795	3,362	4,433	131.9
Total Deferred Inflows of Resources	\$ 14,123	\$ 5,905	\$ 8,218	139.2
Net Position				
Net investment in capital assets	\$ 853	\$ 1,478	\$ (625)	(42.3)
Restricted net position	829,579	795,098	34,481	4.3
Unrestricted net position	217,525	183,217	34,308	18.7
Total Net Position	\$ 1,047,957	\$ 979,793	\$ 68,164	7.0

*For the detail of current and noncurrent items, please see the audited Statement of Net Position in the accompanying financial statements.

Condensed Statements of Revenues, Expenses and Changes in Net Position	2026	2025	Change	%
Operating Revenues				
Interest on mortgage loans	\$ 10,873	\$ 11,648	\$ (775)	(6.7)
Federal program awards received	289,719	277,714	12,005	4.3
Nonfederal program awards received	4,752	8,935	(4,183)	(46.8)
State appropriations received	10,660	55,660	(45,000)	(80.8)
State grants received	54,732	55,999	(1,267)	(2.3)
Program income/fees	87,029	73,922	13,107	17.7
Other revenues	91	281	(190)	(67.6)
Total Operating Revenues	\$ 457,856	\$ 484,159	\$ (26,303)	(5.4)
Operating Expenses				
Mortgage servicing expense	\$ 539	\$ 618	\$ (79)	(12.8)
Federal program expense	295,245	277,279	17,966	6.5
Nonfederal program expense	80,385	70,380	10,005	14.2
State program expense	108,447	108,373	74	0.1
General and administrative expense	32,903	32,419	484	1.5
Other expenses	34	1,366	(1,332)	(97.5)
Total Operating Expenses	\$ 517,553	\$ 490,435	\$ 27,118	5.5
Operating Income (Loss)	\$ (59,697)	\$ (6,276)	\$ (53,421)	(851.2)
Noncapital Subsidies				
Noncapital contributions	\$ -	\$ 6	\$ (6)	(100.0)
Total Noncapital Subsidies	\$ -	\$ 6	\$ (6)	(100.0)
Operating Income (Loss) and Noncapital Subsidies	\$ (59,697)	\$ (6,270)	\$ (53,427)	(852.1)
Other Nonoperating Revenues (Expenses)				
Interest on investments	\$ 225,343	\$ 187,306	\$ 38,037	20.3
Net increase (decrease) in fair value of investments	55,726	62,345	(6,619)	(10.6)
Interest on bonds	(153,167)	(120,541)	32,626	27.1
Lease interest expense	(41)	(40)	1	2.5
Total Other Nonoperating Revenues (Expenses)	\$ 127,861	\$ 129,070	\$ 1,209	0.9
Increase (Decrease) in Net Position	\$ 68,164	\$ 122,800	\$ (54,636)	(44.5)
Total Net Position - Beginning	\$ 979,793	\$ 856,993	\$ 122,800	14.3
Total Net Position - Ending	\$ 1,047,957	\$ 979,793	\$ 68,164	7.0

3. Detailed Analyses

Condensed summary of changes in net position between fiscal years 2025 and 2026:

- **Total Assets** increased by \$312.7 million, or 6.5%, driven primarily by higher investment balances and mortgage loans held for sale.
- **Deferred Outflows** decreased by \$3.4 million, or 29.6%, largely due to changes in pension and other postemployment benefits (OPEB) actuarial measures.
- **Total Liabilities** increased by \$232.9 million, or 6.1%, mainly reflecting bond issuance activity and related accrued interest.
- **Deferred Inflows** increased by \$8.2 million, or 139.2%, tied to changes in hedging derivative valuations and pension and OPEB assumptions.
- **Net Position** increased by \$68.2 million, or 7.0%, led by investment performance, mortgage production volume, and increased program income.

Key account changes for fiscal year 2026:

The Agency issued mortgage revenue bonds to finance a portion of its NC Home Advantage Mortgage (HomeAd) production. These HomeAd loans were securitized into MBS. This activity was responsible for the increases and decreases in the accounts below:

- *Bonds payable, net* increased \$213.4 million, or 5.8%
- *Accrued interest payable* increased \$15.9 million, or 23.4%
- *Interest on bonds* increased \$32.6 million, or 27.1%
- *Investments* increased \$514.5 million, or 16.1%
- *Interest on investments* increased \$38.0 million, or 20.3%
- *Net increase (decrease) in fair value of investments* decreased \$6.6 million or 10.6%
- *Hedging derivatives asset* increased \$4.4 million, or 131.9%
- *Hedging derivatives liability* decreased \$0.5 million, or 100.0%
- *Accumulated increase in fair value of hedging derivative* increased \$4.4 million, or 131.9%
- *Accumulated decrease in fair value of hedging derivative* decreased \$0.5 million, or 100.0%

Other notable changes:

- The legacy FirstHome mortgage loan portfolio continued to decline due to expected prepayments, resulting in a \$27.8 million, or 10.2% decrease in *Mortgage loans receivable, net*.
- *Mortgage loans held for sale* increased \$58.9 million, or 10,743%, primarily due to elevated loan production at the end of the fiscal year.
- A NC Department of Health and Human Services (DHHS) contract amendment for Community Living Rental Assistance, which allocated additional funding to the Agency, contributed to the increase in *Unearned revenues* by \$8.7 million, or 27.6%.
- Allocation fees for the Low-Income Housing Tax Credit (LIHTC) increased, driving the \$13.1 million, or 17.7% increase in *Program income/fees*.
- *State appropriations received* decreased \$45 million, or 80.8%, primarily due to non-recurring appropriations that were not received in fiscal year 2026.

Program discussion:

Pursuant to its mission, the Agency expended \$1.7 billion on 21 programs in fiscal year 2026, consistent with fiscal year 2025 expenditures. These programs were supported by a mix of federal, state, nonfederal and other funding sources. Most of the program expenditures were for the HomeAd

program, which totaled \$1.1 billion and \$1.2 billion in fiscal years 2026 and 2025, respectively. The other major program expenditures included Section 8 Project-Based Contract Administration (\$224.3 million), the LIHTC program (\$51.7 million), the Workforce Housing Loan Program (WHLP) (\$40.1 million), Transitions to Community Living Vouchers (TCLV) (\$38.9 million), and the Rental Production Programs (\$33.5 million). With the exception of TCLV, each of these programs saw changes of less than 4% compared to the prior fiscal year. TCLV increased 17% due to elevated funding requests from Local Management Entity/Managed Care Organizations. The Mortgage Credit Certificate program, which incurred \$55.3 million in expenditures in fiscal year 2025, was discontinued during fiscal year 2026.

Additional information on the Agency's programs can be found in Note A to the Financial Statements and on the Agency's website at <https://www.nchfa.com/about-us/agency-investment-and-impact/programs-and-impacts>.

4. Significant Capital Asset and Long-Term Financing Activity

The Agency issued tax-exempt bonds in fiscal year 2026 to finance a portion of its HomeAd production, increasing its long-term debt.

Series 59 closed in November 2025 for \$299 million. The issuance consisted of \$200 million in fixed-rate bonds and \$99 million in variable-rate bonds, hedged with a SOFR-based (Secured Overnight Financing Rate), swap. This structure allows the Agency to manage exposure to market-driven interest rate variability while maintaining predictable, long-term financing costs for program operations. The bonds were issued at a yield of 3.6185%, supporting continued access to competitively priced capital.

Series 60 closed in April 2026 for \$299 million. The fixed-rate bonds were issued at a yield of 4.0897%. These bonds further strengthen the Agency's capacity to purchase first-mortgage loans and to provide down-payment assistance. Both Series 59 and Series 60 carry maturities up to 30 years, mirroring the expected lives of the mortgages being financed and supporting long-term asset-liability alignment.

In fiscal year 2026, the Agency made biannual principal payments totaling \$400.2 million. This amount includes the refunding redemption of \$200 million of Series 55 convertible option bonds on their mandatory tender date in January 2026, with a portion of the proceeds from Series 59. By issuing the convertible option bonds, the Agency was able to lower its cost of funds.

The Agency's debt has maintained its strong Aa1 and AA+ credit ratings from Moody's Investors Service, Inc. and S&P Global Ratings respectively, indicating the year's financing decisions were consistent with its established credit profile and underlying financial strength. Additional information regarding debt service requirements, detailed swap terms and fair value measurements are included in the Notes to the Financial Statements.

5. Currently Known Facts, Decisions, or Conditions

The Agency receives limited funding from the State of North Carolina (State) annually and the NC General Assembly did not pass a budget in fiscal year 2026. In the absence of a State budget, all recurring appropriations are level funded and non-recurring appropriations are not received. As such, only recurring appropriations of \$7.7 million for the NC Housing Trust Fund (HTF) and \$3 million for HOME Investment Partnerships Program Match were received during fiscal year 2026. The State approved a budget on July 7, 2026, and includes \$25 million of non-recurring appropriations for WHLP and \$10 million for HTF, to be received in fiscal year 2027.

