



CAROLINA

2011 Comprehensive Annual Financial Report

THE UNIVERSITY of NORTH CAROLINA *at* CHAPEL HILL

*Fiscal year ended June 30, 2011 | Chapel Hill, North Carolina
A Constituent Institution of the University of North Carolina System
and a Component Unit of the State of North Carolina*





THE UNIVERSITY of NORTH CAROLINA at CHAPEL HILL

2011 COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011 | CHAPEL HILL, NC

PREPARED BY THE CONTROLLER'S OFFICE





THE UNIVERSITY *of* NORTH CAROLINA *at* CHAPEL HILL

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INTRODUCTORY SECTION



KEEPING FACULTY STRONG KEY TO REMAINING GREAT RESEARCH UNIVERSITY

The Class of 2015 includes 4,025 wonderful first-year students from 24,000 applications—a fifth consecutive record. For the third year in a row, we produced two Rhodes Scholars. The Times Higher Education Magazine in London ranked us 43rd among the world’s top universities. Faculty brought in \$788 million in contracts and grants for research that improves people’s lives. Since research is a way of learning, the faculty’s success directly benefits undergraduates: more than 60 percent of our graduating seniors conducted original research for courses last year. Generous donors provided \$306 million in gifts and pledges, a 5 percent increase over fiscal 2010.

“We have to protect the value of a UNC diploma and our influence in the nation and the world. Carolina is a great university because we have world-class faculty who inspire our students to tackle the most pressing problems facing the world. To remain a great research university, we must keep the faculty strong.”

going to come out of the economic downturn in good shape because we’ve planned prudently and managed our resources wisely.

In the past year, we’ve taken strong steps with two initiatives that will position Carolina well when the economy rebounds.

We completed the Academic Plan, which will guide how we teach and invest our resources over the next decade. This was absolutely the right time for us to have re-examined the University’s academic goals. Together with the Carolina Counts initiative to improve efficiency and streamline operations, the Academic Plan already has been helping us make wise budget decisions.

We’re also making progress with “Innovate@Carolina,”

None of those achievements would be possible without the consistently loyal support from North Carolina’s General Assembly and taxpayers, along with our alumni and friends.

The University’s budget is the #1 issue facing us.

Ultimately, we’re

the roadmap launched a year ago to help us apply more of our important ideas to improve the world.

One highlight has been the launch of the Blackstone Entrepreneurs Network to help the Research Triangle region emerge as a top

entrepreneurial hub. The Blackstone Charitable Foundation’s \$3.6 million gift is bringing the Triangle universities—UNC, Duke, NC State and NC Central—together with the Center for Entrepreneurial Development to help identify and mentor 150 start-up teams.

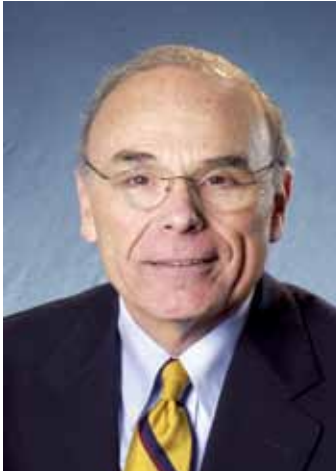
Since 2008, we’ve absorbed more than \$231 million in total state budget cuts. By necessity, the budget approved last summer by the North Carolina General Assembly was austere. Carolina took a \$100.7 million cut in permanent state appropriations.

We’re doing everything we can to minimize the impact of these latest cuts on the classroom experiences of our students. We’ve made deep reductions to administrative units over the past three years to protect teaching activities. But this fall we’ve had to offer fewer undergraduate course sections and make fewer classroom seats available.

We have to protect the value of a UNC diploma and our influence in the nation and the world. Carolina is a great university because we have world-class faculty who inspire our students and prepare them to become the next generation of leaders and to tackle the most pressing problems facing the world. To remain a great research university, we must keep the faculty strong.



Holden Thorp



Richard L. Mann

TO CHANCELLOR THORP, MEMBERS OF THE BOARD OF TRUSTEES, AND FRIENDS OF THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL:

This Comprehensive Annual Financial Report (CAFR) includes the financial statements for the year ended June 30, 2011, as well as other useful information that helps ensure the University's accountability to the public. Responsibility for the accuracy of the information and for the

completeness and fairness of its presentation, including all disclosures, rests with the University's management. We believe the information is accurate in all material respects and fairly presents the University's financial position, revenues, expenses, and other changes in net assets.

We believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls to the auditors and the audit committee and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. The University is a participant in Finance Improvement and Transformation (UNC FIT). UNC FIT is a collaborative project sponsored by the UNC System's General Administration that seeks to strengthen internal controls in the finance areas to ensure financial integrity and accountability and meet the requirements of Enhancing Accountability in Government through Leadership and Education (EAGLE). EAGLE is the State's internal control program that was established by the Office of the State Controller to meet the requirements of House Bill 1551, Chapter 143D "State Governmental Accountability and Internal Control Act."

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited by the Office of the State Auditor each year. The University's internal auditors also perform fiscal, compliance, and performance audits. The reports resulting from these audits are shared with University management. Internal and external

audit reports are provided to the Audit and Finance Committee of the Board of Trustees. The audit of the University's federal financial assistance programs is performed by the Office of the State Auditor in conjunction with the statewide Single Audit.

The CAFR includes Management's Discussion and Analysis and all disclosures necessary for the reader to gain a broad understanding of the University's financial position and results of operations for the fiscal year ended June 30, 2011.

PROFILE OF THE UNIVERSITY

The University of North Carolina was anticipated by the first state constitution drawn up in 1776 directing the establishing of "one or more universities" in which "all useful learning shall be duly encouraged and promoted." The American Revolution intervened and it was not until 1789, the year that George Washington became president of the new nation, that the University was chartered by the General Assembly. On October 12, 1793, the cornerstone was laid for the first campus building.

Now in its third century, UNC belongs to the select group of American and Canadian campuses forming the Association of American Universities. UNC's academic offerings span more than 100 fields, including bachelor's, master's and doctoral degrees as well as professional degrees in dentistry, medicine, pharmacy and law. Five health schools which, with UNC Hospitals, comprise one of the nation's most complete academic medical centers are integrated with liberal arts, basic sciences and high-tech academic programs.

The accompanying financial statements present all funds belonging to the University and its component units. While the multi-campus University of North Carolina System's Board of Governors has ultimate responsibility, the chancellor, the University's Board of Trustees, and the Board of Trustees of the Endowment Fund have both delegated and statutory responsibilities for financial accountability of the University's funds. For the fiscal year ended June 30, 2011, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*. GASB Statement No. 59

updates the disclosure and reporting requirements for certain financial instruments and external investment pools.

The financial reporting entity for the financial statements is comprised of the University and ten component units. Seven of these, although legally separate, are reported as if they were part of the University. These include The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (Chapel Hill Investment Fund), UNC Investment Fund, LLC (UNC Investment Fund), UNC Management Company, Inc. (Management Company), The University of North Carolina at Chapel Hill Foundation, Inc. (UNC-CH Foundation), The Kenan-Flagler Business School Foundation (Business School Foundation), The School of Education Foundation, Inc. (School of Education Foundation), and U.N.C. Law Foundation, Inc. (Law Foundation).

Separate financial statements for three other component units are reported based on GASB Statement No. 39. The Medical Foundation of North Carolina, Inc. (Medical Foundation), The Educational Foundation Scholarship Endowment Trust (Educational Foundation Trust), and The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc. (Arts and Sciences Foundation) are legally separate, non-profit, tax-exempt organizations and are reported as discretely presented component units based on the nature and significance of their relationship to the University.

The accounting and financial records of the Chapel Hill Investment Fund, UNC-CH Foundation, UNC Investment Fund, Management Company, Business School Foundation, School of Education Foundation, Law Foundation, Arts and Sciences Foundation, Medical Foundation, Educational Foundation Trust, WUNC Radio, and the Athletic Department are each audited by a public accounting firm in addition to the State Auditor review. All audit reports are available for public inspection.

Other related foundations and similar non-profit corporations for which the University is not financially accountable are not part of the accompanying financial statements. The University of North Carolina at Chapel Hill is a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's Comprehensive Annual Financial Report.

The University is responsible for controlling its budget and using the funds to fulfill its educational, research, and public service missions. It is also responsible for planning, developing, and controlling budgets and expenditures within authorized allocations in accordance with University, state, and federal policies and procedures. The University maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget approved by the North Carolina

General Assembly, and as further directed by the Board of Governors. Project-length financial plans are adopted for capital projects.

After the budget has been approved by the chancellor and the Board of Governors, the University follows an established system of budgetary controls. Finance and Administration issues periodic interim budget statements to department heads to guide them in managing their budget allocations. Monthly financial reports are provided on each fund to individual managers responsible for the fund. Financial reports are also provided to the state. When actual conditions require changes to the budget, revisions are prepared and these revisions are appropriately approved and communicated to those affected. Changes to the budget are approved at the University level and/or the state level as required. Based on the state's management flexibility legislation, the University has received delegated authority for designated budget changes. The University maintains an encumbrance accounting system as another method to ensure that imposed expenditure constraints are observed.

ECONOMIC CONDITION

On September 22, 2011, the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce issued the report "State Personal Income: Second Quarter 2011" showing that personal income in North Carolina grew every quarter of the fiscal year. For the third quarter of 2010, personal income was \$335.8 billion at a seasonally adjusted annual rate and then rose to \$348.7 billion at a seasonally adjusted annual rate in the second quarter of 2011. That was the 13th highest level in the country, ranking fourth in the Southeast behind Florida, Virginia and Georgia. Personal income in the second quarter of 2011 was up 4.4 percent from a year earlier, but well below the national average increase of 5.4 percent for the same period. For the calendar year 2010, total personal income in North Carolina was \$334.4 billion. On a per capita basis that equals \$34,977. This per capita was 88 percent of the national average of \$39,945 and ranked 36th among all states, below Montana and above Tennessee.

The Census Bureau reported on December 21, 2010, that the population of North Carolina from the 2010 Census was a record 9,535,483. That population represents an increase of 18.5 percent from the 2000 Census, almost double the national increase of 9.7 percent. North Carolina is the tenth most populous state, ranking between Georgia and New Jersey.

On June 7, 2011, the BEA released data on gross domestic product (GDP) for 2010 by state. GDP is the total value of all the goods and services produced within the borders of a state for final demand, regardless of where they are eventually



The University of North Carolina at Chapel Hill has received the award for reporting excellence for the past 16 years.

purchased. The current dollar (nominal) GDP of North Carolina was \$424.9 billion in 2010. That was 2.9 percent of the national total, above Virginia and below Ohio. In real (adjusted for inflation) terms, GDP in North Carolina ranked 9th in the U.S. in 2010 at \$380.6 billion. That was an increase of 3.4 percent from 2009, well above the national average increase of 2.6 percent.

The growth in nonfarm payroll jobs has been slow in North Carolina. Shortly after the recession began in December 2007, the peak occurred in February 2008 with 4,177,400 nonfarm payroll jobs reported in North Carolina on a seasonally adjusted basis. The bottom was reached at 3,848,800 nonfarm payroll jobs in February 2010, well after the end of the recession in June 2009. On September 16, 2011, the Bureau of Labor Statistics (BLS) reported that there were 3,882,500 such jobs in August 2011. That number increased 21,100 from August 2010, but still 294,900 jobs or 7.1 percent below the peak.

The unemployment rate in North Carolina has remained high at 10.1 percent in July 2011 and 10.4 percent in August 2011. The North Carolina unemployment rate was well above the 9.1 percent national average for both months.

The consensus is that the year ahead will see slow but steady growth in overall economic activity and personal incomes in North Carolina.

The University is committed to long-term financial and budgetary planning as addressed in the economic outlook section of the Management's Discussion and Analysis.

Carolina's progress, priorities, and major initiatives during fiscal 2010–2011 reflected the University's vision of becoming the nation's leading public university. Following this letter are recent highlights.

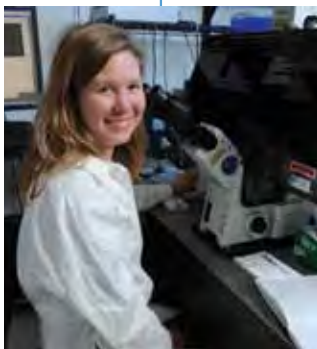
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the University for its CAFR for the fiscal year ended June 30, 2010. This was the 16th consecutive year that the University has been honored with this prestigious award. To receive a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this CAFR in a timely manner would not have been possible without the coordinated efforts of the University community, with special assistance from the Chancellor's Office, the Office of the Executive Vice Chancellor and Provost, the Office of Sponsored Research, Student Affairs, Information Technology Services, University Advancement, University Relations, Institutional Research and Assessment, the Office of Scholarships and Student Aid, the Department of Athletics, and Dr. James F. Smith, Adjunct Professor of Business Administration in the Kenan-Flagler Business School. In addition, the Office of the State Auditor provided invaluable assistance.

Dr. Richard L. Mann
Vice Chancellor for Finance and Administration



Top: Students walk on campus.

Middle: 2010 North Carolina Professor of the Year Chris Roush talks with students.

Bottom: Researcher Mary Martino in laboratory equipped with a high-powered microscope.

ACCOMPLISHMENTS ENHANCE CAROLINA'S STATUS AMONG THE WORLD'S GREAT RESEARCH UNIVERSITIES

Carolina ranks among the world's top research universities because of the quality of its students, faculty and staff and their teaching, research and public service. The University's achievements during fiscal 2010–2011 further enhanced the University's reputation as a global higher education leader committed to serving North Carolina.

HIGHLIGHTS INCLUDE THE FOLLOWING:

- The **Class of 2015** has 4,025 outstanding first-year students enrolled from 24,000 applications—a fifth consecutive record.
- For the third year in a row and the seventh time in University history, Carolina produced two **Rhodes Scholars**.
- The **Times Higher Education Magazine** in London ranked UNC 43rd among the world's top 400 universities.
- The University is making steady progress with “**Innovate@Carolina**,” the roadmap launched in 2010 to help apply more of important ideas originating on campus to improve the world.
- Faculty attracted \$788 million in **contracts and grants** for research that improves—and saves—people's lives.
- Since research is a way of learning, the faculty's success directly benefits undergraduates: more than 60 percent of the **graduating seniors in 2010–2011 conducted original research** for courses.
- Carolina produced the third highest number of volunteers for the **Peace Corps** among large U.S. universities and moved up to fourth on a similar list by **Teach for America** of top schools contributing the greatest number of graduating seniors.
- The **Build a Block** project, a student-led initiative that brought the campus community together to build 10 Habitat for Humanity houses for UNC and UNC Hospitals employees, was named Habitat for Humanity International's campus chapter of the year.
- **Generous donors** provided \$277 million in gifts, the University's second highest total, in fiscal 2011 for a 3 percent increase over last year. New commitments—pledges plus gifts—totaled almost \$306 million, a 5 percent increase.

Those are just a handful of examples that show the University and its people are achieving great things. There are similar examples in literally every part of the campus. Following is a brief sampling reflecting the overall success and progress with major initiatives at Carolina in fiscal 2010–11 and beyond.

CAROLINA ATTRACTS GREAT STUDENTS, PROMOTES ACCESSIBILITY

The University provides outstanding students seeking the best a public university can offer with the opportunity to learn in a high-quality academic environment. The University's academic culture fosters excellence in interdisciplinary teaching and scholarship between and among the liberal arts and humanities, as well as the health, natural and social sciences along with outstanding professional schools. This approach helps develop students into thoughtful, informed citizens and compassionate leaders.