Additional Information

For questions or additional financial details, contact:

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NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF NET POSITION

AS OF JUNE 30, 2026

(In thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$ 227,455
Restricted cash and cash equivalents	862,674
Accrued interest receivable on investments	18,389
Mortgage loans receivable, net	46,506
Mortgage loans held for sale	59,422
Accrued interest receivable on mortgage loans	1,016
Other assets	6,795
TOTAL CURRENT ASSETS	\$ 1,222,257

Noncurrent assets:

Restricted investments	\$ 3,700,479
Mortgage loans receivable, net	197,199
Hedging derivatives asset	7,795
Capital assets, net	853
Other assets, net	33
TOTAL NONCURRENT ASSETS	\$ 3,906,359
TOTAL ASSETS	\$ 5,128,616

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows for pensions	\$ 3,491
Deferred outflows for other postemployment benefits	4,597
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 8,088

LIABILITIES

Current liabilities:

Bonds payable	\$ 74,895
Accrued interest payable	83,755
Accounts payable	4,770
Unearned revenues	10,578
Lease liabilities	662
Other liabilities	1,291
TOTAL CURRENT LIABILITIES	\$ 175,951

Noncurrent liabilities:

Bonds payable, net	\$ 3,841,706
Unearned revenues	29,582
Pension liability	7,067
Other postemployment benefits	11,119
Lease liabilities	133
Other liabilities	9,066
TOTAL NONCURRENT LIABILITIES	\$ 3,898,673
TOTAL LIABILITIES	\$ 4,074,624

DEFERRED INFLOWS OF RESOURCES

Deferred inflows for pensions	\$ 227
Deferred inflows for other postemployment benefits	6,101
Accumulated increase in fair value of hedging derivatives	7,795
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 14,123

NET POSITION

Net investment in capital assets	\$ 853
Restricted net position	829,579
Unrestricted net position	217,525
TOTAL NET POSITION	\$ 1,047,957

The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2026

(in thousands)

OPERATING REVENUES

Interest on mortgage loans	\$ 10,873
Federal program awards received	289,719
Nonfederal program awards received	4,752
State appropriations received	10,660
State grants received	54,732
Program income/fees	87,029
Other revenues	91
TOTAL OPERATING REVENUES	\$ 457,856

OPERATING EXPENSES

Mortgage servicing expense	\$ 539
Federal program expense	295,245
Nonfederal program expense	80,385
State program expense	108,447
General and administrative expense	32,903
Other expenses	34
TOTAL OPERATING EXPENSES	\$ 517,553
OPERATING INCOME (LOSS)	\$ (59,697)

OTHER NONOPERATING REVENUES (EXPENSES)

Interest on investments	\$ 225,343
Net increase (decrease) in fair value of investments	55,726
Interest on bonds	(153,167)
Lease interest expense	(41)
TOTAL OTHER NONOPERATING REVENUES (EXPENSES)	\$ 127,861
INCREASE (DECREASE) IN NET POSITION	\$ 68,164

TOTAL NET POSITION - BEGINNING

\$ 979,793

TOTAL NET POSITION - ENDING

\$ 1,047,957

The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA HOUSING FINANCE AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2026

(in thousands)

Cash flows from operating activities:	
Interest on mortgage loans	\$ 10,799
Principal payments on mortgage loans	42,199
Purchase of mortgage loans	(13,769)
Sale of mortgage loans held for sale	270,279
Purchase of mortgage loans held for sale	(329,153)
Federal program awards received	289,830
Nonfederal program awards received	4,752
Federal program expense	(295,546)
Nonfederal program expense	(80,385)
Federal grant administration income	11,247
State appropriations received	10,660
State grants received	62,666
State program expense	(108,927)
Program income/fees	77,020
Other expenses	(30,910)
Other revenues	(1,653)
Net cash provided by (used in) operating activities	\$ (80,891)
Cash flows from capital financing activities:	
Lease interest expense	\$ (41)
Net cash provided by (used in) capital financing activities	\$ (41)
Cash flows from noncapital financing activities:	
Issuance of bonds	\$ 398,000
Proceeds from refunding bonds	200,000
Principal repayments on bonds	(200,220)
Principal payments on refunded debt	(200,000)
Interest paid on bonds	(117,640)
Bond issuance costs paid	(4,002)
Net cash provided by (used in) noncapital financing activities	\$ 76,138
Cash flows from investing activities:	
Proceeds from sales or maturities of investments	\$ 586,463
Purchase of investments	(1,045,260)
Earnings on investments	222,995
Net cash provided by (used in) investing activities	\$ (235,802)
Net increase (decrease) in cash and cash equivalents, unrestricted and restricted	\$ (240,596)
Cash and cash equivalents, unrestricted and restricted, at beginning of year	1,330,725
Cash and cash equivalents, unrestricted and restricted, at end of year	\$ 1,090,129
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (59,697)
Change in assets and liabilities:	
Decrease (increase) in mortgage loans receivable	27,774
Decrease (increase) in mortgage loans held for sale	(58,874)
Decrease (increase) in accrued interest receivable on mortgage loans	(6)
Decrease (increase) in other assets	(4,884)
Decrease (increase) in deferred outflows of resources	3,395
Increase (decrease) in accounts payable and other liabilities	(5,507)
Increase (decrease) in deferred inflows of resources	8,218
Increase (decrease) in unearned revenues	8,690
Total adjustments	\$ (21,194)
Net cash provided by (used in) operating activities	\$ (80,891)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2026

A. AUTHORIZING LEGISLATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Authorizing Legislation The North Carolina Housing Finance Agency (Agency) is a public agency and component unit of the State of North Carolina (State). The accompanying financial statements represent the financial position of the Agency only. The Agency was created to provide financing for housing to residents of the State with low and moderate incomes. Pursuant to its enabling legislation, the Agency is authorized to issue bonds and other obligations to fulfill its corporate purpose up to a total outstanding amount of \$12 billion. The debt obligations of the Agency do not constitute a debt, grant, or line of credit of the State, and the State is not liable for the repayment of such obligations.

Basis of Presentation The accompanying financial statements of the Agency have been prepared in accordance with generally accepted accounting principles in the United States (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) establishes standards of financial accounting and reporting for state and local government entities.

Measurement Focus and Basis of Accounting The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Programs The Agency's accounts are organized on the basis of programs. Each program represents a separate accounting entity. Agency resources are allocated to these programs based on legal responsibility, fiscal accountability, and management designation. The Agency's primary programs are summarized below:

Agency Programs Direct administrative and operational activities, including operating expenses of various programs, are recorded in Agency Programs. Among the most active programs are the federal Low-Income Housing Tax Credit (LIHTC) program and the State Home Foreclosure Prevention Project (SHFPP). The Agency administers LIHTC for the State, evaluating applications for the tax credits and monitoring the rental properties for the compliance period to ensure that they meet federal program requirements, among other responsibilities. The Agency earns fees related to the applications and monitoring of LIHTC properties.

In 2008, the State authorized the formation of SHFPP in response to the foreclosure crisis. State statute requires that all parties who wish to initiate a foreclosure against a home in North Carolina remit a \$75 fee to the Agency. The fees collected are used to counsel and/or provide legal assistance to homeowners at risk of foreclosure. Any excess funds are allocated to the North Carolina Housing Trust Fund (HTF) annually.

Housing Trust Fund Programs The North Carolina Housing Trust and Oil Overcharge Act created the HTF and the North Carolina Housing Partnership (Housing Partnership). The purpose of the HTF is to increase the supply of decent, affordable, and energy-efficient housing for residents of the State with low and moderate incomes. The Housing Partnership is responsible for developing policy for the operation of several programs within the HTF. The Agency staff provides services to the Housing Partnership and administers the HTF programs. State appropriations for fiscal year 2026 include only the recurring appropriation that is used to make loans and grants under the HTF programs.

Federal and State Programs The Agency administers several federal programs including Section 8 Project-Based Contract Administration (Section 8 PBCA), the combined HOME Investment

Partnerships Program (HOME) and the HOME Investment Partnerships American Rescue Plan Program (HOME-ARP), Emergency Rental Assistance (ERA2), and National Housing Trust Fund, which represent 80%, 12%, 4% and 4% of federal expenditures, respectively. The Agency receives a fee for administering these programs. The HOME program is matched with State funds of up to \$3 million annually as appropriated by the North Carolina General Assembly (General Assembly).

The Agency receives funds from the North Carolina Department of Health and Human Services (DHHS) for the Transitions to Community Living Voucher program (TCLV), the Key Rental Assistance (Key) program and other housing programs. TCLV is a tenant-based, rental assistance program, which also provides assistance with security deposits, holding fees and risk mitigation claims. The Key program provides assistance and services to low-income individuals with disabilities and those who are homeless. These funds are reported in *State grants received*.

Home Ownership Bond Programs The Home Ownership Bond Programs were created through single-family trust agreements and are restricted as to their use. The proceeds of individual bond issues are used to purchase qualifying mortgage loans for single-family residential units.

The Agency's former FirstHome program was funded with tax-exempt mortgage revenue bonds, and the mortgage loans are reported in *Mortgage loans receivable, net* in the 1998 Home Ownership Bond Program. Mortgage loan interest income related to the Home Ownership Bond Programs is reported in *Interest on mortgage loans*.

The operations for the NC Home Advantage Mortgage (HomeAd) program are financed through the issuance of taxable and tax-exempt mortgage revenue bonds as well as the sale of mortgage-backed securities (MBS). The production related to the HomeAd program is reported in the 1998 Home Ownership Bond Program. In contrast to the FirstHome program, in which the Agency owns the mortgage loans, all HomeAd production is pooled into MBS, regardless of the method of financing. For HomeAd loans funded through the sale of MBS, the related program income is recorded in *Program income/fees*. The MBS funded with bond proceeds are reported in *Restricted Investments*, which also include US Agency securities held by the Agency. The corresponding earnings from the bond-funded MBS are reported in *Interest on investments*. The down payment assistance loans and lender compensation incurred by the HomeAd program are reported in *Nonfederal program expense*, regardless of the method of financing.

Significant Accounting Policies Below is a summary of the Agency's significant accounting policies:

Cash and Cash Equivalents *Cash and cash equivalents* are comprised of cash on hand, amounts on deposit with financial institutions which are insured or collateralized under provisions of State laws and regulations, and amounts in pooled cash accounts managed by in the North Carolina State Treasurer (State Treasurer), and highly liquid investments with original maturities of three months or less. Funds deposited in an investment pool of the State Treasurer are invested in a variety of instruments as authorized by State law. The majority of *Cash and cash equivalents* classified as restricted on the accompanying Statement of Net Position are for the Agency's debt service payments, bond calls, and for funding home ownership under the Agency's different programs.

Investments *Restricted investments* are reported at fair value in accordance with GASB Codification Section 150, *Investments*. The investments include US Treasury securities, US Agency securities and MBS insured by the Government National Mortgage Association (GNMA), which is a US government agency, and the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), both government sponsored enterprises. The interest earnings are reported in *Interest on investments* and the net change in fair value is reported in *Net increase (decrease) in fair value of investments*.

Mortgage Loans Receivable, Net Mortgage loans include first lien single-family mortgages from the Agency's former FirstHome program, and second lien single-family and multifamily mortgages from various Agency programs. The Agency has the ability and intent to hold these loans for the foreseeable future; therefore, they are not considered investments under GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), and are carried at their outstanding principal balances less a loan loss reserve. The Agency determines the loan loss reserve based on an evaluation of the loan portfolio, current economic conditions, historical loss experience and other factors relevant to the determination of the collectability of the loans.

Mortgage Loans Held For Sale Periodically, the Agency purchases a portion of HomeAd mortgage loans from its originating lenders to hold from the time of loan purchase to the subsequent securitization of the loan, which is approximately one month. The loans are recorded at their outstanding principal balances. When these loans are purchased, they are included in *Mortgage loans held for sale*. The interest income and servicing fees associated with these loans are included in *Interest on mortgage loans* and *Mortgage servicing expense*, respectively.

Other Assets *Other assets* for Federal and State Programs includes receivables related to the administration of these programs. *Other assets* reflected in the Home Ownership Bond Programs include mortgage payments collected by servicers that will be remitted to the Agency in the upcoming fiscal year.

Capital Assets, Net Fixed assets, net of accumulated depreciation, are included in *Capital assets, net* in the accompanying financial statements. Fixed assets of \$5,000 or greater, intangible assets of \$100,000 or greater, and internally developed software with development costs of \$1 million or greater are capitalized and depreciated over a five-year economic useful life using the straight-line method. Right to Use (RTU) buildings and RTU machinery and equipment, net of accumulated depreciation, are also included in *Capital assets, net*. RTU assets with a lease term of greater than 12 months are capitalized and depreciated over the lesser of the lease term or the useful life of the asset, using the straight-line method. Such leases are only subject to capitalization by the Agency if total future lease payments total \$100,000 or more.

Bond Premium and Discount Bond premium and discount represents the difference in the amount received upon the sale of bonds and the par value and is included as a component of *Bonds payable, net* in the accompanying financial statements. The bond premium and discount are amortized using the effective interest rate method over the life of the related bonds and are adjusted accordingly for any bond calls that occur during the year. The amortization of the bond premium and discount is included as a component of *Interest on bonds* in the accompanying financial statements.

Derivative Instruments The Agency has entered into interest rate swap agreements (swap) in order to provide lower cost fixed rate financing for its loan production. The Agency pays a fixed interest rate in exchange for receiving a variable interest rate from the counterparty. By entering into a swap, the Agency hedges its interest rate risk associated with variable rate bonds. The Agency's swaps are considered to be hedging derivative instruments under GASB Statement No. 53 and are recorded under *Hedging derivatives asset* or *Hedging derivatives liability*. The fair market value of each swap is recorded under *Deferred Inflows of Resources* or *Deferred Outflows of Resources*. The interest differentials paid or received under the swaps are recognized as an increase or decrease in *Interest on bonds*.

Unearned Revenues *Unearned revenues* includes monitoring fees received upon the completion of LIHTC projects. Since the Agency's monitoring of LIHTC projects occurs over time, these fees are amortized on a straight-line basis over the life of the tax credit or over the life of the loan. Also included

in *Unearned revenues* are funds from DHHS for Community Living Rental Assistance programs related to fiscal year 2027. As these funds are disbursed, unearned revenue is reduced and revenue is recognized.

Interprogram Receivable (Payable) During the normal course of operations, the Agency has numerous transactions among programs to provide services. If certain transactions among programs have not been settled as of June 30, 2026 these balances are recorded as *Interprogram receivable (payable)* and eliminated in the accompanying financial statements.

Deferred Outflows/Inflows of Resources In addition to Assets, the Statement of Net Position includes a separate section for *Deferred Outflows of Resources*. This section of the financial statements represents a consumption of net position that applies to a future period and will not be recognized as an expense or expenditure until then. The Agency has two items that meet the criterion: contributions to the pension plan and contributions to other postemployment benefits (OPEB). In addition to Liabilities, the Statement of Net Position includes a separate section for *Deferred Inflows of Resources*. This section of the financial statements represents an acquisition of net position that applies to a future period and will not be recognized as revenue until then. The Agency has three items that meets the criterion: deferred inflows related to the pension plan, deferred inflows related to OPEB, and an accumulated increase in fair value of hedging derivative instruments.

Net Position *Net Position* is reported as restricted when constraints placed on it are externally imposed by creditors, grantors, laws or regulations, or by law through constitutional provisions.

The Agency's Board of Directors approves an operating budget annually that is funded with revenues generated by administrative fees earned on programs, interest income earned on investments, repayment of program funds, and earnings and reserves from trust agreements. These revenue sources are used to cover operating expenses. The decision to use restricted or unrestricted receipts to fund a payment is considered at the transaction level depending on the nature of the payment.

Net position of the Home Ownership Bond Programs is restricted pursuant to the Agency's agreements with its bondholders as determined in its trust agreement. The Agency has restricted these funds in amounts sufficient to meet required debt service and operating expenses as defined by the trust agreement.

Net position of the HTF Programs is restricted in accordance with the policies of the Housing Partnership. The Agency and Federal and State Programs' net positions are restricted in accordance with each program's requirements.

Revenues and Expenses As one of its primary funding sources, the Agency has the authority to issue bonds to the investing public to create inflows of private capital. These funds are used to finance mortgage loans for qualified borrowers, which are then pooled into MBS. Operating income is derived from the sale of MBS funded through the To-Be-Announced (TBA) program, as well as federal programs, state programs, interest on mortgage loans, and other program income. The Agency classifies all revenues derived from state, federal, and nonfederal program funding as operating revenues since the Agency's administration of the programs associated with these sources is contingent upon the receipt of this funding. A significant amount of nonoperating revenues is derived from the interest earned on MBS and a fair market value adjustment associated with the investments resulting from market fluctuations in accordance with GASB Statement No. 31.

Accordingly, the primary operating expenses of the Agency are those related to federal programs, state programs, and mortgage servicing. Other significant operating expenses include down payment assistance and lender compensation, which are reported in *Nonfederal program expense*, and Agency operations, which are reported in *General and administrative expense*. Nonoperating expenses of the Agency are those related to financing and investing activities, including interest expense on bonds outstanding and lease interest expense.

General and Administrative Expense *General and administrative expense* is classified by the related program. To the extent allowed by federal and state programs and trust agreements, transfers are made from proceeds of federal and state programs or bond issuances to the Agency to reimburse allowable general and administrative expenses. Certain indirect costs are allocated to federal and state programs based on an independently prepared cost allocation plan.

Use of Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the contingent and reported amounts of assets, liabilities, deferred inflows and outflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period (e.g., loan loss reserve). Actual results could differ from estimates.

B. CASH, CASH EQUIVALENTS, INVESTMENTS, FAIR VALUE MEASUREMENTS AND SECURITIES LENDING TRANSACTIONS

Cash and Cash Equivalents As of June 30, 2026, the Agency had deposits with a carrying value of \$36,204,000 and a bank balance of \$35,686,000 in its primary operating account. Of this amount, \$30,601,000 was classified as restricted funds, which included \$4,740,000 of escrow and replacement reserves maintained on behalf of multifamily and single-family mortgagors; accordingly, a corresponding liability of the same amount is also included on the Statement of Net Position.

The Agency had deposits in pooled investments accounts of the State Treasurer with a carrying value of \$519,845,000 and a bank balance of \$519,845,000. Of this balance, \$297,994,000 was classified as restricted funds. The State Treasurer investment account has the characteristics of a demand deposit account in that the Agency may deposit and withdraw cash at any time without prior notice or penalty.

The Agency had deposits with a carrying value of \$534,080,000 and a bank balance \$520,293,000 with the Agency's fiduciary agents. Of this balance, \$534,079,000 was classified as restricted funds. Such deposits are held in accordance with State Statute 159-31(b) by a third-party custodian.

Deposits - Custodial Credit Risk Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. At June 30, 2026, the Agency was not exposed to any material custodial credit risk.

Deposits - Foreign Currency Risk Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of a deposit. The Agency does not have exposure to foreign currency risk.