Meet the Class of 2015

Numbers alone cannot do the University's newest first-year students justice. Staff in the Office of Undergraduate Admissions read thousands of applications with great care, considering how to put together the best possible class of students while considering the individual strengths of exceptional candidates. The attention given is evident in the annual first-year student profile for the 4,025-member Class of 2015, which was enrolled from among nearly 24,000 applications—a fifth consecutive record.

Academically, the percentage of enrolled students who were in the top 10 percent of their high school class or who were among the top 10 students in their class increased slightly from last year—to 80 percent and 42 percent, respectively. Ninety-five

percent ranked in the top 20 percent of their high school class. Seven percent were first in their class, while six percent were second among schools reporting rank. The average SAT score was 1300 (critical reading and math). The University continued to focus on attracting more of the very best students from North Carolina, including seniors graduating in the top 5 percent of their class and those scoring 1400 and higher on the SAT. For more information, see <http://go.unc.edu/Pb63S>.

Financial aid applications from undergraduates slowed to more than 21,000 after three years of steep increases because of the economy. The proportion of undergraduates qualifying for need-based aid also leveled off. First-generation college students made up 18 percent of the first-year class. Slightly more than 12 percent were eligible for the Carolina Covenant, the nationally recognized program that promises low-income students who qualified for regular admission the opportunity to graduate debt-free.

Carolina #1 Among Publics for Rhodes Scholars in Last 25 Years

Carolina is a national leader among public universities in the number of students who win such prestigious national and international scholarships as the Rhodes, Fulbright, Goldwater, Luce, Marshall, Truman and Udall.

But Carolina's success in the Rhodes Scholar program is particularly outstanding. Since the U.S. Rhodes Scholar program

Students take advantage of a rare snowfall in Chapel Hill to make a snowman in the Pit.



Author Kenji Yoshino, right, listens as first-year students discuss his book, "Covering: The Hidden Assault on Our Civil Rights" as part of a Summer Reading Program discussion.





Paul Shorkey Jr.



New Tar Heels attend first-year convocation

began in 1904, 47 Carolina students have been selected. In the past 25 years, Carolina has produced more Rhodes Scholars than any other national public research university. And in the last five years, only Harvard, Yale, Stanford and Princeton have produced more winners.

In 2010, Carolina had two Rhodes winners, and both were seniors. That marked the seventh time—and third consecutive year—that two Rhodes winners came from UNC-Chapel Hill.

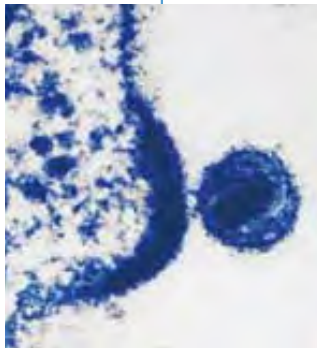
Laurence Deschamps-Laporte of Repentigny, Quebec, Canada, is one of 11 winners chosen in that country. Steven Paul Shorkey Jr. of Charlotte, N.C., was one of 32 Americans selected. Both came to Carolina on Morehead-Cain Scholarships, full, four-year scholarships that also fund four summer enrichment experiences and additional educational opportunities. Carolina has produced 32 Rhodes Scholars since 1957, when the first Morehead Scholars graduated. Of those, 29 have been Morehead—now Morehead-Cain—Scholars.

FACULTY CONDUCT LIFE-CHANGING RESEARCH

Carolina long has ranked among the top U.S. public universities in research support—a reflection of the quality of the faculty's research. Carolina researchers attracted \$788 million in total contract and grant funding in fiscal 2011. That well exceeded the previous year's comparable total—\$677 million—after excluding federal stimulus funding, which expired.

Federal government funding accounted for 72.8 percent (\$574.5 million) of the 2011 total. The remainder came from sources such as non-profits (9.7 percent), North Carolina state and local government (5.3 percent), foundations (5.2 percent) and industry (4.6 percent). Of the federal funding, 68.9 percent was from the National Institutes of Health.

In many cases, researchers from multiple University schools, departments and units collaborate on research grants, contracts and studies. That approach reflects the University's emphasis on interdisciplinary teaching and scholarship between and among the health, natural and social sciences, as well as the liberal arts and the humanities.



HIV budding from an infected cell. UNC researchers will try to cure HIV by purging the virus hiding in patients' immune systems.



The imbedded sensors that Kevin Guskiewicz and his team used sent data to computers on the sideline that recorded impacts the players sustained.

Eradicate AIDS: UNC Leads National Initiative to Develop Cure

One example of the impact of faculty research is David Margolis, professor of medicine, microbiology and immunology in the School of Medicine. As principal investigator, he leads a national team awarded a \$32 million grant to develop a cure for people with HIV by purging the virus hiding in the immune systems of patients taking antiretroviral therapy. Tackling the latent virus is considered key to a cure for AIDS.

The project is the first major funding initiative ever to focus on HIV eradication. Although individuals infected with HIV may effectively control virus levels with antiretroviral drugs and maintain relatively good health, the virus is never fully eliminated from the cells and tissues it has infected. Researchers need to better understand where these reservoirs of HIV are located, how they are established and maintained, and how to eliminate them.

The National Institute of Allergy and Infectious Diseases grant will be administered by the North Carolina Translational and Clinical Sciences Institute at UNC and will be shared among researchers at nine U.S. universities, all of them pioneering researchers.

Margolis, also professor of epidemiology in the Gillings School of Global Public Health, is part of a large, diverse group

of investigators at Carolina who are working tirelessly around the world to find better ways to help people who have AIDS.

For example, a UNC-led research study has made a major discovery in efforts to halt the spread of HIV. The large international clinical trial, led by Myron S. Cohen, director of the UNC Institute for Global Health & Infectious Diseases, found that treating HIV-infected individuals with antiretroviral therapy while their immune systems are still strong significantly reduces the risk of their sexual partners contracting the virus. The findings are the first from a major randomized clinical trial to indicate that treating an HIV-infected person can make them less contagious, not just keep them healthy. As well as leading this research, UNC has a study site in Malawi, where the University has conducted HIV research and provided treatment and training since 1989.

Concussion Expert Wins Prestigious 'Genius Award'

Kevin Guskiewicz, a sports concussion expert, won a MacArthur Fellowship from the John and Catherine T. MacArthur Foundation. Better known as the "genius award," the \$500,000 "no-strings" grant goes to those who have shown extraordinary originality, creativity and the potential to make important future contributions.



Chancellor Holden Thorp, left, moderates a discussion with Steve Case, co-founder of America Online, and Gururaj "Desh" Deshpande, chairman of Sparta Group LLC, as part of a campus speakers series focused on innovation.



Steve Schwarzman, chairman, CEO and co-founder of The Blackstone Group announces the launch the Blackstone Entrepreneurs Network.

Guskiewicz helped write concussion guidelines endorsed by the National Athletic Trainers Association and the American College of Sports Medicine. He will apply part of the MacArthur award to studying brain injuries soldiers have suffered in bomb blasts.

Guskiewicz is the Kenan Distinguished Professor and chair of the department of exercise and sport science in the College of Arts and Sciences. He is co-director of the Matthew Gfeller Sport-Related Traumatic Brain Injury Research Center and research director for the Center for the Study of Retired Athletes.

MOMENTUM GROWS FOR CAMPUS INNOVATION PLAN

In 2010, the University unveiled "Innovate@Carolina: Important Ideas for a Better World," a roadmap developed by alumni and friends, along with faculty and students. The recommendations outline how Carolina can produce new knowledge with the highest impact. The campus plans to spur innovation of every sort, from artistic endeavors that promote greater understanding between peoples to laboratory discoveries that improve livelihoods around the world. Carolina wants to create an environment where faculty, students and staff feel comfortable taking risks and addressing new problems. Implementing the plan will cost about \$125 million in private support. The University already has secured more than \$36 million in commitments from donors who are excited about the potential. Carolina leaders don't know of another university taking this kind of campus-wide approach to innovation. And it's another way the University can prepare to seize opportunities when the economy recovers. To learn more about the roadmap, visit innovate.unc.edu.

Highlights for the initiative in 2010–2011 included the launch of the Blackstone Entrepreneurs Network, which aims to help the Research Triangle region emerge as a top entrepreneurial hub. UNC-Chapel Hill is partnering with Duke, NC Central, NC State and the Council for Entrepreneurial Development to harness the talent of area entrepreneurs to identify the most promising startup teams—150 over five years. The network will connect those people with the expertise to help get their ideas off the ground and into the marketplace. The initiative is funded with a \$3.6 million gift from the Blackstone Charitable Foundation. Bob Creeden, founder of Partners Innovation Fund at Partners Healthcare in Boston, was named the first executive director of the network.

Carolina Attracts National Attention On Innovation

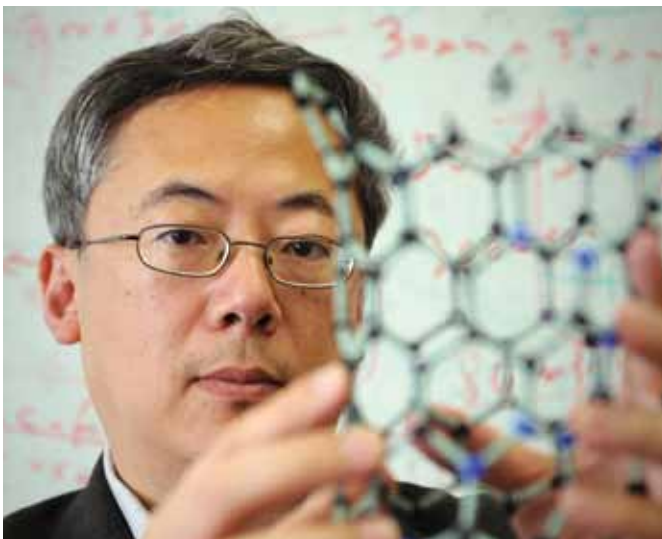
Carolina gained considerable national attention for the campus-wide focus on innovation. In spring 2010, Carolina students were featured during a digital town hall discussion on the future of the U.S. economy in Washington, D.C. UNC-Chapel Hill was one of just two universities featured in the event, organized by The Atlantic. As a result of Chancellor Holden Thorp's membership on President Obama's National Advisory Council on Innovation and Entrepreneurship, the campus had the opportunity to host the Council's first national public forum in Chapel Hill. That brought powerhouse leaders including Steve Case, co-founder of America Online, and Gururaj "Desh" Deshpande, chairman of Sparta Group LLC, to UNC.



Scott Singleton

1 Combative Chemist; 2 Million Patients with Drug-Resistant Bugs

Associate professor **Scott Singleton** knows how to fix the unfair fight that bacterial infections are waging against 2 million patients annually in U.S. hospitals. To combat these bugs that have developed a resistance to the antibiotics created to kill them, Singleton has come up with a one-two punch: antibiotics plus a RecA inhibitor. “The inhibitor holds the bacterium down while the antibiotic beats it up,” he said. To partner with companies to develop new, more effective antibiotic compounds and bring them to market, Singleton started **Synereca Pharmaceuticals** in 2009. He is the company’s president and chief scientific officer. In 2010, Synereca became the first UNC research spinoff company to use the Carolina Express License.



Otto Zhou

1 Curious Engineer; 44,500 Brain Tumors to Zap

Professor **Otto Zhou** is applying carbon nanotube X-ray technology invented at UNC to a promising experimental microbeam radiation therapy housed in massive synchrotrons—facilities larger than Kenan Stadium. Using carbon nanotechnology, Zhou and colleague Sha Chang hope to be the first to deliver the same radiation dose with a desktop-size device. About 44,500 Americans are annually diagnosed with brain tumors; only 30 percent survive. “We’ve made little progress in 30 years in the survival rate,” Zhou says. “We want to build a system to cure brain tumors.” Zhou, an engineer who holds 50 issued or pending U.S. patents, collaborated with Siemens Medical Solutions of Germany to form **XinRay Systems**, a start-up company in Research Triangle Park, to develop the smaller, more accurate X-ray machine.

THE POWER OF 1 CAN REACH THOUSANDS OF NORTH CAROLINIANS

Through teaching, research and public service, Carolina improves people’s lives and builds futures across North Carolina. The following examples are adapted from one.unc.edu, a website featuring stories about Carolina people who are helping North Carolinians and, at the same time, helping to lead the state into the future. The work of one person at Carolina can be very powerful.

PRIVATE GIFTS, PLEDGES RISE IN STRONG FUNDRAISING YEAR

The Carolina First Campaign finished in 2007 as the fifth biggest fund-raising drive among completed campaigns at that time in the history of U.S. higher education and as the largest in the South. Carolina First raised \$2.38 billion, and those funds have helped Carolina compete for top faculty and students, invest in departments and programs, as well as build and renovate facilities.

Carolina received \$277 million in gifts from private donors in fiscal 2011. In commitments for the fiscal year, which ended June 30, the University secured \$305.6 million. Commitments include pledges as well as gifts. Both totals were up from 2010. Gifts rose 3.3 percent, from \$268.1 million, and commitments increased 5 percent, from \$292 million.



Rachel Noble of the Institute of Marine Sciences examines water samples in her lab taken from a beach near Morehead City.



Faculty members and family watch as Ph.D. candidates process into the Dean Smith Center for the 2011 doctoral hooding ceremony.

Highlights included the following:

- A \$3.63 million gift from The Blackstone Charitable Foundation of New York City will create the Blackstone Entrepreneurs Network, a five-year initiative to help North Carolina's Research Triangle become headquarters for America's next high-growth companies with the greatest potential to create new jobs. (See p. 14 for details).
- A \$1.63 million grant from the Local Government Federal Credit Union will fund School of Government initiatives that will make it easier for North Carolina's economically distressed communities to get new projects off the ground and give public officials the executive training they need. The Development Finance Initiative will receive \$1 million to increase the capacity of local governments and development nonprofits to leverage private investment through tax credit programs, self-financing bonds, special assessment districts and loan programs. The remaining funds will support creation of a fellows program to provide mid-level public executives with the skills to develop and manage programs and people.

- A \$1 million gift from David Kittner and the Samuel and Rebecca Kardon Foundations will establish the Kittner Family Distinguished Professorship Fund in the Department of Ophthalmology in the School of Medicine, creating the department's largest professorship fund. This is their second \$1 million gift to the department in the last five years.
- A \$500,000 pledge from Howard R. Levine, an alumnus and chairman and CEO of Family Dollar Stores Inc., has created an endowment to support undergraduate and graduate students in Jewish studies. The Howard R. Levine Student Excellence Fund in Jewish Studies will support academic studies and scholarly research. When fully funded, the endowment will provide the Carolina Center for Jewish Studies in the College of Arts and Sciences with a permanent source of funding to further the center's teaching mission.

Commitments in 2011 also helped the University create 11 endowed professorships, as well as 77 undergraduate scholarships and graduate fellowships. Carolina had more than 77,000 donors for the year.



Graduates enjoy the moment during the 2011 Commencement in Kenan Stadium.

RANKINGS REFLECT ACADEMIC EXCELLENCE

Numerous publications issue rankings or ratings that list Carolina prominently in categories ranging from academic quality to affordability to international presence to public service. Recent highlights include the following:

- 1st among the 100 U.S. public colleges and universities that offer the best combination of top-flight academics and affordable costs as ranked by *Kiplinger's Personal Finance magazine* in January 2011. 1st for 10 consecutive times since Kiplinger's began its periodic ranking in 1998. Kiplinger's analysis stressed academic quality, as well as cost and financial aid offerings.
- 5th best public university in U.S. *News & World Report's* 2012 "Best Colleges" guidebook for the 11th consecutive year. 1st among public campuses for the 7th consecutive year and 12th overall in "Great Schools, Great Prices," based on academic quality and the net cost of attendance for a student who received the average level of need-based financial aid.
- More than 20 degree programs or specialty areas from several schools appeared prominently in the 2011 *U.S. News & World Report's* "America's Best Graduate Schools" report. Highlights

included: School of Public Health, 2nd for master's and doctoral programs, 3rd for the master's in health-care management, and tied for 11th for master's degree programs in nursing; School of Medicine, 2nd overall for primary care, tied for 20th for research; School of Nursing, tied for 4th in master's degree programs; Kenan-Flagler Business School's master of business administration degree program, 19th; School of Education, tied for 29th overall; and School of Law, tied for 30th.

- Tied for 10th among research universities producing **Fulbright Students** in 2011–12, with 18 students receiving grants in the Fulbright U.S. Student Program. Ranks 3rd among all public universities and 1st in the Southeast. U.S. students, artists and young professionals compete for grants to study, teach English and conduct research in more than 140 countries.
- 43rd among the **world's top 400 universities** in 2011–2012, according to the London-based **Times Higher Education** magazine. Based on 13 separate performance indicators designed to capture the full range of university activities, from teaching to research to knowledge transfer. Those indicators cover teaching, research, citations, industry income and international outlook.

JUNE 30, 2011

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JUNE 30, 2011

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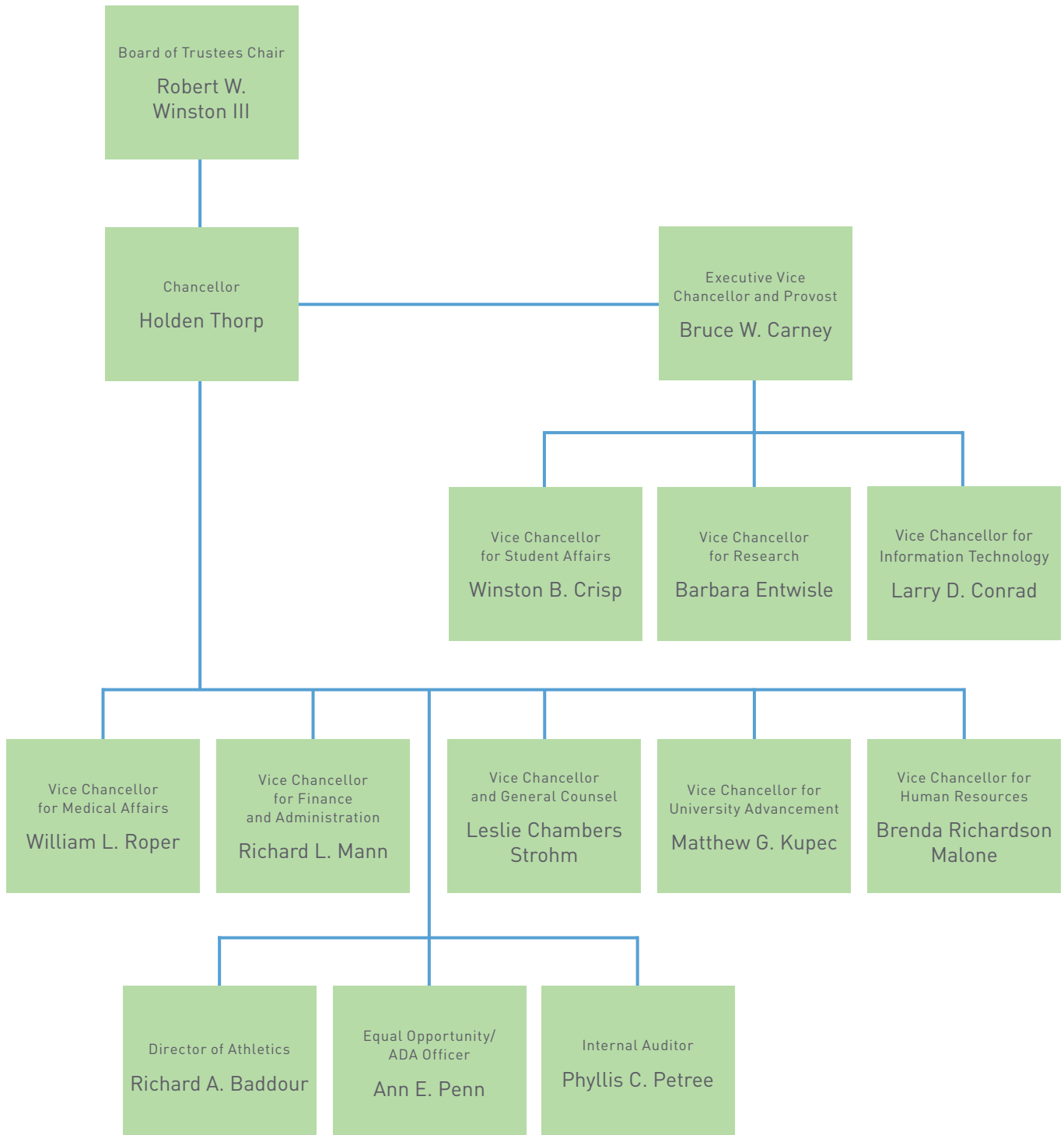
*Director of State Relations
and Communications*

Leslie Chambers Strohm

*Vice Chancellor and
General Counsel*

THE UNIVERSITY of NORTH CAROLINA at CHAPEL HILL
ORGANIZATION CHART

JUNE 30, 2011



FINANCIAL SECTION







Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The University of North Carolina at Chapel Hill
Chapel Hill, North Carolina

We have audited the accompanying financial statements of The University of North Carolina at Chapel Hill, a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component units, as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the UNC Investment Fund, LLC, which represents 41 percent, 45 percent, and 7 percent, respectively, of the assets, net assets, and revenues of the University; nor the financial statements of The Medical Foundation of North Carolina, Inc., The Educational Foundation Scholarship Endowment Trust, and University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc., the University's discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the UNC Investment Fund, LLC, The Medical Foundation of North Carolina, Inc., The Educational Foundation Scholarship Endowment Trust, and University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of The University of North Carolina at Chapel Hill and its discretely presented component units as of June 30, 2011, and the respective changes in financial position and cash flows, where

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19 to the financial statements, the University implemented Governmental Accounting Standards Board Statement No. 59, *Financial Instruments Omnibus*, during the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2011 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. The report on internal control and compliance has been issued under separate cover in the Financial Statement Audit Report of The University of North Carolina at Chapel Hill published by this office.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory and supplementary information sections, identified in the table of contents, were not audited by us, and accordingly, we do not express an opinion thereon.



Beth A. Wood, CPA
State Auditor

November 2, 2011

INTRODUCTION

Management's Discussion and Analysis provides an overview of the financial position and activities of The University of North Carolina at Chapel Hill (the "University") for the fiscal year that ended June 30, 2011, with comparative information for the fiscal year ended June 30, 2010. Management has prepared the discussion and analysis to be read in conjunction with the financial statements and accompanying notes to the financial statements.

The University is a constituent institution of the multi-campus University of North Carolina System (UNC System), a component unit of the State of North Carolina and an integral part of the State's Comprehensive Annual Financial Report (CAFR). The financial reporting entity for the financial statements is comprised of the University and ten component units. Seven component units are reported as if they were part of the University, and three are reported as discretely presented component units based on the nature and significance of their relationship to the University. The reader may refer to Note 1A for detailed information on the financial reporting entity.

FINANCIAL HIGHLIGHTS

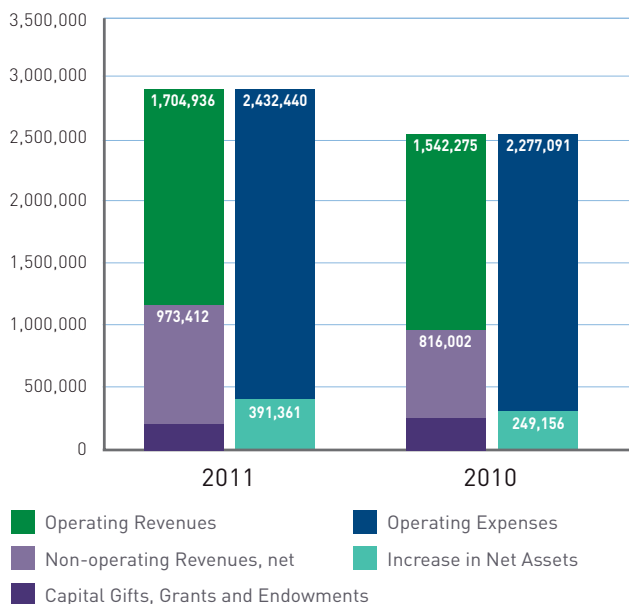
The University's financial position at June 30, 2011 improved over the prior year but continued to be impacted by State and national economic conditions. Operating revenues recorded increases, although state appropriations and aid declined from the prior year. The financial markets recorded very strong returns for fiscal year 2010–2011, which helped the University's financial condition. The University implemented appropriate and necessary spending reductions and other measures to address shortfalls in resources. The University's proactive decisions helped mitigate the impacts of the financial shortfalls.

The University's total assets were \$7 billion at June 30, 2011. Net assets, which represent the residual interest in the University's assets after deducting liabilities, were \$4.1 billion at June 30, 2011. The University's net assets increased by \$391.4 million in fiscal year 2010–2011 as a result of operating, non-operating, and other changes in net assets. A comparison of the total assets, liabilities, and net assets at June 30, 2011 and June 30, 2010, and a comparison of the major components of the changes in net assets for the two fiscal years are presented below:

STATEMENT OF NET ASSETS (DOLLARS IN THOUSANDS)



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DOLLARS IN THOUSANDS)



Net assets increased 10.5 percent at June 30, 2011 over the prior year. Total assets increased 8.2 percent from the prior year and total liabilities rose 5.2 percent for the same period. Operating revenues increased at a greater rate than operating expenses in fiscal year 2010–2011 over the prior year, 10.5 percent and 6.8 percent, respectively. Net non-operating revenues and expenses increased 19.3 percent in fiscal year 2010–2011 over the prior year, due primarily to the substantial increase in investment income from \$103.6 million in fiscal year 2009–2010 to \$208.2 million in 2010–2011. As a major research university, funding from contracts and grants remained a major revenue source. Fund raising for operational and capital needs, state appropriations, and tuition and fees continued to provide important resources for the University.

USING THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the University as a whole. The full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

The University's CAFR includes the following three financial statements.

- [Statement of Net Assets](#)
- [Statement of Revenues, Expenses, and Changes in Net Assets](#)
- [Statement of Cash Flows](#)

Management's Discussion and Analysis provides information regarding the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

CONDENSED STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year, includes all assets and liabilities of the University and segregates the assets and liabilities into current and non-current components. Net assets represent the difference between total assets and total liabilities and are one indicator of the University's current financial condition. The following table summarizes the University's assets, liabilities, and net assets on June 30, 2011 and June 30, 2010.

ASSETS, LIABILITIES, AND NET ASSETS (DOLLARS IN THOUSANDS)

	2011	2010	Percent Change
Assets			
Current assets	\$1,400,132	\$1,253,869	11.7
Non-current assets			
Endowment, restricted and other investments	2,552,449	2,268,098	12.5
Capital assets, net	2,931,679	2,782,886	5.3
Other non-current assets	155,705	198,632	(21.6)
Total Assets	7,039,965	6,503,485	8.2
Liabilities			
Current liabilities	404,803	338,285	19.7
Non-current Liabilities			
Funds held in trust for pool participants	1,179,704	1,071,561	10.1
Long-term liabilities	1,305,982	1,330,159	(1.8)
Other non-current liabilities	46,517	51,882	(10.3)
Total Liabilities	2,937,006	2,791,887	5.2
Net Assets			
Invested in capital assets, net of related debt	1,587,446	1,420,104	11.8
Restricted	1,664,259	1,513,055	10.0
Unrestricted	851,254	778,439	9.4
Total Net Assets	\$4,102,959	\$3,711,598	10.5

Current Assets and Liabilities

The Statement of Net Assets shows that working capital, which is current assets less current liabilities, was \$995.3 million at June 30, 2011, an increase of 8.7 percent, or \$79.7 million, over the previous year. The working capital increase results from many factors. The largest changes were increases in restricted cash and cash equivalents and in net receivables for \$47.5 and \$37 million, respectively. The Statement of Net Assets details the current asset and current liability categories.

Endowment, Restricted and Other Investments

Endowment investments increased 15.5 percent during 2010–2011 and were \$1.37 billion at June 30, 2011 and \$1.19 billion at June 30, 2010, and include permanent endowments, funds internally designated as endowments and similar funds such as gift annuities and charitable trusts.

The endowment assets are invested with The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. ("Chapel Hill Investment Fund"), which is reported as a governmental external investment pool in the financial

statements. The Chapel Hill Investment Fund is a 501(c)(3) non-profit corporation established to support the University by operating an investment pool for charitable, non-profit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. It is expected that all or substantially all of the assets of the Chapel Hill Investment Fund will be invested in the UNC Investment Fund, LLC (UNC Investment Fund or UNCIF), which began functioning as a pooled investment fund effective January 1, 2003.

Most of the University's endowment investments are currently managed within the UNC Investment Fund, a pooled investment fund vehicle. UNCIF is designed to provide long term, stable rates of return on the invested assets through the use of a diversified portfolio strategy. The investment objective is to earn an average real total return of at least 5.5 percent per year, net of all fees, over rolling five- and 10-year periods. The earnings distribution policy is to provide a stable source of spending support that is sustainable over the long term while preserving the purchasing power of the endowment investments. The earnings distribution rate was established at 5 percent of the previous year's market value, with annual increases based on inflationary factors. Each year's distribution is subject to a 4 percent floor and a 7 percent cap based on estimated fiscal year-end market value.

Restricted investments of \$1.15 billion at June 30, 2011 include funds of affiliated entities that are neither part of the University's reporting entity nor reported discretely but invested through UNCIF. Other investments include bond reserves and related funds of \$25.4 million.

As reported by UNC Management Company, Inc. (Management Company), the manager of the UNC Investment Fund, the investment return on the endowment assets invested in the UNC Investment Fund for fiscal year 2010–2011 was 15.3 percent. The respective returns for fiscal years 2009–2010 and 2008–2009 were 6.8 percent and -19.6 percent. The 15.3 percent return in fiscal year 2010–2011 trailed the 20.2 percent Strategic Investment Policy Portfolio (SIPP) benchmark by 4.9 percentage points. The SIPP is a blended portfolio benchmark that represents a weighted average of the appropriate market benchmarks for the UNC Investment Fund's strategic asset classes. The 70/30 "traditional" domestic benchmark is comprised of 70 percent invested in the S&P 500 equity index and 30 percent in the Barclay's Capital US Aggregate Index, and UNCIF lagged the 70/30 index return by 7.0 percentage points in fiscal year 2010–2011.

The investment performance resulted in the UNC Investment Fund earning a three year annualized return of -0.4 percent at June 30, 2011. This three year return measure

compares with the corresponding annualized SIPP return of 3.4 percent for the period. For the five years ended June 30, 2011, the UNC Investment Fund earned a 5.7 percent annualized return compared to the 5.9 percent for the SIPP benchmark and outperformed the 4.4 percent return on the traditional 70/30 stock/bond index for the corresponding period.