Investments The Agency's restricted investments include US Agency securities and MBS insured by GNMA, FNMA and FHLMC.

The Agency funds a portion of its HomeAd production with both tax-exempt and taxable bonds. In the HomeAd program, mortgages are made by lenders, purchased by the Agency's master servicer, and securitized into MBS. These MBS are reflected in *Restricted investments* on the Statement of Net Position.

At June 30, 2026, the Agency held the following investments with the listed maturities at annual coupon rates ranging from 1.675% to 7.125%. Ratings are displayed with the Moody's Investors Service, Inc. (Moody's) rating listed first and the S&P Global Ratings (S&P) rating listed second (*in thousands*):

Investments (Ratings)	Carrying Amount	Investment Maturities (<i>In Years</i>)			
		Less Than 1	1 – 5	6 – 10	More Than 10
GNMA MBS (Aa1/AA+)	\$1,742,803	\$ -	\$ -	\$ -	\$1,742,803
FNMA MBS (Aa1/AA+)	1,505,543	-	-	-	1,505,543
FHLMC MBS (Aa1/AA+)	450,357	-	-	-	450,357
US Agency Securities (Aa1/AA+)	1,776	-	1,776	-	-
Total Categorized	\$3,700,479	\$ -	\$ 1,776	\$ -	\$3,698,703

Interest Rate Risk Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. The Agency's investment strategy is designed to match the life of the asset with the date of its related liability. The Agency seeks to minimize interest rate risk by structuring the portfolio to meet ongoing program and operational cash requirements without having to sell securities prior to maturity.

Credit Risk Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes authorize the Agency to invest in (i) direct obligations or obligations on which the principal and interest are unconditionally guaranteed by the US Government; (ii) obligations issued by an approved agency or corporation wholly-owned by the US Government; (iii) interest-bearing time deposits, certificates of deposit, or other approved forms of deposits in any bank or trust company in North Carolina which satisfies insurance and, if necessary, collateral requirements for holding Agency money; (iv) duly established investment programs of the State Treasurer; (v) repurchase agreements; and (vi) repurchase agreements with banks and financial institutions which are chartered outside of the State and meet specified rating and collateral requirements of the various trust agreements. The MBS are securitized by GNMA, FNMA and FHLMC. The GNMA MBS are direct obligations of the US Government. FNMA and FHLMC are government sponsored enterprises that have credit ratings and perceived credit risk comparable to direct US obligations. The US Agency securities are direct obligations of the Federal Home Loan Bank.

Concentration of Credit Risk Concentration of credit risk is the risk of loss related to the percentage of the Agency's investment portfolio in any single issuer, except for investments explicitly backed by the US government. The Agency's investments in FNMA and FHLMC both exceed 5% of total investments as of June 30, 2026.

Custodial Credit Risk Custodial credit risk occurs when investment securities are uninsured and are not registered in the name of the Agency, and there is a failure of the counterparty. At year end, the Agency was not exposed to custodial credit risk. The US Agency securities and MBS are on deposit with the Agency's fiduciary agent, which holds these securities by book entry in its fiduciary Federal Reserve accounts. The Agency's ownership of these securities is identified through the internal records of the fiduciary agent.

Foreign Currency Risk Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Agency does not have exposure to foreign currency risk.

Fair Value Measurements To the extent available, the Agency's investments are recorded at fair value within the fair value hierarchy established by GAAP, in accordance with GASB 72. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

The Agency had the following recurring fair value measurements as of June 30, 2026 (*in thousands*):

Investment Type	Fair Value	Input Level	
Short Term Investment Fund (STIF)	\$858,095	Level 2	The ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year-end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the State's custodian.
US Agency Securities	\$1,776	Level 2	Valuation of the underlying assets is performed by the Agency's custodian using observable inputs such as yield curves and indices.
MBS	\$3,698,703	Level 2	Valuation of the underlying assets is performed by the Agency's custodian using observable inputs such as yield curves and indices.

Securities Lending Transactions GASB Codification Section 160, *Investments—Security Lending* establishes accounting and financial reporting standards for transactions where governmental entities transfer their securities to broker-dealers and other entities (borrowers) in exchange for collateral (which may be cash, securities, or letters of credit) and simultaneously agree to return the collateral in exchange for the original securities in the future. The Agency does not directly engage in securities lending transactions; however, the State Treasurer is authorized to engage in these types of transactions under State Statute 147-69.3(e). The types of securities include government securities and corporate bonds and notes which are held in the pooled investment accounts of the State Treasurer. A securities custodian manages the securities lending program for the State and receives cash as collateral from the borrowers. Collateral is invested in a collateral investment pool and must be maintained at 100% of the market value of the original securities. This investment in the collateral investment pool is considered to be a highly liquid investment. The State has a custodial credit risk related to the transactions.

Throughout fiscal year 2026, the Agency had deposits in the pooled investment accounts of the State Treasurer. The risk associated with these transactions will be recorded by the State in its fiduciary funds. No allocation will be made to the Agency; therefore, the accompanying financial statements do not reflect the risk associated with securities lending transactions in accordance with GASB 160.

C. MORTGAGE LOANS RECEIVABLE

The Agency's mortgage loans are derived from various funding sources. Loans receivable as of June 30, 2026, are as follows (*in thousands*):

	<u>Agency Programs</u>	<u>Housing Trust Fund Programs</u>	<u>Federal and State Programs</u>	<u>Home Ownership Bond Programs</u>	<u>Total</u>
Mortgage loans receivable	\$ 8,641	\$ 17,679	\$ 78,028	\$ 139,448	\$ 243,796
Less: allowance for loan losses	(11)	(29)	-	(51)	(91)
	<u>\$ 8,630</u>	<u>\$ 17,650</u>	<u>\$ 78,028</u>	<u>\$ 139,397</u>	<u>\$ 243,705</u>
Less: current portion	(7,450)	(8,701)	(6,746)	(23,609)	(46,506)
Noncurrent mortgage loans receivable, net	<u>\$ 1,180</u>	<u>\$ 8,949</u>	<u>\$ 71,282</u>	<u>\$ 115,788</u>	<u>\$ 197,199</u>

For the Home Ownership Bond Programs, the Agency has collateralized \$131,863,000 in mortgage loans receivable and \$4,159,334,000 in cash and investments pledged to repay the \$3,809,205,000 single-family bonds payable outstanding as of June 30, 2026. Proceeds from the bonds issued were used to finance housing throughout the State. The outstanding bonds are payable through fiscal year 2058 and are repaid from principal and interest on mortgage loans and MBS, unexpended bond proceeds, proceeds from the sale of investments as well as interest income from investments. The Agency expects 100% of the mortgage loans and MBS, both principal and interest, to pay the principal and interest debt service requirements on the bonds. The total debt service requirement based on projected cash flows as of June 30, 2026 is \$6,974,307,000 (see "Maturities" under Note D).

For the current fiscal year, debt service payments, bond calls and related interest payments totaling \$517,860,000 were made for the Home Ownership Bond Programs. Payments received on mortgage loans and MBS for the Home Ownership Bond Programs were \$30,373,000 and \$360,692,000, respectively.

The existing and future mortgage loans which the Agency may purchase under the Home Ownership Bond Programs must comply with guidelines established by the Agency, including the requirement that all such mortgage loans be insured by the Federal Housing Administration, guaranteed by the Veterans Administration, guaranteed by the US Department of Agriculture, Rural Development, insured under a private mortgage insurance program, or have a loan-to-value ratio equal to or less than 80%. As of June 30, 2026, all outstanding FirstHome mortgage loans purchased with mortgage revenue bond proceeds satisfy these requirements and have stated interest rates ranging from 3% to 8.75%.

D. BONDS PAYABLE

Bonds payable activity for the year ended June 30, 2026, was as follows (*in thousands*):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds Payable				
Home Ownership	\$ 3,611,425	\$ 598,000	\$ (400,220)	\$ 3,809,205
Unamortized Bond Premium and Discount	91,736	28,365	(12,705)	107,396
Total Bonds Payable, Net	\$ 3,703,161	\$ 626,365	\$ (412,925)	\$ 3,916,601

Bonds payable as of June 30, 2026, are as follows (*in thousands*):

<u>Issue</u>	<u>Stated Rates (%)</u>	<u>Final Maturity</u>	<u>Principal Amount</u>
Home Ownership Revenue Bonds			
(1998 Housing Revenue Bonds Trust Agreement)			
Series 37	2.500 - 3.150	7/1/2031	\$ 8,340
Series 38	2.700 - 4.000	7/1/2047	66,775
Series 39	2.950 - 4.000	7/1/2048	26,430
Series 40	4.250	7/1/2047	6,580
Series 41	2.300 - 4.000	1/1/2050	66,145
Series 42	1.600 - 4.000	1/1/2050	74,555
Series 43	1.750 - 4.000	7/1/2050	79,340
Series 44	1.800 - 4.000	7/1/2050	75,155
Series 45	0.950 - 3.000	7/1/2051	121,510
Series 46	0.750 - 3.000	7/1/2051	106,295
Series 47	0.650 - 3.000	7/1/2051	122,190
Series 48	2.250 - 5.000	7/1/2052	163,220
Series 49	3.500 - 6.000	7/1/2053	156,615
Series 50	2.800 - 5.500	1/1/2054	161,315
Series 51	3.250 - 5.750	1/1/2054	181,005
Series 52 A/B	3.750 - 6.500	1/1/2055	287,725
Series 52 C	Variable	7/1/2049	40,000
Series 53	3.150 - 6.250	1/1/2055	287,520
Series 54	3.450 - 6.500	1/1/2055	289,490
Series 55 A/C	3.050 - 6.250	7/1/2056	214,320
Series 55 B	Variable	1/1/2050	80,000
Series 57	4.385 - 6.250	1/1/2056	297,710
Series 58	4.442 - 6.500	1/1/2056	298,970
Series 59 A	2.850 - 6.250	1/1/2057	200,000
Series 59 B	Variable	1/1/2057	99,000
Series 60	2.450 - 6.250	7/1/2057	299,000
Total Bonds Outstanding			\$ 3,809,205
Plus Unamortized Bond Premium and Discount			\$ 107,396
Total Bonds Payable, Net			\$ 3,916,601