A policy for the University Statutory Endowment was approved during fiscal year 2008–2009 to address the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was adopted by the State of North Carolina in March 2009. Consistent with the procedures for implementing UPMIFA, the recommended distribution of earnings excluded any invasion of principal. Therefore, the distribution for fiscal year 2010–2011 was reduced by a total of \$1.5 million, or 2.8 percent, from the calculated distribution of earnings. This was an improvement over fiscal year 2009–2010, for which the annual earnings distribution from the University Statutory Endowment was reduced by \$4.3 million, 8.5 percent, from the calculated earnings distribution to avoid any principal invasion.

The policy indicates that campus departments shall examine the endowment-supported activity for the upcoming fiscal year for possible deferment of program expenses, and then pursue alternative funding for essential activities, and finally shall consult with donors regarding other funding options for program support. Invasion of endowment principal is an option of last resort and will only be done consistent with approved limitations to preserve the endowment principal's value.

Capital Assets and Debt Management

Even with the completion of the Higher Education Bond program, the University continues an active construction program. In fiscal year 2010–2011, notable projects completed include the hangar at RDU International Airport for Med Air Operations, the renovation of Bynum Hall Basement for the Office of University Counsel, and additions to the Smith Center and Fetzer Gymnasium for the Athletics Department.

Construction on three significant projects is still underway. Construction on the \$104 million Dental Sciences Building began in 2008 and will be completed in January 2012. This 216,000 square foot building will provide teaching and research facilities to support enrollment growth in the School of Dentistry. Also scheduled for completion in early 2012 is the Genome Sciences Building. This research and teaching building includes a 400 seat and 250 seat auditoria, classrooms and wet and dry lab research facilities. The \$245 million Biomedical Research Imaging Building which began construction in 2009 will house research labs and a consortium to support and advance the science of biomedical imaging.

Building from the successes of the 2001 Campus Master Plan, the University completed a master plan for Carolina North approved by the University's Board of Trustees in 2007. The Carolina North Master Plan envisions a campus that is a model of sustainability to support the University's mission of teaching, research, service, outreach, and economic development. The University and Town of Chapel Hill signed a 20 year Development Agreement in 2009 that entitles the University to construct 3,000,000 square feet of development. Design is currently underway on the infrastructure to support the first research building, funded by the University, to house units currently in leased space.

A summary of changes in capital assets is disclosed in Note 5. Capital assets, net of accumulated depreciation and amortization, at June 30, 2011 and June 30, 2010, were as follows:

CAPITAL ASSETS (DOLLARS IN THOUSANDS)

	2011	2010	Percent Change
<i>Capital Assets</i>			
Construction in progress	\$316,011	\$346,226	(8.7)
Land and other non-depreciable assets	156,431	194,064	(19.4)
Buildings	1,645,672	1,605,894	2.5
General infrastructure	582,516	470,698	23.8
Machinery, equipment, and computer software	231,049	166,004	39.2
Total	\$2,931,679	\$2,782,886	5.3

Computer software in development is categorized as a non-depreciable asset. Once the system is implemented, it is then categorized as computer software, a depreciable asset. The 19.4 percent decrease in land and other non-depreciable assets category and the 39.2 percent increase in the machinery, equipment, and computer software category were due primarily to a transfer of \$44.1 million of computer software in development to computer software.

The University continues to use its commercial paper program to provide low-cost bridge financing for capital projects until gifts are received or in anticipation of an external bond issue. Commercial paper debt was \$73.7 million at June 30, 2011 and \$59.8 million at June 30, 2010. The Board of Governors of the University of North Carolina System intends on issuing General Revenue Bonds later in fiscal year 2011-2012 for the University. The anticipated amount is between \$150 million and \$175 million, and the bonds will refund approximately \$83 million of commercial paper that is included in the total issue estimate.

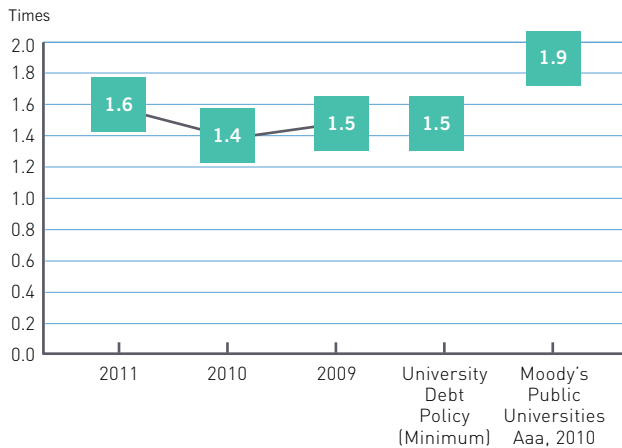
A University component unit is seeking to refinance \$36.5 million of a total outstanding debt of \$45.75 million during fiscal year 2011-2012. The debt refinancing is expected to be closed by the end of December 2011. The remaining balance of \$9.25 million after the closing will mature on July 1, 2012. The component unit is negotiating for an extension of the loan by two to three year terms from the current date of maturity.

The University maintains a combination of variable and fixed rate debt, consistent with its debt management policy. The interest rate on the commercial paper program for fiscal year 2010-2011 was 0.25 percent and for 2009-2010 was 0.32 percent. Interest rates on the University's variable rate, long-term bonds were 0.20 percent for fiscal year 2010-2011 and 0.19 percent for fiscal year 2009-2010. Interest rates on fixed rate, long-term bonds are disclosed in Note 8B of the financial statements. These rates reflect direct interest rates and do not reflect any impact from the interest rate swaps as referenced in Note 9.

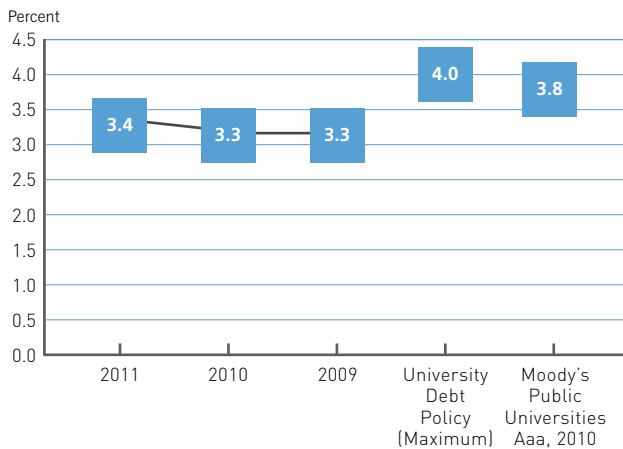
The University's debt policy uses two key ratios to measure debt capacity, financial health, and credit quality. The expendable resources to debt ratio measures unrestricted, expendable restricted, and temporarily restricted net assets to funded debt and serves as a relative indicator of financial health or cushion. The debt service to operations ratio provides an indicator of the University's ability to repay annual principal and interest relative to its overall operating expenses. Each ratio is compared to the University's debt policy standard and the appropriate peer group comparison for fiscal year 2009-2010 (the latest available numbers). At June 30, 2011, the expendable resources to debt ratio was 1.6 times, and the debt service to operations ratio was 3.4 percent.

The Summary of Ratios, as included in the Statistical Section, includes the actual measures for both of these ratios, as well as other ratios, for the last ten fiscal years. During fiscal year 2010-2011, Fitch Ratings upgraded its long-term rating of the University's long-term bond indebtedness to AAA from AA+. The University continues to maintain its long-term bond ratings of Aaa/AA+ from Moody's Investor Services and Standard & Poor's, respectively.

EXPENDABLE RESOURCES TO DEBT



DEBT SERVICE TO OPERATIONS



Other Non-current Assets and Liabilities

Other non-current assets were \$155.7 million at June 30, 2011 and \$198.6 million at June 30, 2010, a 21.6 percent decrease. Non-current liabilities were \$2.5 billion at June 30, 2011 and 2010, and include funds held in trust for the University's affiliated foundations and other campuses in the UNC System and their affiliates of \$1.2 billion and \$1.1 billion, respectively. These entities are not part of the University's financial reporting entity and are not discretely presented, but the entities do invest through the UNC Investment Fund. The increase in funds

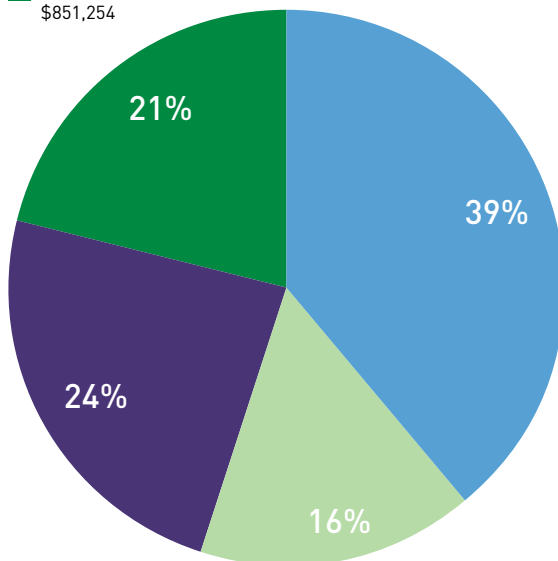
held in trust of 10.1 percent over the prior year resulted from additional participant contributions, new participants in the UNC Investment Fund, and net investment gains.

Net Assets

Net assets represent the value of the University's assets after liabilities are deducted. The University's net assets were \$4.1 billion at June 30, 2011, an increase of \$391.4 million over the prior year. Net assets invested in capital assets, net of related debt, represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included. Non-expendable restricted net assets include endowment and similar assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity. Expendable restricted net assets include resources in which the University is legally obligated to spend the resources in accordance with restrictions provided by external parties. Unrestricted net assets are not subject to externally imposed stipulations; however, most of these resources have been designated for particular academic, research, or other programs, as well as capital projects.

2011 NET ASSETS: \$4,102,959 (IN THOUSANDS)

- Investment in Capital Assets, net of related debt \$1,587,446
- Restricted Non-expendable \$656,723
- Restricted Expendable \$1,007,536
- Unrestricted \$851,254



CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statements of Revenues, Expenses, and Changes in Net Assets present the University's results of operations. The statements for the fiscal year ended June 30, 2011 and the prior year are summarized as follows:

UNIVERSITY OPERATIONS (DOLLARS IN THOUSANDS)

	2011	2010	Percent Change
Operating Revenues			
Student tuition and fees, net	\$289,897	\$249,083	16.4
Grants and contracts	755,620	688,721	9.7
Sales and services, net	653,741	597,196	9.5
Other	5,678	7,275	(22.0)
Total Operating Revenues	1,704,936	1,542,275	10.5
Operating Expenses	2,432,440	2,277,091	6.8
Operating Loss	(727,504)	(734,816)	(1.0)
Non-operating Revenues (Expenses)			
State appropriations and state aid	534,678	541,753	(1.3)
Non-capital gifts and grants	287,712	247,994	16.0
Investment income	208,184	103,605	100.9
Interest and fees on debt	(56,765)	(64,261)	(11.7)
Federal interest subsidy on debt	2,273	1,130	101.2
Other net non-operating expenses	(2,670)	(14,219)	(81.2)
Income Before Other Changes	245,908	81,186	202.9
Refund of prior years capital appropriations	(81)	(444)	(81.8)
Capital grants	91,864	86,117	6.7
Capital gifts	9,149	50,688	(82.0)
Additions to permanent endowments	44,521	31,609	40.8
Increase in Net Assets	391,361	249,156	57.1
Net Assets—July 1	3,711,598	3,462,442	7.2
Net Assets—June 30	\$4,102,959	\$3,711,598	10.5

Fiscal year 2010–2011 revenues and other changes total \$2,883,317 and expenses total \$2,491,956.

Fiscal year 2009–2010 revenues and other changes total \$2,605,171 and expenses total \$2,356,015.

Operating Revenues

The operating revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Student tuition and fees are reported net of the scholarship discount, which was \$72.7 million for fiscal year 2010–2011 and \$68.7 million for the prior year. Net revenues from student tuition and fees increased 16.4 percent over the prior year. Tuition rates increased for fiscal year 2010–2011 by 24.6 percent for undergraduate residents, 7.7 percent for undergraduate non-residents, 17.6 percent for graduate residents, and 6.5 percent for graduate non-residents.

Revenues from non-capital grants and contracts increased 10.4 percent over the prior year when operating and non-operating sources are combined. Discussion of grants and contracts in terms of awards provides another useful perspective. The University is among the nation's leading public research universities, with a diversified portfolio of research that attracted \$788 million in sponsored program funding during fiscal year 2010–2011. The fiscal year 2009–2010 of \$803 million was the largest amount in campus history. If excluding federal stimulus funding from 2009–2010, the 2010–2011 sponsored program funding amount was higher than the prior year. The contracts and grants come primarily from the federal government, especially the National Institutes of Health (NIH) and the National Science Foundation. The NIH is traditionally the University's largest source of research funding. The high quality of faculty research resulted in continued success in attracting outside contract and grant support.

In many cases, researchers from multiple University schools, departments and units collaborate on research grants, contracts and studies. That approach reflects the University's emphasis on interdisciplinary teaching and scholarship between and among the health, natural and social sciences, as well as the liberal arts and the humanities.

Sales and services include the revenues of campus auxiliary operations such as student housing, student stores, student health services, the utilities system, and parking and transportation, as well as revenues from patient services provided by the professional health-care clinics. Other revenues represent operating resources not separately identified and include, for example, an assessment to the Chapel Hill Investment Fund to support University administrative services.

Operating Expenses

The University's operating expenses were \$2.4 billion for the fiscal year ended June 30, 2011, an increase of 6.8 percent over the prior year. The operating expenses are reported by natural classification in the financial statements and by functional classification in Note 12. The following tables illustrate the University's operating expenses by natural classification and by functional classification.

OPERATING EXPENSES BY NATURE (DOLLARS IN THOUSANDS)

	2011	2010	Percent Change
Salaries and benefits	\$1,379,178	\$1,340,749	2.9
Supplies and materials	162,999	156,404	4.2
Services	614,928	538,784	14.1
Scholarships and fellowships	91,140	69,083	31.9
Utilities	81,471	81,210	0.3
Depreciation and amortization	102,724	90,861	13.1
Total Operating Expenses	\$2,432,440	\$2,277,091	6.8

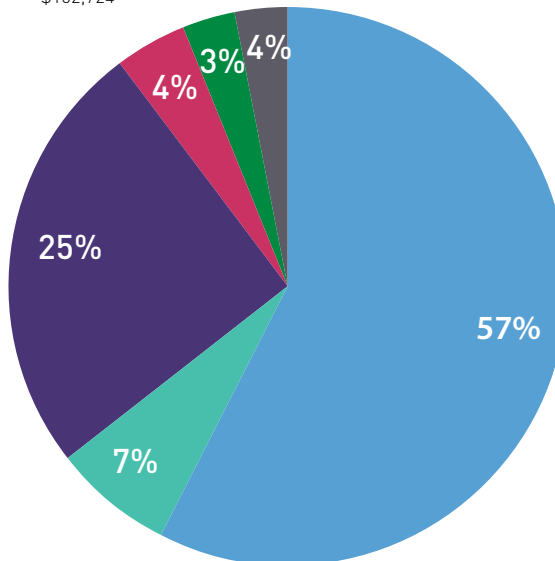
OPERATING EXPENSES BY FUNCTION (DOLLARS IN THOUSANDS)

	2011	2010	Percent Change
Instruction	\$698,770	\$684,836	2.0
Research	468,685	431,317	8.7
Public service	137,279	138,044	(0.6)
Academic support	105,883	107,806	(1.8)
Student services	28,320	26,961	5.0
Institutional support	91,558	83,962	9.0
Operations and maintenance of plant	145,270	136,008	6.8
Student financial aid	91,140	69,083	31.9
Auxiliary enterprises	562,811	508,213	10.7
Depreciation and amortization	102,724	90,861	13.1
Total Operating Expenses	\$2,432,440	\$2,277,091	6.8

The following graph illustrates the University's operating expenses by natural classification.

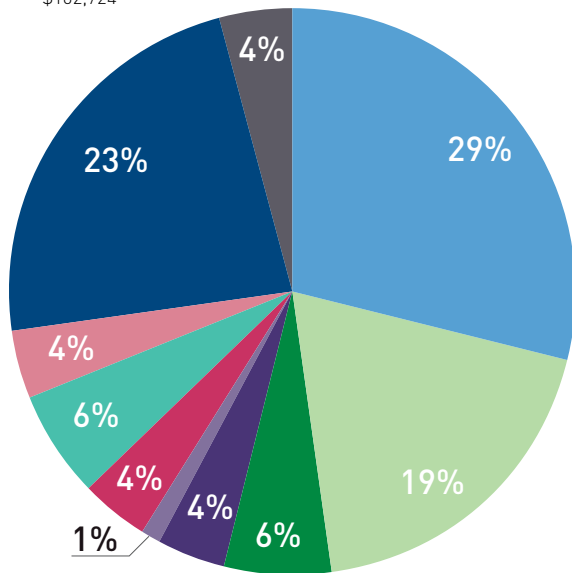
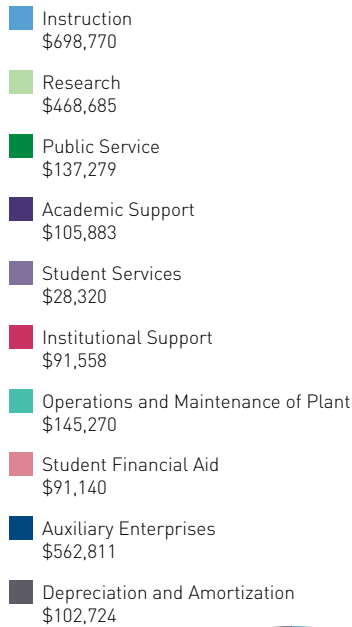
2011 OPERATING EXPENSES BY NATURE: \$2,432,440 (IN THOUSANDS)

Salaries and Benefits	\$1,379,178
Supplies and Materials	\$162,999
Services	\$614,928
Scholarships and Fellowships	\$91,140
Utilities	\$81,471
Depreciation and Amortization	\$102,724



The following graph illustrates the University's operating expenses by function.

2011 OPERATING EXPENSES BY FUNCTION: \$2,432,440 (IN THOUSANDS)



Operating expense categories changed at varying rates, although the overall rate of increase was 6.8 percent. Depreciation and amortization increased 13.1 percent as capital construction projects are completed and placed into service. Student financial aid awards increased 31.9 percent. Student financial aid awards are made on an annual basis and are determined primarily from income data of the prior year. Awards made for 2010–2011 were based on 2009 personal incomes. Decreased personal incomes in 2009 caused an influx of financial aid applications and an increased level of need for those students. Fiscal year 2010–2011 was the first year awards were significantly impacted by the economic downturn, causing a dramatic increase in student financial aid awards. Various sources funded the additional financial aid, including revenues from the tuition increases which had accompanying set asides for need-based student financial aid. Research expenses increased 8.7 percent in keeping with the growth in sponsored awards.

Non-operating Revenues and Expenses

State appropriations, non-capital gifts and grants, and investment income are considered non-operating because they were not generated by the University's principal, ongoing operations. For example, state appropriations were not generated by the University but were provided to help fund operating expenses.

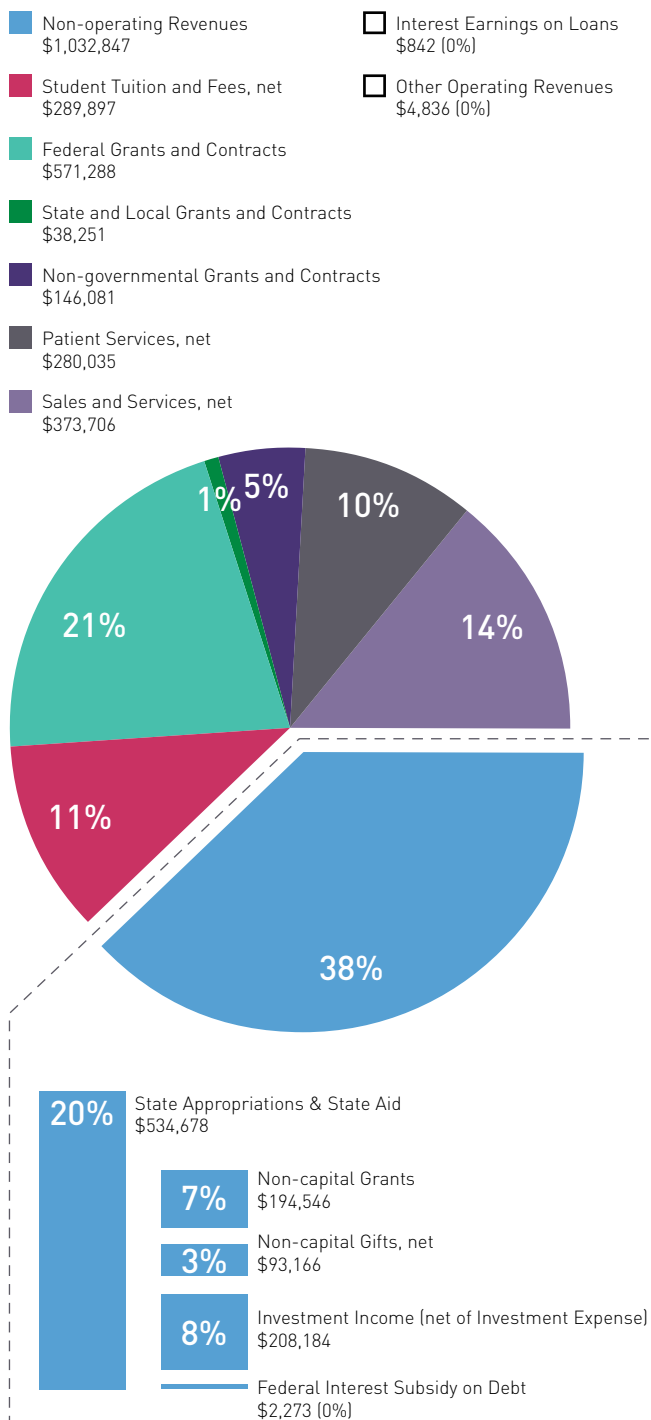
State appropriations received, when including state aid of \$14.5 million, totaled \$534.7 million for fiscal year 2010–2011, a decrease of 1.3 percent from the state appropriations and state aid of \$541.8 million received during the prior year. The University's initial budget for state appropriations for fiscal year 2010–2011 was \$571.9 million, and increases in the budget for state appropriations totaled \$17.4 million to fund student enrollment growth, operating costs for new buildings, tuition waivers, and other operating costs. Subsequent reductions in budgeted state appropriations for fiscal year 2010–2011 totaled \$54.6 million including restrictions on the cash allotted to the University by the State of North Carolina and loss of funds unspent at year-end. The reduced state appropriations required a significant decrease in spending. The University endeavored to protect the academic core and instructional programs and continued its review of campus operations to identify additional efficiencies to generate savings.

Non-capital gifts and grants increased 16.0 percent to \$287.7 million and include expendable gifts and federal awards that are not considered to be operating revenues. Net investment income from fiscal year 2010–2011 of \$208.2 million, represents a 100.9 percent increase from 2009–2010, and includes income and realized and unrealized gains and is net of realized and unrealized losses and investment management fees. For additional discussion, the reader may refer to the Endowment and Other Investments section of Management's Discussion and Analysis.

Total Operating and Non-operating Revenues

Operating and non-operating revenues such as state appropriations, non-capital grants, non-capital gifts, and investment income are used to fund University operations. The following chart illustrates the University's operating and non-operating revenues, which total \$2.7 billion for fiscal year 2010–2011.

2011 TOTAL REVENUES BY SOURCE: \$2,737,783 (DOLLARS IN THOUSANDS)



Other Changes in Net Assets

Capital grants of \$91.9 million for fiscal year 2010–2011 and \$86.1 million for fiscal year 2009–2010 are for capital construction projects. Capital gifts of \$9.1 million for fiscal year 2010–2011 and \$50.7 million for the prior year resulted from fund-raising efforts and also provided funding for construction projects. Non-expendable gifts and funds from the state's program to match gifts for distinguished professorship endowments resulted in additions to permanent endowments of \$44.5 million during fiscal year 2010–2011 and \$31.6 million during fiscal year 2009–2010.

ECONOMIC OUTLOOK

The national and state economic conditions will impact University resources for fiscal year 2011–2012. The University's fiscal state improved during fiscal year 2010–2011 when compared to the prior year, and its overall financial condition remained stable. The University will continue to maintain and generate sufficient resources to successfully fulfill its teaching, research, and service missions. Decisions to curtail or eliminate administrative expenses have protected the academic core from significant resource limitations, although the fiscal year 2011–2012 reductions in state appropriations will cause losses in instruction due to the cumulative impact of repeated reductions in state funding. Despite the state's economic hardships, the University is committed to providing a high quality education to our students and maintaining our national prominence as a top-tier public research-intensive university.

The University maintains low tuition levels in relative terms that provide important resources. Support from the state was impacted due to economic conditions. Growth in sponsored awards is a proven and reliable source in support of the University's research mission. Philanthropic efforts continue to demonstrate success in a challenging environment. Invested funds provide an important distribution of earnings and continued to rebound from previous declines in the global financial markets. The University's strong debt credit ratings of Aaa, AAA, and AA+ allow it to obtain competitive financing for capital construction.

Tuition rates increased for fiscal year 2011–2012 by 6.5 percent for undergraduate residents, undergraduate non-residents, graduate residents, and also for graduate non-residents. The University's academic standing allows it to continuously attract top students. The University's CAFR Statistical Section includes historical data for important metrics including the ratio of accepted applications as a percentage of total applications and the ratio of enrolled students as a percentage of accepted applications.

The state appropriations budget for fiscal year 2011–2012 is reflective of the state’s economic challenges and includes \$100.7 million in budget reductions. The 2011–2012 budgeted state appropriated funds include commitments of \$15.8 million for growth in student enrollment and operating costs for new buildings. In total, the 2011–2012 state appropriations budget is \$478 million and is substantially less than the actual state appropriations and state aid of \$534.7 in fiscal year 2010–2011.

External awarded funding from contracts and grants was \$788 million during fiscal year 2010–2011, the second largest amount in campus history. The largest level of contracts and grants funding was the \$803 million in fiscal year 2009–2010, of which \$126 million came from the American Recovery and Reinvestment Act (ARRA), also known as the stimulus bill.

Fund-raising has been a cornerstone resource for the University, and in a down economy becomes even more vital. The University’s fund-raising efforts brought in \$277 million in gifts in fiscal year 2010–2011, the second highest total for a fiscal year. The University secured \$305.6 million in commitments, which includes pledges as well as gifts, for the fiscal year. The commitments total was up from the prior fiscal year total of \$292 million.

The University’s investment management operation is separately organized as the UNC Management Company, Inc. (Management Company), the non-profit corporation organized and operated as a 501(c)(3) entity, to provide investment management services and administrative services to the University and to the other campuses of the UNC System and their affiliated non-profit foundations as appropriate. As of June 30, 2011, the Management Company managed invested assets of \$2.9 billion in the UNC Investment Fund.

The University will continue to provide excellent teaching, research, and public service endeavors for students, citizens, and other constituents. Management has taken action to restructure and reduce the operating budget while protecting the academic foundation as much as possible. Carolina Counts is a program initiated by the Chancellor to carry out key recommendations from a significant review of the campus operating structure and to address ways to make the University more efficient.

The mission of the Carolina Counts initiative is to make The University of North Carolina at Chapel Hill the most collaborative, well-managed university in the country. The objectives of the initiative are to streamline campus operations and provide more funding for academics and University’s core missions; to implement simpler, more responsive systems and processes that enable informed decision-making while complying with policies and laws; and to reduce bureaucracy and create a more satisfying work environment for faculty and staff.

The University remains committed to sound financial and budgetary planning, protection and enhancement of its endowed and physical assets, as well as its observance of compliance and control standards.

STATEMENT OF NET ASSETS

JUNE 30, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$381,042,368
Restricted cash and cash equivalents	447,227,467
Short-term investments	223,274,352
Restricted short-term investments	107,826,046
Receivables, net (Note 4)	201,839,669
Due from State of North Carolina component units	17,750,005
Inventories	20,820,840
Notes receivable, net (Note 4)	111,078
Other assets	239,994

Total current assets 1,400,131,819

Non-current Assets

Restricted cash and cash equivalents	59,430,837
Receivables, net (Note 4)	31,766,870
Restricted due from primary government	2,095,435
Endowment investments	1,373,642,498
Restricted investments	1,153,371,434
Other investments	25,434,631
Deferred outflow of resources	15,532,144
Notes receivable, net (Note 4)	38,561,098
Investment in joint venture (Note 18)	8,318,917
Capital assets—non-depreciable (Note 5)	472,442,249
Capital assets—depreciable, net (Note 5)	2,459,236,452

Total non-current assets 5,639,832,565

Total assets 7,039,964,384

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities (Note 6)	147,538,736
Due to primary government	9,553,256
Due to State of North Carolina component units	6,778,159
Deposits payable	1,929,420
Funds held for others	418,561
Unearned revenue	52,532,558
Interest payable	9,584,072
Short-term debt (Note 7)	73,650,000
Long-term liabilities—current portion (Note 8)	102,817,910

Total current liabilities 404,802,672

Non-current Liabilities

U. S. government grants refundable	30,985,525
Funds held in trust for pool participants	1,179,703,848
Hedging derivative liability (Note 9)	15,532,144
Long-term liabilities (Note 8)	1,305,981,663

Total non-current liabilities 2,532,203,180

Total liabilities 2,937,005,852

Total assets less liabilities \$4,102,958,532

Continued in next column

NET ASSETS

Invested in capital assets, net of related debt \$1,587,445,409

Restricted for

Non-Expendable

Scholarships and fellowships	134,643,074
Research	18,215,151
Library acquisitions	29,098,098
Endowed professorships	309,823,658
Departmental uses	116,864,685
Loans	18,085,328
Other	29,993,087

Total non-expendable 656,723,081

Expendable

Scholarships and fellowships	189,088,288
Research	18,936,450
Library acquisitions	49,468,662
Endowed professorships	320,887,737
Departmental uses	343,482,118
Instruction and educational agreements	14,742,477
Plant improvements	19,120,456
Capital projects	42,957,442
Debt service	8,852,500

Total expendable 1,007,536,130

Unrestricted 851,253,912

Total net assets \$4,102,958,532

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

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

REVENUES

Operating Revenues

Student tuition and fees, net (Note 11)	\$289,896,547
Patient services, net (Note 11)	280,034,935
Federal grants and contracts	571,287,523
State and local grants and contracts	38,251,452
Non-governmental grants and contracts	146,081,345
Sales and services, net (Note 11)	373,705,560
Interest earnings on loans	842,582
Other operating revenues	4,835,763