Maturities Debt service requirements, including sinking fund requirements on term bonds, subsequent to June 30, 2026, are as follows (*in thousands*):

Bonds Outstanding without Interest Rate Swaps

Fiscal Year			
Ending June 30	Principal		Interest
2027	\$ 74,895	\$	162,894
2028	84,865		163,339
2029	87,550		160,756
2030	90,260		158,035
2031	92,805		155,051
2032-2036	510,040		723,173
2037-2041	614,395		613,625
2042-2046	673,905		469,805
2047-2051	677,625		306,844
2052-2056	661,660		100,868
2057-2058	22,205		880
Total Requirements	\$ 3,590,205	\$	\$ 3,015,270

Bonds Outstanding with Interest Rate Swaps

Fiscal Year			
Ending June 30	Principal		Interest
2027	\$ -	\$	5,647
2028	-		6,351
2029	-		6,351
2030	-		6,351
2031	-		6,351
2032-2036	-		31,755
2037-2041	-		31,755
2042-2046	26,725		31,051
2047-2051	128,970		18,420
2052-2056	56,505		5,686
2057-2058	6,800		114
Total Requirements	\$ 219,000	\$	\$ 149,832

Total Bonds Outstanding

Fiscal Year			
Ending June 30	Principal		Interest
2027	\$ 74,895	\$	168,541
2028	84,865		169,690
2029	87,550		167,107
2030	90,260		164,386
2031	92,805		161,402
2032-2036	510,040		754,928
2037-2041	614,395		645,380
2042-2046	700,630		500,856
2047-2051	806,595		325,264
2052-2056	718,165		106,554
2057-2058	29,005		994
Total Requirements	\$ 3,809,205	\$	\$ 3,165,102

Bond Redemptions The trust agreements provide for various methods of redemption. Bonds are redeemed at par from prepayments of mortgage loans securing the issues, from unexpended bond proceeds of the issues, from excess revenues, or from funds released via the related decreases in the respective debt service reserve requirements.

For the year ended June 30, 2026, bond redemptions were as follows (*in thousands*):

<u>Issue</u>	<u>Amount Redeemed</u>
Housing Revenue Bonds (1998 Trust Agreement)	\$ 400,220

On November 18, 2025, the Agency issued \$200,000,000 Series 59-A bonds to refund its outstanding Series 55-C bonds, originally issued in October 8, 2024. The Series 55-C bonds were redeemed on January 15, 2026, and are included in the amount redeemed above. The economic loss on the transaction was de minimis.

Special Facilities (Conduits) The Agency issued Multifamily Housing Revenue Bonds which are not presented in the financial statements of the Agency. These bonds are limited obligations of the Agency, secured solely by the revenues and other assets pledged for their payment. These bonds do not constitute a debt of and are not guaranteed by the State or any political subdivision thereof. Accordingly, these obligations are excluded from the Agency's financial statements.

Bonds payable as of June 30, 2026 for special facilities are as follows (*in thousands*):

	Bonds
Series 2022 (S. Emerson Hills Apt. Homes)*	\$ 36,361
Series 2024 (Fitch Irick Portfolio)	43,251
Series 2024 (Cabarrus Arms Apartments)**	12,082
Series 2024 (Weaver-PPM Portfolio)	15,200
Series 2025 (Landura Portfolio)	48,474
Series 2026 (Westgreen Apartments)***	22,279
	<u><u>\$ 177,647</u></u>

* The bonds were issued as "draw down" bonds, in which the principal amount of the bonds will increase from time to time as the bond proceeds are advanced to pay for eligible construction expenses up to an amount not to exceed \$37,515,000. As of June 30, 2026, \$36,361,000 has been advanced.

** The bonds were issued for a total of \$12,325,000. As of June 30, 2026, a total of \$243,000 scheduled principal payments has been made.

*** The bonds were issued for a total of \$22,300,000. As of June 30, 2026, a total of \$21,000 scheduled principal payments has been made.

E. DERIVATIVE INSTRUMENT - INTEREST RATE SWAP

Summary Information During fiscal year 2026, the Agency entered into a new swap agreement with Wells Fargo, N.A. to hedge Series 59-B variable-rate bonds issued during the period. The existing swaps with Bank of America, N.A. and Royal Bank of Canada remain in place to hedge Series 52-C and Series 55-B variable-rate bonds, respectively. The pay-fixed rate interest rate swaps are designated as hedging derivative instruments representing a cash flow hedge for the organization (*in thousands*):

Hedgeable Item	Notional Amount	Classification	FMV at June 30, 2026 Asset	Classification	Net Change in FMV
Series 52-C	\$40,000	Hedging Derivative	\$204	Deferred Inflows of Resources	\$751
Series 55-B	\$80,000	Hedging Derivative	\$4,558	Deferred Inflows of Resources	\$1,196
Series 59-B	\$99,000	Hedging Derivative	\$3,033	Deferred Inflows of Resources	\$3,033

There were no derivative instruments reclassified from a hedging derivative to an investment derivative instrument during the period. There was no deferral amount within investment revenue due to any reclassifications during the period.

Objective The Agency enters into interest rate swaps, in connection with its variable-rate revenue bonds, as a means to manage the future cash flow impact associated with these instruments.

Terms and Credit Risk The terms and credit risk of the outstanding swaps as of June 30, 2026 are as follows (*in thousands*):

Notional Amount	Counterparty	Counterparty Credit Rating Moody's/S&P	Date of Swap Execution	Maturity Date of Swap	Fixed Rate	Floating Index
\$40,000	Bank of America, N.A.	Aa2/A+	11/21/2023	7/1/2049	3.607%	70% SOFR-Compound* + 0.10%
\$80,000	Royal Bank of Canada	Aa1/AA-	10/8/2024	1/1/2050	2.817%	65% SOFR-Compound* + 0.15%
\$99,000	Wells Fargo, N.A.	Aa2/A+	11/18/2025	1/1/2057	3.067%	63% SOFR-Compound* + 0.14%

* SOFR-Compound is the Secured Overnight Financing Rate, with compounding for each day of interest during the accrual period.

Fair Value The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The Agency's derivatives are classified as Level 2 in the fair value hierarchy.

Interest Rate Risk Under the terms of the swap, the Agency pays the counterparty a fixed rate and receives a variable payment. The variable rate component for each swap is calculated using the SOFR index as shown in the floating index column in the table above. The SOFR rate was 3.68% as of June 30, 2026. The variable-rate payment to the bondholders for Series 52-C and Series 55-B bonds is determined by the remarketing agent, TD Securities (USA) LLC. The variable-rate payment to the bondholders for Series 59-B bonds is determined by the remarketing agent, RBC Capital Markets LLC. The interest rate as of June 30, 2026 was 2.90% for all variable-rate bond series.

Basis Risk and Termination Risk The swaps expose the Agency to basis risk to the extent that the interest payments on its variable-rate bonds do not match the variable-rate payments received on the associated swaps. The Agency's swaps are subject to termination if the counterparty's or the Agency's rating fall below Baa2 as issued by Moody's or BBB as issued by S&P.

Credit Risk Credit risk is the risk that the counterparty will not fulfill its obligations. The measurement of this risk is the fair market value of the swaps. The Agency is exposed to credit risk for any positive fair market value to a counterparty. As of June 30, 2026, the Agency's credit risk is minimal. To mitigate credit risk, the Agency maintains strict credit standards. The counterparty to both contracts is a major financial institution with investment-grade ratings.

Foreign Currency Risk Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Agency's swap is denominated in US dollars; therefore, it is not subject to foreign currency risk.

Rollover Risk Rollover risk exists when the derivative does not last as long as the associated debt is outstanding. The maturity date of the Agency's swap contract matches the maturity dates of the hedged debt; therefore, the Agency has no rollover risk.

Market Access Risk Market access risk is the risk that the Agency will not be able to enter credit markets as planned or that credit will become more costly. The Agency's current market access risk is limited due to Standby Bond Purchase Agreements with TD Bank, N.A. that were executed in conjunction with the issuance of the Series 52-C and Series 55-B variable-rate bonds, and with Royal Bank of Canada that was executed in conjunction with the issuance of Series 59-B variable-rate bonds.