Total operating revenues **1,704,935,707**

EXPENSES

Operating Expenses

Salaries and benefits	1,379,177,952
Supplies and materials	162,998,866
Services	614,928,151
Scholarships and fellowships	91,139,491
Utilities	81,471,033
Depreciation and amortization	102,724,282

Total operating expenses **2,432,439,775**

Operating loss **(727,504,068)**

NON-OPERATING REVENUES (EXPENSES)

State appropriations	520,198,494
State aid—federal recovery funds	14,479,411
Non-capital grants—student financial aid	18,945,583
Other non-capital grants	175,600,458
Non-capital gifts, net (Note 11)	93,166,398
Investment income (net of investment expense of \$4,317,745)	208,184,198
Interest and fees on debt	(56,764,609)
Federal interest subsidy on debt	2,272,964
Other non-operating expenses	(2,670,423)

Net non-operating revenues **973,412,474**

Income before other revenues, expenses, gains, or losses **245,908,406**

Refund of prior years capital appropriations	(81,256)
Capital grants	91,864,121
Capital gifts	9,149,274
Additions to endowments	44,520,293

Increase in net assets **391,360,838**

NET ASSETS

Net assets—July 1, 2010 **3,711,597,694**

Net assets—June 30, 2011 **\$4,102,958,532**

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

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Received from customers	\$1,694,480,846
Payments to employees and fringe benefits	(1,362,150,952)
Payments to vendors and suppliers	(820,616,277)
Payments for scholarships and fellowships	(91,139,491)
Loans issued	(5,813,188)
Collection of loans	5,817,894
Interest earned on loans	753,438
Other payments	(19,443,099)

Net cash used by operating activities (598,110,829)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State appropriations	520,198,494
State aid—federal recovery funds	14,479,411
Non-capital grants—student financial aid	18,926,841
Other non-capital grants	172,162,494
Non-capital gifts	89,525,767
Additions to endowments	44,520,293
William D. Ford direct lending receipts	140,781,241
William D. Ford direct lending disbursements	(143,097,845)
Related activity agency receipts	238,037,223
Related activity agency disbursements	(223,748,793)

Net cash provided by non-capital financing activities 871,785,126

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Proceeds from capital debt	30,000,000
Refund of prior years capital appropriations	(81,256)
Capital grants	92,241,684
Capital gifts	806,064
Acquisition and construction of capital assets	(262,312,125)
Principal paid on capital debt and leases	(37,264,352)
Interest and fees paid on capital debt and leases	(55,698,993)
Federal interest subsidy on debt received	2,272,964

Net cash used by capital financing and related financing activities (230,036,014)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	2,345,320,795
Investment income	76,531,307
Purchase of investments and related fees	(2,444,615,721)

Net cash used by investing activities (22,763,619)

Net increase in cash and cash equivalents 20,874,664

Cash and cash equivalents—July 1, 2010 866,826,008

Cash and cash equivalents—June 30, 2011 \$887,700,672

Continued on next page

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

Operating loss	(\$727,504,068)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Depreciation and amortization expense	102,724,282
Allowances and write-offs	19,607,849
<i>Changes in assets and liabilities:</i>	
Receivables, net	[36,741,997]
Inventories	(68,104)
Notes receivable, net	7,534
Other assets	45,010
Accounts payable and accrued liabilities	22,968,756
Due to primary government	9,130,130
U.S. government grants refundable	(352,549)
Unearned revenue	7,947,196
Compensated absences	4,125,132
Net cash used by operating activities	(\$598,110,829)

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets acquired through a gift	\$8,343,210
Change in fair value of investments	\$132,838,615
Loss on disposal of capital assets	(\$19,182,376)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

<i>Current assets</i>	
Cash and cash equivalents	\$381,042,368
Restricted cash and cash equivalents	447,227,467
<i>Non-current assets</i>	
Restricted cash and cash equivalents	59,430,837
Total cash and cash equivalents—June 30, 2011	\$887,700,672

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

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

COMPONENT UNITS	UNC-CH Arts and Sciences Foundation, Inc.	The Educational Foundation Scholarship Endowment Trust	The Medical Foundation of North Carolina, Inc.
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$12,105,809	\$10,367,899	\$48,970,317
Investments		171,754,991	85,368,444
Unconditional promises to give, net	7,673,152	4,037,288	2,523,747
Contributions receivable from split-interest agreements		2,941,573	
Accounts receivable			
Funds held in trust	1,202,255		
Interest receivable			29,511
Prepaid expenses			264,385
Miscellaneous receivables			303,024
Total current assets	20,981,216	189,101,751	137,459,428
<i>Property and equipment</i>			
Building			560,020
Furniture and equipment	595,729		512,741
Leasehold interest—building	3,750,483		
Vehicle	26,422		
Allowance for depreciation	(971,994)		(466,891)
Total property and equipment	3,400,640		605,870
<i>Other assets</i>			
Investments	142,411,950		69,702,773
Unconditional promises to give, net	6,199,633		3,608,559
Restricted cash			528,996
Split-interest agreements	2,401,300		3,801,930
Cash surrender value of life insurance		1,963,801	205,898
Total other assets	151,012,883	1,963,801	77,848,156
Total non-current assets	154,413,523	1,963,801	78,454,026
Total assets	\$175,394,739	\$191,065,552	\$215,913,454
LIABILITIES AND NET ASSETS			
<i>Current liabilities</i>			
Accounts payable	\$17,211		\$227,800
Annuities payable		\$92,798	
Accrued expenses	173,705		288,608
Total current liabilities	190,916	92,798	516,408
Long-term debt	850,000		
Total liabilities	1,040,916	92,798	516,408
<i>Net assets</i>			
Unrestricted	27,185,956		10,662,038
Temporarily restricted	62,413,223	85,851,647	130,475,516
Permanently restricted	84,754,644	105,121,107	74,259,492
Total net assets	174,353,823	190,972,754	215,397,046
Total liabilities and net assets	\$175,394,739	\$191,065,552	\$215,913,454

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

COMPONENT UNITS	UNC-CH Arts and Sciences Foundation, Inc.	The Educational Foundation Scholarship Endowment Trust	The Medical Foundation of North Carolina, Inc.
SUPPORT AND REVENUE			
<i>Support</i>			
Contributions	\$11,470,178	\$2,059,092	\$13,998,744
Development assessment fee	2,029,119		
Change in value of split-interest agreements	859,800		297,903
Donated facilities	82,675		
Actuarial adjustment of annuities payable		3,017	
Endowment investment return designated for current operations		8,499,270	
Total support	14,441,772	10,561,379	14,296,647
<i>Revenue</i>			
Interest and dividend income			2,662,512
Net unrealized and realized gains on investments	17,287,453		20,550,733
Investment income	1,870,048		
Other income	39,853		902,321
Total revenue	19,197,354		24,115,566
Total support and revenue	33,639,126	10,561,379	38,412,213
EXPENSES			
<i>Program services</i>			
Grants	8,015,017		21,452,099
Scholarship expense distribution		8,492,313	
Annuity payments		6,957	
Other expenses		466,900	
Total program services	8,015,017	8,966,170	21,452,099
<i>Supporting services</i>			
Fundraising expenses	2,434,114		1,463,215
Management and general	957,745		1,527,862
Total supporting services	3,391,859		2,991,077
Total expenses	11,406,876	8,966,170	24,443,176
Loss (Recovery) from bad debt	(34,229)		1,203,234
Lease Guarantee			(653,093)
Total expenses, lease guarantee, and bad debt	11,372,647	8,966,170	24,993,317
Changes in Nets Assets from Operations	22,266,479	1,595,209	13,418,896
OTHER CHANGES			
Endowment investment return in excess of amounts designated for current operations		14,846,158	
CHANGES IN NET ASSETS			
Unrestricted	8,904,547		(1,211,570)
Temporarily restricted	7,520,615	14,849,175	11,261,496
Permanently restricted	5,841,317	1,592,192	3,368,970
Total changes in net assets	22,266,479	16,441,367	13,418,896
Net Assets—Beginning of Year	152,087,344	174,531,387	201,978,150
Net Assets—End of Year	\$174,353,823	\$190,972,754	\$215,397,046

Notes to the Financial Statements

June 30, 2011

<p>41 NOTE 1 SIGNIFICANT ACCOUNTING POLICIES</p> <p>A Financial Reporting Entity B Basis of Presentation C Basis of Accounting D Cash and Cash Equivalents E Investments F Receivables G Inventories H Capital Assets I Restricted Assets J Funds Held in Trust for Pool Participants K Funds Held in Trust by Others L Non-current Long-term Liabilities M Compensated Absences N Net Assets O Scholarship Discounts P Revenue and Expense Recognition Q Internal Sales Activities</p> <p>46 NOTE 2 DEPOSITS AND INVESTMENTS</p> <p>A Deposits B Investments</p> <p>54 NOTE 3 ENDOWMENT INVESTMENTS</p> <p>55 NOTE 4 RECEIVABLES</p> <p>56 NOTE 5 CAPITAL ASSETS</p> <p>56 NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</p> <p>56 NOTE 7 SHORT-TERM DEBT</p> <p>57 NOTE 8 LONG-TERM LIABILITIES</p> <p>A Changes in Long-term Liabilities B Revenue Bonds Payable C Demand Bonds D Capital Appreciation Bonds E Annual Requirements F Prior Year Bond Defeasance G Notes Payable H Annuities Payable</p>	<p>61 NOTE 9 DERIVATIVE INSTRUMENTS</p> <p>63 NOTE 10 LEASE OBLIGATIONS</p> <p>A Capital Lease Obligations B Operating Lease Obligations</p> <p>64 NOTE 11 REVENUES</p> <p>64 NOTE 12 OPERATING EXPENSES BY FUNCTION</p> <p>65 NOTE 13 PENSION PLANS</p> <p>A Retirement Plans B Deferred Compensation and Supplemental Retirement Income Plans</p> <p>66 NOTE 14 OTHER POSTEMPLOYMENT BENEFITS</p> <p>A Health Benefits B Disability Income</p> <p>67 NOTE 15 RISK MANAGEMENT</p> <p>68 NOTE 16 COMMITMENTS AND CONTINGENCIES</p> <p>A Commitments B Pending Litigation and Claims C Other Contingent Receivables</p> <p>69 NOTE 17 RELATED PARTIES</p> <p>69 NOTE 18 INVESTMENT IN JOINT VENTURE</p> <p>69 NOTE 19 CHANGES IN FINANCIAL ACCOUNTING AND REPORTING</p>
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A Financial Reporting Entity

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

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are either blended or discretely presented in the University's financial statements. The blended component units, although legally separate, are, in substance, part of the University's operations and therefore, are reported as if they were part of the University. Discretely presented component units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

Blended Component Units—Although legally separate, The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (Chapel Hill Investment Fund), UNC Investment Fund, LLC (UNC Investment Fund), UNC Management Company, Inc. (Management Company), The University of North Carolina at Chapel Hill Foundation, Inc. (UNC-Chapel Hill Foundation), The Kenan-Flagler Business School Foundation (Business School Foundation), U.N.C. Law Foundation, Inc. (Law Foundation), and The University of North Carolina at Chapel Hill School of Education Foundation, Inc. (School of Education Foundation), component units of the University, are reported as if they were part of the University.

The Chapel Hill Investment Fund is governed by a board consisting of 11 ex-officio directors and two to four elected directors. Ex-officio directors include all of the members of the Board of Trustees of the Endowment Fund of the University, which includes the chairman of the University Board of Trustees and the chancellor, the vice chancellor for finance and administration, and the vice chancellor for university advancement. The

UNC-Chapel Hill Foundation Board may, in its discretion, elect one or two of its at-large members to the Chapel Hill Investment Fund Board. The ex-officio directors may elect one or two directors by unanimous written consent. The Chapel Hill Investment Fund supports the University by operating an investment fund for charitable, non-profit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. Because members of the Board of Directors of the Chapel Hill Investment Fund are officials or appointed by officials of the University and the Chapel Hill Investment Fund's primary purpose is to benefit the University and other organizations operated primarily to support the University, its financial statements have been blended with those of the University.

The UNC Investment Fund was organized by the Chapel Hill Investment Fund to allow the University, other constituent institutions of the University of North Carolina System (UNC System), affiliated foundations, associations, trusts, and endowments that support the University and the UNC System, to pool their resources and invest collectively in investment opportunities identified, structured and managed by the Management Company. The membership interests are offered only to government entities or tax-exempt organizations that are controlled by or support the University or UNC System. The Chapel Hill Investment Fund contributed and assigned all of its assets to the UNC Investment Fund effective January 1, 2003, in exchange for its membership interest in the UNC Investment Fund. Upon such contribution and assignment, and in consideration thereof, the UNC Investment Fund has assumed all liabilities and obligations of the Chapel Hill Investment Fund in respect of such contributed assets. At June 30, 2011, the Chapel Hill Investment Fund membership interest was approximately 76.4 percent of the UNC Investment Fund total membership interests. Because the Chapel Hill Investment Fund is the organizer and controlling member of the UNC Investment Fund, the financial statements of the UNC Investment Fund have been blended with those of the University.

The Management Company is a North Carolina non-profit corporation organized and operated exclusively to support the educational mission of the University. The Management Company provides investment management and administrative services to the University, UNC System, and institutions and affiliated tax-exempt organizations, and performs other functions for and generally carries out the purposes of the University. The Management Company is governed by five ex-officio directors and one to three additional directors as fixed or changed from time to time by the board, elected by the ex-officio directors. The ex-officio directors consist of the chancellor, the vice chancellor for finance and administration, the chairman of the University Board of Trustees, the chairman of the Board of Directors of the Chapel Hill Investment Fund, and the president of the Manage-

ment Company. Because members of the Board of Directors of the Management Company are officials or appointed by officials of the University and the Management Company's primary purpose is to benefit the University and other organizations operated primarily to support the University, its financial statements have been blended with those of the University.

The UNC-Chapel Hill Foundation is governed by a 17-member board consisting of nine ex-officio directors and eight elected directors. Ex-officio directors include the chairman of the University Board of Trustees, the chancellor, the vice chancellor for finance and administration, and the vice chancellor for university advancement (non-voting). In addition, the Board of Trustees elects two ex-officio directors from among its own members as well as three ex-officio directors from the Board of Trustees of the Endowment Fund who have not otherwise been selected. The eight remaining directors are elected as members of the UNC-Chapel Hill Foundation Board of Directors by action of the ex-officio directors. The UNC-Chapel Hill Foundation aids, supports, and promotes teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the University. Because members of the Board of Directors of the UNC-Chapel Hill Foundation are officials or appointed by officials of the University and the UNC-Chapel Hill Foundation's sole purpose is to benefit the University, its financial statements have been blended with those of the University.

The Business School Foundation is governed by a board consisting of four ex-officio directors and four or more elected directors. Ex-officio directors include the dean of the Kenan-Flagler Business School (Business School), as well as the school's chief financial officer, associate dean of academic affairs, and associate dean for MBA Programs. The remaining directors are elected to the Business School Foundation Board of Directors by action of the ex-officio directors. The Business School Foundation aids, promotes, and supports the Kenan-Flagler Business School at the University. Because members of the Board of Directors of the Business School Foundation are officials or appointed by officials of the University, the financial statements of the Business School Foundation have been blended with those of the University.