Quantitative Method of Evaluating Effectiveness To assess the effectiveness of the hedging derivative instrument, the Agency employed the Regression Analysis Method. Under the Regression Analysis Method, a hedging derivative instrument is effective if the following criteria is met: (1) the R-Squared of the regression analysis is at least 0.80; (2) the F-statistic is within a 95% confidence interval, with the Significance F less than 0.05; and (3) the regression coefficient for the slope is between (1.25) and (0.80). The results of the testing as of June 30, 2026 are as follows:

Hedgeable Item	R-Squared	Significance F	Regression Slope Coefficient	Test Performance
Series 52-C	0.990276	0.00000	(0.84997)	PASS
Series 55-B	0.990251	0.00000	(0.95286)	PASS
Series 59-B	0.994954	0.00000	(0.99781)	PASS

Swap Payments and Associated Debt As rates vary, variable-rate bond interest payments and net swap payments will differ between the fixed rate paid to the counterparty and the variable rate received by the Agency. Using rates as of June 30, 2026, debt service requirements of the variable-rate debt and net swap payments are as follows (*in thousands*):

Fiscal Year	Variable-Rate Bond		Interest Rate	Total
Ending June 30	Principal	Interest	Swap, Net	Interest
2027	\$ -	\$ 5,647	\$ 1,144	\$ 6,791
2028	-	6,351	1,068	7,419
2029	-	6,351	1,053	7,404
2030	-	6,351	1,068	7,419
2031	-	6,351	1,068	7,419
2032-2036	-	31,755	5,327	37,082
2037-2041	-	31,755	5,311	37,066
2042-2046	26,725	31,051	5,275	36,326
2047-2051	128,970	18,420	3,341	21,761
2052-2056	56,505	5,686	1,083	6,769
2057-2058	6,800	114	22	136
Total	\$ 219,000	\$ 149,832	\$ 25,760	\$ 175,592

F. NONCURRENT LIABILITIES

Noncurrent liabilities for the year ended June 30, 2026 are as follows (*in thousands*):

	Beginning			Ending	Due Within
	Balance	Additions	Deletions	Balance	One Year
Bonds payable					
Bonds payable, net	\$ 3,611,425	\$ 598,000	\$ (400,220)	\$ 3,809,205	\$ 74,895
Unamortized bond premium	91,736	28,365	(12,705)	107,396	-
Hedging derivatives liability	547	-	(547)	-	-
Unearned revenues	31,470	15,577	(6,887)	40,160	10,578
Pension liability	8,828	-	(1,761)	7,067	-
OPEB liability	17,443	-	(6,324)	11,119	-
Lease liability	1,438	19	(662)	795	662
Other noncurrent liabilities					
Arbitrage rebate payable	1,813	-	(529)	1,284	-
Compensated absences	3,186	756	(109)	3,833	1,185
Deposits payable	2,193	7,805	(5,253)	4,745	5
Workers' compensation	480	36	(21)	495	101
	\$ 3,770,559	\$ 650,558	\$ (435,018)	\$ 3,986,099	\$ 87,426

G. Leases

During the year ended June 30, 2026, the Agency leased a building with a 60-month term, which expires September 30, 2027, a copier with a 60-month term, which expires July 12, 2028, and a postage meter with a 60-month term, which expires May 6, 2028.

Lease assets are reported in *Capital assets, net*. Lease asset activity for the year ended June 30, 2026 was as follows (*in thousands*):

	Beginning Balance	Increases	Decreases	Ending Balance
Lease Assets:				
RTU Buildings	\$ 3,677	\$ -	\$ -	\$ 3,677
RTU Machinery and Equipment	122	-	-	122
Total Lease Assets	\$ 3,799	\$ -	\$ -	\$ 3,799
Accumulated Depreciation:				
RTU Buildings	\$ (2,372)	\$ (580)	\$ -	\$ (2,952)
RTU Machinery and Equipment	(49)	(25)	-	(74)
Total Accumulated Depreciation	\$ (2,421)	\$ (605)	\$ -	\$ (3,026)
Lease Assets, net	\$ 1,378	\$ (605)	\$ -	\$ 773

Lease liabilities as of June 30, 2026, are as follows (*in thousands*):

	Lease Liability June 30, 2026	Due Within One Year	Lease Term in Years	Interest Rate
Classification:				
RTU Buildings	\$ 745	\$ 638	5	6.25%
RTU Machinery and Equipment	50	24	5	8.23-8.29%
	\$ 795	\$ 662		

Future principal and interest lease payments as of June 30, 2026, are as follows (*in thousands*):

	Fiscal Year Ending June 30	Principal Payments	Interest Payments	Total Payments
Classification:				
RTU Buildings	2027	\$ 638	\$ 40	\$ 678
	2028	107	7	114
	2029	-	-	-
	2030	-	-	-
	2031	-	-	-
RTU Machinery and Equipment	2027	\$ 24	\$ 2	\$ 26
	2028	24	2	26
	2029	2	-	2
	2030	-	-	-
	2031	-	-	-
		\$ 795	\$ 51	\$ 846

H. Federal Awards

As a designated public housing agency for the US Department of Housing and Urban Development (HUD) Section 8 PBCA program, the Agency requisitions Section 8 program funds and makes disbursements to eligible landlords. For the year ended June 30, 2026, \$244,255,000 was received by the Agency and disbursed to property owners.

The Agency is designated as the participating entity under grant agreements with HUD for the combined HOME and HOME-ARP programs, the NHTF program, and the Section 811 Project Rental Assistance (811 PRA) program. The combined HOME and HOME-ARP programs provide funding for the purpose of developing affordable and supportive housing for persons of low and very low income, experiencing homelessness, or victims of domestic violence. The NHTF provides funding to increase and preserve the supply of decent, safe and sanitary affordable housing for extremely low and very low-income households. 811 PRA is a partnership between NCHFA and DHHS to provide rental assistance for low-income people with disabilities, including those experiencing homelessness. For the year ended June 30, 2026, \$20,573,000 in combined HOME and HOME-ARP entitlement funds was received and the Agency disbursed \$34,814,000 in entitlement and program income funds. During the year, \$11,794,000 in NHTF entitlement funds was received and disbursed by the Agency. During the year, \$320,000 in 811 PRA funds was received and disbursed by the Agency.

The Agency receives Community Development Block Grant-Disaster Recovery funds from the NC Office of Recovery and Resiliency, a component of the NC Department of Public Safety, who is the participating entity with HUD. These funds are used for new construction of multifamily rental housing in counties impacted by Hurricane Matthew. For the year ended June 30, 2026, \$1,429,000 was received and disbursed by the Agency.

The Agency was appropriated ERA2 funds that had originally been awarded to the NC Pandemic Recovery Office by Treasury. The Agency is using the funds for eligible affordable rental housing purposes, including the construction, rehabilitation, or preservation of affordable rental housing projects and related activities, serving very low-income families impacted by the COVID-19 pandemic. For the year ended June 30, 2026, \$11,348,000 was received and disbursed by the Agency.

The Agency earned fees of \$13,158,000 for administering these programs for the year ended June 30, 2026. Of these fees, \$6,328,000 was paid to Quadel Consulting Corporation for Section 8 PBCA administration. These fees are reported in *General and administrative expense*.

Federal awards are subject to audit by the grantor agencies. The Agency could be held liable for amounts received in excess of allowable expenditures.

I. PENSION PLAN

Plan Description All permanent, full-time employees of the Agency participate in the Teachers' and State Employees' Retirement System of North Carolina (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State. TSERS provides retirement benefits to plan members and beneficiaries. State statute assigns the authority to establish and amend benefit provisions to the General Assembly. TSERS is included in the Annual Comprehensive Financial Report (Annual Report) for the State. The State's Annual Report includes financial statements and required supplementary information for TSERS. The report may be obtained from the website for the North Carolina Office of State Controller (OSC) using the following link: <https://www.osc.nc.gov/public-information/reports>.

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

monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

Funding Policy Plan members are required to contribute 6% of their annual covered salary, and the Agency is required to contribute at an actuarially determined rate. The fiscal year 2026 rate is 17.14% of the annual covered payroll. The contribution requirements of plan members and the Agency are established and may be amended by the General Assembly. The following table represents the three-year trend of the annual contributions made by the Agency to the State retirement system. The Agency made 100% of its required contributions for the years ended June 30, 2026, 2025, and 2024 (*in thousands*):

	2026	2025	2024
Retirement Contribution	\$2,308	\$2,120	\$2,085
Percentage of Covered Payroll	17.14%	16.79%	17.64%

Net Pension Liability At June 30, 2026, the Agency reported a liability of \$7,067,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension was determined by an actuarial valuation as of December 31, 2024. The total pension liability was then rolled forward to the measurement date of June 30, 2025 utilizing update procedures incorporating the actuarial assumptions listed below. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2025 and at June 30, 2024, the Agency's proportion was 0.06010% and 0.05958%, respectively.

Deferred Outflows/Inflows of Resources Related to Pensions For the year ended June 30, 2026, the Agency recognized pension expense of \$1,971,000. At June 30, 2026, the Agency reported *Deferred Outflows of Resources* and *Deferred Inflows of Resources* related to pensions from the following sources (*in thousands*):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 837	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	227
Change in proportion and differences between Agency's contributions and proportionate share of contributions	346	-
Contributions subsequent to the measurement date	2,308	-
Total	\$ 3,491	\$ 227

Deferred Outflows of Resources of \$2,308,000 related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as *Deferred Outflows of Resources* and *Deferred Inflows of Resources* at June 30, 2026 related to pensions will be recognized as pension expense as follows (*in thousands*):

Year ending June 30:	
2027	\$ 1,890
2028	(77)
2029	(507)
2030	(350)
Total	\$ 956

Actuarial Assumptions The total pension liability was determined by an actuarial valuation performed as of December 31, 2024. The total pension liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2025. The update procedures incorporated the actuarial assumptions used in the valuation. Inflation is assumed to be 2.5%, and salary increases range from 3.25% to 8.05% which includes 3.25% inflation and productivity factor. The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 6.5% and is net of pension plan investment expense, including inflation.