The Law Foundation is governed by a board consisting of one ex-officio director, six appointed directors, and six elected directors. The ex-officio director is the dean of the School of Law of the University. The ex-officio director appoints six directors and the Board of Directors of the Law Alumni Association of UNC, Inc. elects the other six directors. The Law Foundation provides support, fosters, and encourages the study and teaching of law at the University's Law School. Because a majority of the members of the Board of Directors of the Law Foundation are officials or appointed by officials of the University, the financial statements of the Law Foundation have been blended with

those of the University.

The School of Education Foundation is governed by a board consisting of seven ex-officio directors and up to 15 elected directors. Ex-officio directors include the dean of the School of Education, as well as the school's associate dean for academic programs, assistant dean for external relations, assistant dean for administration and finance, director of alumni relations, president of the alumni council, and president-elect of the alumni council. The remaining directors are elected to the School of Education Foundation Board of Directors by action of the ex-officio directors. The School of Education Foundation aids, supports and promotes teaching, research, and service at the School of Education. Because members of the Board of Directors of the School of Education Foundation are officials or appointed by officials of the University, the financial statements of the School of Education Foundation have been blended with those of the University.

Separate financial statements for the Chapel Hill Investment Fund, UNC Investment Fund, the Management Company, and blended foundations may be obtained from the University Controller's Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370.

Discretely Presented Component Units—The Medical Foundation of North Carolina, Inc. (Medical Foundation), The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc. (Arts and Sciences Foundation), and The Educational Foundation Scholarship Endowment Trust (Educational Foundation Trust) are legally separate, not-for-profit, tax-exempt organizations and are reported as discretely presented component units based on the nature and significance of their relationship to the University.

The Medical Foundation is governed by a board consisting of three ex-officio directors and up to 33 elected directors, which serve staggered terms. Its purpose is to support educational and research efforts of the University's medical school and UNC Hospitals. Historically, the University's medical school has been the major recipient of financial support from the Medical Foundation rather than UNC Hospitals. Although the University does not control the timing or amount of receipts from the Medical Foundation, the majority of resources or income that the Medical Foundation holds and invests is restricted to the University by the donors. Because these restricted resources held by the Medical Foundation can only be used by, or for the benefit of the University, the Medical Foundation is considered a component unit of the University.

The Arts and Sciences Foundation is governed by a board consisting of four ex-officio directors, 30 elected directors and such number of emeritus directors determined from time to time by the board of directors. The 30 elected directors are elected for staggered terms by the board of directors in office at the time of election. The purpose of the Arts and Sciences

Foundation is to promote and support the University's College of Arts and Sciences. Although the University does not control the timing or amount of receipts from the Arts and Sciences Foundation, the majority of resources or income that the Arts and Sciences Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Arts and Sciences Foundation can only be used by, or for the benefit of the University, the Arts and Sciences Foundation is considered a component unit of the University.

The Educational Foundation Trust is governed by The Educational Foundation Scholarship Endowment Trust Agreement which designates the voting members of the Investment Committee of The Educational Foundation, Inc. as trustees. The Investment Committee consists of five members elected from the membership of The Educational Foundation, Inc. The Educational Foundation Trust operates solely to assist the University in providing financial assistance to students at the University. On an annual basis, the Board of Trustees of the Educational Foundation Trust appropriates a portion of the net appreciation on its assets to The Educational Foundation, Inc. in its capacity as agent for the Educational Foundation Trust. The distribution from the Educational Foundation Trust to The Educational Foundation, Inc. is then forwarded by The Educational Foundation, Inc. to the University to provide financial assistance to students at the University. Although the University does not control the timing or amount of receipts from the Educational Foundation Trust, the majority of resources or income that the Educational Foundation Trust holds and invests is restricted to the students of the University by the donors. Because these restricted resources held by the Educational Foundation Trust can only be used for the benefit of the students of the University, the Educational Foundation Trust is considered a component unit of the University.

The Medical Foundation, the Arts and Sciences Foundation, and the Educational Foundation Trust are private, non-profit organizations that report their financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2011, the Medical Foundation, the Arts and Sciences Foundation, and the Educational Foundation Trust distributed in total \$37,959,429 to the University for both restricted and unrestricted purposes. Complete financial statements for the Medical Foundation, Arts and Sciences Foundation, and Educational Foundation Trust can be obtained from the University Controller's Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370.

Other related foundations and similar non-profit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

B Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, the full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

C Basis of Accounting

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

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

D Cash and Cash Equivalents

This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

E Investments

Investments generally are reported at fair value. The fair values of all debt and equity securities with readily determinable fair market values are based on quoted market prices. Investments for which a readily determinable fair value does not exist include investments in certain commingled funds and limited partnerships. These investments are carried at estimated fair values as provided by the respective fund managers of these investments or third party administrators. The Management Company reviews and evaluates the values provided by the fund managers as well as the valuation methods and assumptions used in determining the fair value of such investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed. The net increase or decrease in the fair value of investments is recognized as a component of investment income.

Money market funds, real estate not held by a governmental external investment pool, and other asset holdings are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

Short-term investments include marketable securities representing the investment of cash that is available for current operations. A majority of this available cash is invested in the University's Temporary Pool, a governmental external investment pool.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity, along with any accumulated investment earnings on such amounts. Further, endowment investments also include amounts internally designated by the University for investment in an endowment capacity (i.e., quasi-endowments), along with accumulated investment earnings on such amounts. Land and other real estate held as investments by endowments are reported at fair value, consistent with how investments are generally reported.

F Receivables

Receivables consist of tuition and fees charged to students and charges to patients for services provided by the UNC Physicians & Associates and the Dental Faculty Practices. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied, and notes receivables from loans to students. Patients, pledges, and notes receivables are recorded net of the allowance for

doubtful accounts. The accounts and other receivables are shown at book value with no provision for doubtful accounts considered necessary.

G Inventories

Inventories held by the University are priced at cost or average cost except for the Student Stores inventory, which is valued at the lower of cost or market. Inventories consist of expendable supplies, postage, fuel held for consumption, textbooks, and other merchandise for resale.

H Capital Assets

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The University capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year except for intangible assets which are capitalized when the value or cost is \$100,000 or greater and internally generated software which is capitalized when the value or cost is \$1,000,000 or greater. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 50 years for general infrastructure, 12 to 75 years for buildings, and 3 to 30 years for equipment. Amortization is computed using the straight-line method over the estimated useful lives of the assets from 3 to 20 years for computer software.

The University's historic property, artworks, and literary collections are capitalized at cost or fair value at the date of donation. These properties and collections are considered inexhaustible and are therefore not depreciated.

I Restricted Assets

Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets and resources segregated for the payment of principal and interest as required by debt covenants or as internally designated.

J Funds Held in Trust for Pool Participants

Funds held in trust for pool participants represent the external portion of the University's governmental external investment pool more fully described in Note 2. The assets associated with this liability are included in restricted investments, cash, and other similar asset accounts.

K Funds Held in Trust by Others

Funds held in trust by others are resources neither in the possession nor the control of the University, but held and administered by an outside organization, with the University deriving income from such funds. Such funds established under irrevocable trusts where the University has legally enforceable rights or claims have not been recorded on the accompanying financial statements. The value of these assets at June 30, 2011 is \$31,538,495.

L Non-current Long-term Liabilities

Non-current long-term liabilities include principal amounts of bonds payable, notes payable, capital lease obligations, annuity and life income payable, and compensated absences that are not scheduled to be paid within the next fiscal year.

Bonds payable are reported net of unamortized premiums or discounts and deferred losses on refunds. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method. The deferred losses on refunds are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs are expensed.

M Compensated Absences

The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried

forward described above and is not subject to conversion to sick leave.

When classifying compensated absences into current and non-current, leave is considered taken using a last-in, first-out (LIFO) method.

There is no liability for unpaid accumulated sick leave because the University has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

N Net Assets

The University's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Assets—Non-expendable: Non-expendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Assets—Expendable: Expendable restricted net assets include resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Assets: Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first.

O Scholarship Discounts

Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by

students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or non-governmental programs, are recorded as non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.

P Revenue and Expense Recognition

The University classifies its revenues and expenses as operating or non-operating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, state and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and non-capital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Non-operating revenues include activities that have the characteristics of non-exchange transactions. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the University, as well as investment income, are considered non-operating since these are either investing, capital or non-capital financing activities. Capital contributions are presented separately after non-operating revenues and expenses.

Q Internal Sales Activities

Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as utility services, telecommunications, central stores, printing and copy centers, postal services, and repairs and maintenance services. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and

service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

NOTE 2 DEPOSITS AND INVESTMENTS

A Deposits

Unless specifically exempt, the University is required by *North Carolina General Statute 147-77* to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. In addition, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, requires the University to deposit its institutional trust funds, except for funds received for services rendered by health care professionals, with the State Treasurer. Although specifically exempted, the University may voluntarily deposit endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2011, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$804,221,716 which represents the University's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.9 years as of June 30, 2011. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Cash on hand at June 30, 2011 was \$141,590. The carrying amount of the University's deposits not with the State Treasurer was \$83,337,366 and the bank balance was \$39,572,239. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Pursuant to G.S. 116-36.1, funds received for health care services not deposited with the State Treasurer shall be fully secured in the manner as prescribed by the State Treasurer for the security of

public deposits. The University does not have a deposit policy for custodial credit risk. As of June 30, 2011, \$8,931,653 of the University's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

B Investments

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

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

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

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

Investments of the University's component units, UNC-Chapel Hill Foundation, Management Company, Chapel Hill Investment Fund, UNC Investment Fund, Business School Foundation, Law Foundation, School of Education Foundation, Medical Foundation, Arts and Sciences Foundation, and Educational Foundation Trust, are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. The Management Company does not hold endowment funds.

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

Investments are subject to the following risks.

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

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The University does not have a formal policy for foreign currency risk.

Temporary Investment Pool (Temporary Pool)—This is a fixed income portfolio managed by the UNC Management Company, Inc. (Management Company) and Novant Asset Management, LLC. It operates in conjunction with the University's Bank of America disbursing account for all special funds, funds received for services rendered by health care professionals, and endowment revenue funds (internal portion) and funds of affiliated foundations (external portion). Because of the participation in the Temporary Pool by affiliated foundations, it is considered a governmental external investment pool. The external portion of the Temporary Pool is presented in the accompanying financial statements as Funds Held in Trust for Pool Participants. Fund ownership of the University's Temporary Pool is measured using the unit value method. Under this method, participant activity is recorded on a cost basis in the UNC-Chapel Hill Money Market System. This is the official means of recording activity in the Temporary Pool. The Temporary Pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the University Board of Trustees. The University has not provided legally binding guarantees during the period to support the value of the pool's investments. There are no involuntary participants in the Temporary Pool.

The Bank of New York Mellon is the custodian for the Temporary Pool and provides the University with monthly statements defining income and market value information. Investments of the Temporary Pool are generally highly liquid and include U.S. government securities, collateralized mortgage obligations, asset-backed securities, corporate bonds, and mutual funds. The University has elected to invest a portion of the Temporary Pool assets in the Chapel Hill Investment Fund.

By request to accounting services, participants may purchase and sell shares in the Temporary Pool at a fixed value of \$1 per share. Generally, the purchase and sale of participation shares occur only at the beginning of the month. Income distribution is determined each quarter by multiplying the distribution rate by the average of the invested fund balance. Statements are provided via internet website to each participating account or group of accounts on a quarterly basis reflecting the

participants' balance and income distribution. The rate earned by an account is dependent upon its account classification and investable fund balance. The rates are set by policy and approved by the vice chancellor for finance and administration.

The following table presents the fair value of the Temporary Pool investments by type and investments subject to interest rate risk at June 30, 2011.

TEMPORARY POOL INVESTMENTS

Investment Type	INVESTMENT MATURITIES (IN YEARS)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
U.S. Treasuries	\$35,363,298	\$21,066,860	\$14,296,438		
U.S. Agencies	98,596,023	5,774,150	19,126,907	\$1,841,113	\$71,853,853
Mortgage Pass Throughs	50,440				50,440
Collateralized Mortgage Obligations	50,419,716	3,441,209	86,721	727,173	46,164,613
Asset-backed Securities	1,131,424	267,572			863,852
Debt Mutual Funds	3,126,640			3,126,640	
Money Market Mutual Funds	107,743,379	107,743,379			
Domestic Corporate Bonds	11,406,328	8,433,213	2,203,330	288,145	481,640
Total Debt Securities	307,837,248	\$146,726,383	\$35,713,396	\$5,983,071	\$119,414,398
Other Securities					
Domestic Stocks	30,000				
Total Temporary Pool Investments	\$307,867,248				

The University has elected to invest \$42,106,658 of the Temporary Pool assets in the UNC Chapel Hill Investment Fund. The disclosures for these investments are not included here. The disclosures for this portion of the Temporary Investment Pool can be found under the heading UNC Chapel Hill Investment Fund, Inc.

At June 30, 2011, investments in the Temporary Pool had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA, Aaa	AA, Aa	A	BBB, Baa	BB, Ba and below	Unrated
U.S. Agencies	\$98,596,023						\$98,596,023
Mortgage Pass Throughs	50,440	\$50,440					
Collateralized Mortgage Obligations	50,419,716	63,351	\$67,435	\$1,903,378	\$51,609	\$10,753,781	37,580,162
Asset-backed Securities	1,131,424		57,102			1,074,322	
Debt Mutual Funds	3,126,640			3,126,640			
Money Market Mutual Funds	107,743,379	107,743,379					
Domestic Corporate Bonds	11,406,328			10,636,543	769,785		
Total	\$272,473,950	\$107,857,170	\$124,537	\$15,666,561	\$821,394	\$11,828,103	\$136,176,185

Rating Agency: Moody's/Standard & Poor's/Fitch

Since a separate annual financial report of the Temporary Investment Pool has not been and is not planned to be issued, the following additional disclosures are being provided in the University's financial statements.

The Temporary Investment Pool's Statement of Net Assets and Statement of Operations and Changes in Net Assets as of and for the period ended June 30, 2011, are as follows:

STATEMENT OF NET ASSETS JUNE 30, 2011

	Amount
Assets	
Cash in Bank	\$3,745,107
State Treasurer Investment Fund	100,000,000
Accounts Receivable	17
Accrued Investment Income	952,951
Deferred Loss	247,902
Chapel Hill Investment Fund	42,106,658
Investments	307,867,248
Total Assets	\$454,919,883
Liabilities	
Accounts Payable	\$3,876,125
Total Liabilities	3,876,125
Net Assets Held in Trust for All Pool Participants	
Internal Portion	283,800,962
External Portion	167,242,796
Total Net Assets	451,043,758
Total Liabilities and Net Assets	\$454,919,883

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Amount
Increase in Net Assets from Operations	
Revenues: Investment Income	\$6,906,034
Expenses: Investment Management	(1,143,038)
Net Increase in Net Assets Resulting from Operations	5,762,996
Distributions to Participants	
Distributions Paid and Payable	(5,762,996)
Share Transactions	
Net Share Liquidations	(63,658,155)
Total Decrease in Net Assets	(63,658,155)
Net Assets	
Beginning of Year	514,701,913
End of Year	\$451,043,758

Intermediate Investment Pool—Established in October 2007, this is a portfolio managed by the UNC Management Company, Inc. (Management Company) and is comprised of fixed income investments and investments with the UNC-Chapel Hill Foundation Investment Fund, Inc. (Chapel Hill Investment Fund). Participation in the Intermediate Pool is open to all participants that are eligible for the UNC Chapel Hill Temporary Investment Pool, however currently the University is the only member. Fund ownership of the University's Intermediate Pool is measured using the unit value method. Under this method, each participant's investment balance is determined on a market value basis. The Intermediate Pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the University Board of Trustees. The University has not provided legally binding guarantees during the period to support the value of the pool's investments. There are no involuntary participants in the Intermediate Pool.