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

The actuarial assumptions used in the December 31, 2024 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc Cost of Living Adjustment amounts are not considered to be substantively automatic and are not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2025 (the valuation date) are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability and investment policy of the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2025 is 2.53%.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate The following presents the Agency’s proportionate share of the net pension liability calculated using the discount rate of 6.5%, as well as what the Agency’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate (*in thousands*):

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Agency's proportionate share of the net pension liability	\$15	\$7	\$1

Pension Plan Fiduciary Net Position Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Report for the State.

J. OTHER POSTEMPLOYMENT BENEFITS

Plan Description In addition to providing pension benefits, the Agency participates in two postemployment benefit plans, the Retiree Health Benefit Fund (RHBF) and the Disability Income Plan of North Carolina (DIPNC), that are administered by the State as pension and other employee benefit trust funds. The Agency makes monthly contributions to the State for these benefits. The State’s Annual Report includes financial statements and required supplementary information for each plan. See Note I. “Pension Plan” for information about obtaining the Annual Report from OSC.

The RHBF has been established as a fund to provide health benefits to long-term disability beneficiaries of the DIPNC and retirees with five or more years of contributory membership service with TSERS. TSERS pays the full cost of coverage for retirees enrolled in the State’s self-funded Teachers’ and State Employees’ Preferred Provider Organization medical plan who were hired prior to October 1, 2006, and retire with five or more years of State TSERS membership service. For employees hired on or after October 1, 2006 and before January 1, 2021, TSERS will pay the full cost of coverage for retirees with 20 or more years of service, TSERS will pay 50% of the cost of coverage for retirees with at least 10 years but less than 20 years of service, and the retiree with less than 10 years of service will pay the

full cost of coverage. Employees hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Short-term and long-term disability benefits are provided through the DIPNC. Long-term disability benefits are payable from the DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five years of contributing membership service with TSERS earned within 96 months prior to the end of the short-term disability period; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period, after salary continuation payments cease, or after monthly payments for workers' compensation cease, whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of employees' usual occupation; (4) the disability must have been continuous, likely to be permanent and incurred at the time of active employment; (5) the employee must not be eligible to receive unreduced retirement benefits from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. In addition, recipients of long-term disability benefits are eligible to receive the State-paid health insurance coverage. The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation reduced by any social security or workers' compensation to which the recipient may be entitled up to a maximum of \$3,900 per month. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from the DIPNC cease, and the employee will commence retirement under TSERS.

All short-term disability benefit payments are made by the various State-administered plans. The Agency has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Agency during the first six months of the short-term period. Contributions are determined as a percentage of covered monthly payrolls. Annually, the State sets monthly contribution rates for postemployment health care benefits, death benefits and disability benefits, which are the same for all agencies across the State.

Contributions Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly and coincide with the State's fiscal year. The Agency assumes no liability for retiree health care or long-term disability benefits other than its required contributions.

The following table represents the three-year trend of the annual contributions made by the Agency to the State post-employment benefit plans. The Agency made 100% of its required contributions for the years ended June 30, 2026, 2025, and 2024 (*in thousands*):

	2026	2025	2024
Health Care Benefit	\$ 987	\$ 883	\$ 844
Disability Benefit	\$ 9	\$ 16	\$ 13
Percentage of Covered Payroll			
Health Care Benefit	7.33%	6.99%	7.14%
Disability Benefit	0.07%	0.13%	0.11%

Since the benefit payments are made by the various State-administered plans and not by the Agency, the Agency does not determine the number of eligible participants.

Net OPEB Liability (Asset) At June 30, 2026, the Agency reported a liability of \$11,119,000 for its proportionate share of the collective net OPEB liability for RHBF. The Agency also reported an asset of \$33,000 for its proportionate share of the collective net OPEB asset for DIPNC. The total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2024, and update procedures were used to roll forward the total OPEB liability (asset) to June 30, 2025. The Agency's proportion of the net OPEB liability (asset) was based on the present value of future salaries for the Agency relative to the present value of future salaries for all participating employers, actuarially-determined. At June 30, 2026 and at June 30, 2025, the Agency's proportion was 0.06010% and 0.05958%, respectively.

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

	RHBF	DIPNC
Valuation Date	12/31/2024	12/31/2024
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3%
Healthcare Cost Trend Rate - Medical	5% - 6%	N/A
Healthcare Cost Trend Rate - Prescription Drug	5% - 9.5%	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates	5% - 9.77%	N/A
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	(7.9%) - 3%	N/A

*Salary increases include 3.25% inflation and productivity factor.

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

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

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

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

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2025 (the valuation date) was 2.53%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

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

The actuarial assumptions used in the December 31, 2024 valuations were based on the results of an actuarial experience study prepared as of December 31, 2019.

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

The discount rate used to measure the total OPEB asset for DIPNC was 3%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position

was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

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

	1% Decrease (4.2%)	Discount Rate (5.2%)	1% Increase (6.2%)
RHBF	\$16	\$13	\$11
DIPNC	-	-	-

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
RHBF	\$11	\$13	\$16

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus, the sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

Deferred Outflows/Inflows of Resources Related to OPEB For the year ended June 30, 2026, the Agency reported *Deferred Outflows of Resources* and *Deferred Inflows of Resources* related to OPEB from the following sources (*in thousands*):

Deferred Outflows of Resources Related to OPEB by Classification

	RHBF	DIPNC	TOTAL
Difference between actual and expected experience	\$ 90	\$ 5	\$ 95
Changes of assumptions	2,975	-	2,975
Net difference between projected and actual earnings on OPEB plan investments	20	4	24
Change in proportion and differences between Agency's contributions and proportionate share of contributions	503	4	507
Contributions subsequent to the measurement date	987	9	996
Total	\$ 4,575	\$ 22	\$ 4,597

Deferred Inflows of Resources Related to OPEB by Classification

	RHBF	DIPNC	TOTAL
Difference between actual and expected experience	\$ -	\$ 15	\$ 15
Changes of assumptions	5,865	4	5,869
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Change in proportion and differences between Agency's contributions and proportionate share of contributions	217	-	217
Contributions subsequent to the measurement date	-	-	-
Total	\$ 6,082	\$ 19	\$ 6,101

Amounts reported as *Deferred outflows of resources* related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for RHBF and DIPNC in the fiscal year ended June 30, 2026. Other amounts reported as *Deferred Outflows of Resources* and *Deferred Inflows of Resources* at June 30, 2026 related to OPEB will be recognized in OPEB expense as follows (*in thousands*):

Year ending June 30:	RHBF	DIPNC
2027	\$ (644)	\$ (7)
2028	(214)	(1)
2029	(369)	1
2030	(1,267)	-
2031	-	-
Thereafter	-	-
Total	\$ (2,494)	\$ (7)

K. RISK MANAGEMENT

The Agency's risk management policies provide for participation in the State's risk management programs. The following types of risk are covered under these programs, as disclosed in the State's Annual Report:

- Automobile, Fire and Other Property Losses
- Public Officers' and Employees' Liability Insurance
- Employee Dishonesty and Computer Fraud
- Statewide Workers' Compensation Program/Fund

The State is responsible for the administration of all liability insurance policies. The deductible and amount of loss in excess of the policy is the responsibility of the Agency.

In addition to the State's policies, the Agency has Cyber Liability and Fraudulent Instruction coverage, which is intended to mitigate financial losses associated with criminal acts of breach and fraudulent impersonation of Agency vendors and staff.

L. SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through September 24, 2026 and determined that there have been no events that would require adjustments to our disclosures in the fiscal year 2026 financial statements.

North Carolina Housing Finance Agency

Supplementary Information

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF NET POSITION

AS OF JUNE 30, 2026

	AGENCY PROGRAMS	GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS	
		Housing Trust Fund Programs	Federal and State Programs		Total
(in thousands)					
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 227,455	\$ -	\$ -	\$ -	\$ 227,455
Restricted cash and cash equivalents	62,826	188,796	76,973	534,079	862,674
Accrued interest receivable on investments	-	-	-	18,389	18,389
Mortgage loans receivable, net	7,450	8,701	6,746	23,609	46,506
Mortgage loans held for sale	-	-	-	59,422	59,422
Accrued interest receivable on mortgage loans	1	6	9	1,000	1,016
Other assets	2,211	138	2,752	1,694	6,795
Interprogram receivable (payable)	1,312	104	(2,481)	1,065	-
TOTAL CURRENT ASSETS	\$ 301,255	\$ 197,745	\$ 83,999	\$ 639,258	\$ 1,222,257
Noncurrent assets:					
Restricted investments	\$ -	\$ -	\$ -	\$ 3,700,479	\$ 3,700,479
Mortgage loans receivable, net	1,180	8,949	71,282	115,788	197,199
Hedging derivatives asset	-	-	-	7,795	7,795
Capital assets, net	853	-	-	-	853
Other assets, net	33	-	-	-	33
TOTAL NONCURRENT ASSETS	\$ 2,066	\$ 8,949	\$ 71,282	\$ 3,824,062	\$ 3,906,359
TOTAL ASSETS	\$ 303,321	\$ 206,694	\$ 155,281	\$ 4,463,320	\$ 5,128,616
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows for pensions	\$ 3,491	\$ -	\$ -	\$ -	\$ 3,491
Deferred outflows for other postemployment benefits	4,597	-	-	-	4,597
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 8,088	\$ -	\$ -	\$ -	\$ 8,088
LIABILITIES					
Current liabilities:					
Bonds payable	\$ -	\$ -	\$ -	\$ 74,895	\$ 74,895
Accrued interest payable	-	-	-	83,755	83,755
Accounts payable	2,505	-	1,379	886	4,770
Unearned revenues	3,431	-	7,147	-	10,578
Lease liabilities	662	-	-	-	662
Other liabilities	1,291	-	-	-	1,291
TOTAL CURRENT LIABILITIES	\$ 7,889	\$ -	\$ 8,526	\$ 159,536	\$ 175,951
Noncurrent liabilities:					
Bonds payable, net	\$ -	\$ -	\$ -	\$ 3,841,706	\$ 3,841,706
Unearned revenues	29,582	-	-	-	29,582
Pension liability	7,067	-	-	-	7,067
Other postemployment benefits	11,119	-	-	-	11,119
Lease liabilities	133	-	-	-	133
Other liabilities	7,782	-	-	1,284	9,066
TOTAL NONCURRENT LIABILITIES	\$ 55,683	\$ -	\$ -	\$ 3,842,990	\$ 3,898,673
TOTAL LIABILITIES	\$ 63,572	\$ -	\$ 8,526	\$ 4,002,526	\$ 4,074,624
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows for pensions	\$ 227	\$ -	\$ -	\$ -	\$ 227
Deferred inflows for other postemployment benefits	6,101	-	-	-	6,101
Accumulated increase in fair value of hedging derivatives	-	-	-	7,795	7,795
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 6,328	\$ -	\$ -	\$ 7,795	\$ 14,123
NET POSITION					
Net investment in capital assets	\$ 853	\$ -	\$ -	\$ -	\$ 853
Restricted net position	23,131	206,694	146,755	452,999	829,579
Unrestricted net position	217,525	-	-	-	217,525
TOTAL NET POSITION	\$ 241,509	\$ 206,694	\$ 146,755	\$ 452,999	\$ 1,047,957

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2026

	AGENCY PROGRAMS	GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS	
		Housing Trust Fund Programs	Federal and State Programs		Total
(in thousands)					
OPERATING REVENUES					
Interest on mortgage loans	\$ 623	\$ 549	\$ 863	\$ 8,838	\$ 10,873
Federal program awards received	-	11,348	278,371	-	289,719
Nonfederal program awards received	4,000	752	-	-	4,752
State appropriations received	-	7,660	3,000	-	10,660
State grants received	-	-	54,732	-	54,732
Program income/fees	43,156	4,926	19,048	19,899	87,029
Other revenues	7	-	-	84	91
TOTAL OPERATING REVENUES	\$ 47,786	\$ 25,235	\$ 356,014	\$ 28,821	\$ 457,856
OPERATING EXPENSES					
Mortgage servicing expense	\$ -	\$ -	\$ -	\$ 539	\$ 539
Federal program expense	-	7,690	287,555	-	295,245
Nonfederal program expense	9,150	-	-	71,235	80,385
State program expense	-	53,713	54,734	-	108,447
General and administrative expense	24,855	-	6,435	1,613	32,903
Other expenses	20	5	-	9	34
TOTAL OPERATING EXPENSES	\$ 34,025	\$ 61,408	\$ 348,724	\$ 73,396	\$ 517,553
OPERATING INCOME (LOSS)	\$ 13,761	\$ (36,173)	\$ 7,290	\$ (44,575)	\$ (59,697)
OTHER NONOPERATING REVENUES (EXPENSES)					
Interest on investments	\$ 10,505	\$ 7,740	\$ 2,280	\$ 204,818	\$ 225,343
Net increase (decrease) in fair value of investments	-	-	-	55,726	55,726
Interest on bonds	-	-	-	(153,167)	(153,167)
Lease interest expense	(41)	-	-	-	(41)
Transfers in (out)	9,239	(261)	(8,672)	(306)	-
TOTAL OTHER NONOPERATING REVENUES (EXPENSES)	\$ 19,703	\$ 7,479	\$ (6,392)	\$ 107,071	\$ 127,861
INCREASE (DECREASE) IN NET POSITION	\$ 33,464	\$ (28,694)	\$ 898	\$ 62,496	\$ 68,164
TOTAL NET POSITION - BEGINNING	\$ 208,045	\$ 235,388	\$ 145,857	\$ 390,503	\$ 979,793
TOTAL NET POSITION - ENDING	\$ 241,509	\$ 206,694	\$ 146,755	\$ 452,999	\$ 1,047,957

NORTH CAROLINA HOUSING FINANCE AGENCY

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2026

(in thousands)	AGENCY PROGRAMS	GRANT PROGRAMS		HOME OWNERSHIP BOND PROGRAMS	Total
		Housing Trust Fund Programs	Federal and State Programs		
Cash flows from operating activities:					
Interest on mortgage loans	\$ 623	\$ 549	\$ 863	\$ 8,764	\$ 10,799
Principal payments on mortgage loans	5,747	7,460	6,443	22,549	42,199
Purchase of mortgage loans	(4,146)	(4,401)	(5,222)	-	(13,769)
Sale of mortgage loans held for sale	-	-	-	270,279	270,279
Purchase of mortgage loans held for sale	-	-	-	(329,153)	(329,153)
Federal program awards received	-	11,348	278,482	-	289,830
Nonfederal program awards received	4,000	752	-	-	4,752
Federal program expense	-	(7,690)	(287,856)	-	(295,546)
Nonfederal program expense	(9,150)	-	-	(71,235)	(80,385)
Federal grant administration income	-	-	11,247	-	11,247
State appropriations received	-	7,660	3,000	-	10,660
State grants received	-	-	62,666	-	62,666
State program expense	-	(54,193)	(54,734)	-	(108,927)
Program income/fees	46,604	3,021	7,496	19,899	77,020
Other expenses	(21,350)	-	(6,836)	(2,724)	(30,910)
Other revenues	(1,115)	(225)	-	(313)	(1,653)
Net cash provided by (used in) operating activities	\$ 21,213	\$ (35,719)	\$ 15,549	\$ (81,934)	\$ (80,891)
Cash flows from capital financing activities:					
Lease interest expense	\$ (41)	\$ -	\$ -	\$ -	\$ (41)
Net cash provided by (used in) capital financing activities	\$ (41)	\$ -	\$ -	\$ -	\$ (41)
Cash flows from noncapital financing activities:					
Issuance of bonds	\$ -	\$ -	\$ -	\$ 398,000	\$ 398,000
Proceeds from refunding bonds	-	-	-	200,000	200,000
Principal repayments on bonds	-	-	-	(200,220)	(200,220)
Principal payments on refunded debt	-	-	-	(200,000)	(200,000)
Interest paid on bonds	-	-	-	(117,640)	(117,640)
Bond issuance costs paid	-	-	-	(4,002)	(4,002)
Net noncapital transfers	9,239	(261)	(8,672)	(306)	-
Net cash provided by (used in) noncapital financing activities	\$ 9,239	\$ (261)	\$ (8,672)	\$ 75,832	\$ 76,138
Cash flows from investing activities:					
Proceeds from sales or maturities of investments	\$ -	\$ -	\$ -	\$ 586,463	\$ 586,463
Purchase of investments	-	-	-	(1,045,260)	(1,045,260)
Earnings on investments	10,505	7,740	2,280	202,470	222,995
Net cash provided by (used in) investing activities	\$ 10,505	\$ 7,740	\$ 2,280	\$ (256,327)	\$ (235,802)
Net increase (decrease) in cash and cash equivalents, unrestricted and restricted	\$ 40,916	\$ (28,240)	\$ 9,157	\$ (262,429)	\$ (240,596)
Cash and cash equivalents, unrestricted and restricted, at beginning of year	249,365	217,036	67,816	796,508	1,330,725
Cash and cash equivalents, unrestricted and restricted, at end of year	\$ 290,281	\$ 188,796	\$ 76,973	\$ 534,079	\$ 1,090,129
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 13,761	\$ (36,173)	\$ 7,290	\$ (44,575)	\$ (59,697)
Change in assets and liabilities:					
Decrease (increase) in mortgage loans receivable	1,614	2,584	1,186	22,390	27,774
Decrease (increase) in mortgage loans held for sale	-	-	-	(58,874)	(58,874)
Decrease (increase) in accrued interest receivable on mortgage loans	-	-	-	(6)	(6)
Decrease (increase) in other assets	(513)	(225)	593	(4,739)	(4,884)
Decrease (increase) in deferred outflows of resources	2,848	-	-	547	3,395
Increase (decrease) in accounts payable and other liabilities	(3,730)	-	(667)	(1,110)	(5,507)
Increase (decrease) in deferred inflows of resources	3,785	-	-	4,433	8,218
Increase (decrease) in unearned revenues	3,448	(1,905)	7,147	-	8,690
Total adjustments	\$ 7,452	\$ 454	\$ 8,259	\$ (37,359)	\$ (21,194)
Net cash provided by (used in) operating activities	\$ 21,213	\$ (35,719)	\$ 15,549	\$ (81,934)	\$ (80,891)

This audit report required 796 audit hours at a cost of \$103,125.



Our mission is to provide safe, affordable housing opportunities to enhance the quality of life of North Carolinians.

A self-supporting public agency.