The Bank of New York Mellon is the custodian for the Intermediate Pool and provides the University with monthly statements defining income and market value information. Generally a minimum of 45 percent and a maximum of 65 percent of the market value of the Intermediate Pool will be invested in the Chapel Hill Investment Fund. The remaining assets of the Intermediate Pool will be invested primarily (at least 80 percent) in cash, money market instruments, high quality bonds, and other high quality fixed income instruments in accordance with the Investment Guidelines.

By written request to university accounting services, the purchase and sale of participation shares occur at the beginning of the month. As calculated by the Management Company, returns net of fees and expenses will be allocated 85 percent to the Intermediate Pool participants and 15 percent to the University. Statements are provided by the Management Company to each participant on a monthly basis reflecting the participants' balance and investment activity.

The following table presents the fair value of the Intermediate Pool investments by type and investments subject to interest rate risk at June 30, 2011.

INTERMEDIATE POOL INVESTMENTS

Investment Type	INVESTMENT MATURITIES (IN YEARS)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
<i>Debt Securities</i>					
Debt Mutual Funds	\$8,155,114		\$8,155,114		
Money Market Mutual Funds	7,851,336	\$7,851,336			
Total Intermediate Pool Investments	\$16,006,450	\$7,851,336	\$8,155,114	\$0	\$0

At June 30, 2011, investments in the Intermediate Pool had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA, Aaa	AA, Aa	A
Debt Mutual Funds	\$8,155,114		\$8,155,114	
Money Market Mutual Funds	7,851,336	\$1,193,791		\$6,657,545
Total	\$16,006,450	\$1,193,791	\$8,155,114	\$6,657,545

Rating Agency: Moody's/Standard & Poor's/Fitch

At June 30, 2011, the Intermediate Investment Pool had investments of \$22,599,362 in the Chapel Hill Investment Fund. The disclosures for these investments are not included here. The disclosures for this portion of the Intermediate Investment Pool can be found under the heading UNC Chapel Hill Investment Fund, Inc.

UNC Chapel Hill Foundation Investment Fund, Inc. (Chapel Hill Investment Fund)—This is a North Carolina non-profit corporation exempt from income tax pursuant to Section 501(c)(3). It was established in January 1997 and is classified as a governmental external investment pool. The pool is utilized to manage the investments for charitable, non-profit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support the University. The University's Endowment, UNC-Chapel Hill Foundation, Business School Foundation, School of Education Foundation, Law Foundation, Medical Foundation, Arts and Sciences Foundation, and Educational Foundation Trust are participants in the Chapel Hill Investment Fund and are included in the University's reporting entity (internal portion). Other affiliated organizations (external portion) in the Chapel Hill Investment Fund are not included in the University's reporting entity. Fund ownership of the Chapel Hill Investment Fund is measured using the unit value method. Under this method, each participant's investment balance is determined on a market value basis. The external portion of the Chapel Hill Investment Fund is presented in the accompanying financial statements as Funds Held in Trust for Pool Participants.

The Chapel Hill Investment Fund is not registered with the SEC and is not subject to any formal oversight other than that provided by the Chapel Hill Investment Fund Board of Directors (See Note 1A).

The Chapel Hill Investment Fund is the primary participant of UNC Investment Fund, LLC (UNC Investment Fund) and on a monthly basis receives a unitization report from the Management Company defining change in book and market value, applicable realized gains and losses and expenses. The Chapel Hill Investment Fund uses a unit basis to determine each participant's market value and to distribute the fund's earnings according to the fund's spending policy. There are no involuntary participants in the Chapel Hill Investment Fund. The University has not provided or obtained any legally binding guarantees during the period to support the value for the Chapel Hill Investment Fund. The audited financial statements for the Chapel Hill Investment Fund may be obtained from the University Controller's Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370.

The Chapel Hill Investment Fund consists of an approximately 76.4 percent membership in the UNC Investment Fund categorized below.

UNC Investment Fund, LLC (UNC Investment Fund)—This is a non-profit limited liability company exempt from income tax pursuant to Section 501(c)(3) organized under the laws of the State of North Carolina. It was established in December 2002 by the Chapel Hill Investment Fund and is classified as a governmental external investment pool. The pool is utilized to manage the investments for The University of North Carolina, its constituent institutions, and affiliates of the constituent institutions. This includes charitable, non-profit foundations, associations, trusts, endowments, and funds that are organized and operated primarily to support these institutions. The Chapel Hill Investment Fund, with an approximately 76.4 percent membership interest as of June 30, 2011, is the predominant member of the UNC Investment Fund. The University's reporting entity portion of the Chapel Hill Investment Fund and the Management Company's portion of the UNC Investment Fund is characterized as the internal portion. Other affiliated organizations in the Chapel Hill Investment Fund in addition to other members of the UNC Investment Fund not included in the University's reporting entity are characterized as the external portion. The external portion of the UNC Investment Fund is presented in the accompanying financial statements as Funds

Held in Trust for Pool Participants. Membership interests of the UNC Investment Fund are measured using the unit value method. Under this method, each member's investment balance is determined on a market value basis.

The UNC Investment Fund is not registered with the SEC and is not subject to any formal oversight other than that provided by the Chapel Hill Investment Fund as the controlling member (See Note 1A). Effective January 1, 2003, the Management Company entered into an investment management services agreement with the UNC Investment Fund and provides investment management and administrative services.

The Bank of New York Mellon is the custodian for the UNC Investment Fund and provides the University with monthly statements defining income and market value information. The UNC Investment Fund uses a unit basis to determine each member's market value and to distribute the fund's earnings. The University has not provided or obtained any legally binding guarantees during the period to support the value for the UNC Investment Fund investments. The audited financial statements for the UNC Investment Fund may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

The following table presents the fair value of the UNC Investment Fund investments by type and investments subject to interest rate risk at June 30, 2011.

UNC INVESTMENT FUND POOL INVESTMENTS

Investment Type	INVESTMENT MATURITIES (IN YEARS)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
U.S. Treasuries	\$34,385,815		\$24,800,645	\$6,036,250	\$3,548,920
U.S. Agencies	7,533,783	\$31,269		1,148,720	6,353,794
Collateralized Mortgage Obligations	7,920,504	6,250,049			1,670,455
Asset-backed Securities	2,938,288	2,938,288			
Debt Mutual Funds	27,009,346			25,852,981	1,156,365
Money Market Mutual Funds	86,168,885	86,168,885			
Domestic Corporate Bonds	4,058,105		1,147,780	1,666,740	1,243,585
Total Debt Securities	170,014,726	\$95,388,491	\$25,948,425	\$34,704,691	\$13,973,119
Other Securities					
International Equity Index Funds	51,287,935				
Equity Index Funds	57,538,972				
Real Estate Investment Trust	646,956				
Other Hedge Funds	926,675,281				
Long Only Hedge Funds	460,436,492				
Private Equity Limited Partnerships	667,970,386				
Real Assets Limited Partnerships	433,525,614				
Domestic Stocks	127,191,853				
Foreign Stocks	173,474				
Other	1,055				
Total UNC Investment Fund Pool Investments	\$2,895,462,744				

At June 30, 2011, investments in the UNC Investment Fund Pool had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA, Aaa	AA, Aa	A	BBB, Baa	BB, Ba and below	Unrated
U.S. Agencies	\$7,533,783						\$7,533,783
Collateralized Mortgage Obligations	7,920,504					\$7,920,504	
Asset-backed Securities	2,938,288					2,938,288	
Debt Mutual Funds	27,009,346			\$25,852,981	\$1,156,365		
Money Market Mutual Funds	86,168,885	\$86,168,885					
Domestic Corporate Bonds	4,058,105	690,240	\$1,120,605	1,701,125	546,135		
Total	\$135,628,911	\$86,859,125	\$1,120,605	\$27,554,106	\$1,702,500	\$10,858,792	\$7,533,783

Rating Agency: Moody's/Standard & Poor's/Fitch

Foreign Currency Risk—At June 30, 2011, the UNC Investment Fund Pool's exposure to foreign currency risk is as follows:

	Currency	Fair Value (U.S. Dollars)
Private Equity Limited Partnerships	Euro	\$69,049,582
Real Assets Limited Partnerships	Euro	29,055,019
Other Hedge Funds	Euro	8,730,999
Private Equity Limited Partnerships	British Pound Sterling	8,996,560
Real Assets Limited Partnerships	British Pound Sterling	4,209,980
Private Equity Limited Partnerships	Australian Dollar	3,166,317
Real Assets Limited Partnerships	Canadian Dollar	2,601,916
Foreign Stocks	Canadian Dollar	173,474
Total		\$125,983,847

Non-Pooled Investments—The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2011.

NON-POOLED INVESTMENTS

Investment Type	INVESTMENT MATURITIES (IN YEARS)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10
Debt Securities					
U.S. Treasuries	\$269,830	\$20,301	\$154,096	\$50,296	\$45,137
U.S. Agencies	193,521	35,687	157,834		
Mortgage Pass Throughs	120,361				120,361
Collateralized Mortgage Obligations	35,146				35,146
State and Local Government	111,858				111,858
Asset-backed Securities	5,802				5,802
Debt Mutual Funds	5,993,545		161,127	4,637,505	1,194,913
Money Market Mutual Funds	48,158,848	48,158,848			
Domestic Corporate Bonds	20,550			20,550	
Foreign Government Bonds	33,124				33,124
Total Debt Securities	54,942,585	\$48,214,836	\$473,057	\$4,708,351	\$1,546,341
Other Securities					
International Equity Index Funds	5,018,878				
Equity Index Funds	5,311,408				
Investments in Real Estate	2,303,303				
Private Equity Limited Partnerships	1,717,584				
Real Assets Limited Partnerships	1,601,344				
Domestic Stocks	14,001,413				
Foreign Stocks	390,983				
Other	8,845,397				
Total Non-Pooled Investments	\$94,132,895				

At June 30, 2011, the University's Non-Pooled investments had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA, Aaa	AA, Aa	A	BBB, Baa	BB, Ba and below	Unrated
U.S. Agencies	\$193,521	\$193,521					
Mortgage Pass Throughs	120,361	100,891		\$3,428		\$16,042	
Collateralized Mortgage Obligations	35,146	14,069				21,077	
State and Local Government	111,858				\$74,623	37,235	
Asset-backed Securities	5,802			5,802			
Debt Mutual Funds	5,993,545	301,274	\$993,912	3,049,859	1,140,997	504,072	\$3,431
Money Market Mutual Funds	48,158,848	333,145		47,825,703			
Domestic Corporate Bonds	20,550					20,550	
Foreign Government Bonds	33,124			33,124			
Total	\$54,672,755	\$942,900	\$993,912	\$50,917,916	\$1,215,620	\$598,976	\$3,431

Rating Agency: Moody's/Standard & Poor's/Fitch

Foreign Currency Risk—At June 30, 2011, the Non-Pooled Investments exposure to foreign currency risk is as follows:

	Currency	Fair Value (U.S. Dollars)
Foreign Stocks	Euro	\$90,007
Foreign Stocks	Hong Kong Dollar	25,908
Foreign Stocks	British Pound Sterling	19,356
Foreign Stocks	Australian Dollar	14,071
Foreign Stocks	Japanese Yen	46,442
Foreign Stocks	Mexican Peso	15,756
Total		\$211,540

Total Investments—The following table presents the fair value of the total investments at June 30, 2011.

TOTAL INVESTMENTS

Investment Type	Fair Value
<i>Debt Securities</i>	
U.S. Treasuries	\$70,018,943
U.S. Agencies	106,323,327
Mortgage Pass Throughs	170,801
Collateralized Mortgage Obligations	58,375,366
State and Local Government	111,858
Asset-backed Securities	4,075,514
Debt Mutual Funds	44,284,645
Money Market Mutual Funds	249,922,448
Domestic Corporate Bonds	15,484,983
Foreign Government Bonds	33,124
Total Debt Securities	548,801,009
<i>Other Securities</i>	
International Equity Index Funds	56,306,813
Equity Index Funds	62,850,380
Investments in Real Estate	2,303,303
Real Estate Investment Trust	646,956
Other Hedge Funds	926,675,281
Long Only Hedge Funds	460,436,492
Private Equity Limited Partnerships	669,687,970
Real Assets Limited Partnerships	435,126,958
Domestic Stocks	141,223,266
Foreign Stocks	564,457
Other	8,846,452
Total Investments	\$3,313,469,337

Total investments include \$429,920,376 held in the UNC Investment Fund for the component units that are discretely presented in the accompanying financial statements. The University's reporting entity, including the three discretely presented component units, comprises 63.3 percent of the UNC Investment Fund.

Component Units—Investments of the University's discretely presented component unit, the Medical Foundation of North Carolina, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Medical Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required.

The following is an analysis of investments not held by the University:

Investment Type	Carrying Value
Mutual Funds	\$31,989,203
Private Equities	6,773,752
Certificates of Deposit	257,766
Total Investments	\$39,020,721

NOTE 3 | ENDOWMENT INVESTMENTS

Substantially all of the investments of the University's endowment funds are pooled in the Chapel Hill Investment Fund. Under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may appropriate expenditures from eligible non-expendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. During the year, the Board did not appropriate expenditures from eligible non-expendable endowment funds. Investment return of the University's pooled endowment funds is predicated on the total return concept (yield plus appreciation). Annual distributions from the Chapel Hill Investment Fund to the University's pooled endowment funds are generally based on an adopted distribution policy. Under this policy, the prior year distribution is increased by the rate of inflation as measured by the Consumer Price Index (CPI) unless the Board determines otherwise. Each year's distribution, however, is subject to a minimum of 4 percent and a maximum of 7 percent of the pooled endowment fund's average market value for the previous year.

To the extent that the total return for the current year exceeds the distribution, the excess is added to principal. If current year earnings do not meet the distribution requirements, the University uses accumulated income and appreciation to make up the difference. At June 30, 2011, accumulated income and appreciation of \$512,925,486 was available in the University's pooled endowment funds of which \$462,215,048 was restricted to specific purposes.

NOTE 4 RECEIVABLES

Receivables at June 30, 2011, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<i>Current Receivables</i>			
Students	\$8,308,062		\$8,308,062
Patients	110,871,771	\$78,561,523	32,310,248
Accounts	60,443,485		60,443,485
Intergovernmental	79,409,715		79,409,715
Pledges	19,272,098	481,802	18,790,296
Investment Earnings	1,710,261		1,710,261
Interest on Loans	826,544		826,544
Other	41,058		41,058
Total Current Receivables	\$280,882,994	\$79,043,325	\$201,839,669
<i>Non-current Receivables</i>			
Pledges	\$32,581,405	\$814,535	\$31,766,870
<i>Notes Receivable</i>			
<i>Notes Receivable—Current:</i>			
Institutional Student Loan Programs	\$122,429	\$11,351	\$111,078
<i>Notes Receivable—Non-current:</i>			
Federal Loan Programs	\$33,498,690	\$2,202,874	\$31,295,816
Institutional Student Loan Programs	7,632,570	367,288	7,265,282
Total Notes Receivable—Non-current	\$41,131,260	\$2,570,162	\$38,561,098

Pledges are receivable over varying time periods ranging from one to 10 years, and have been discounted based on a projected interest rate of 0.69 percent for the outstanding periods, and allowances are provided for the amounts estimated to be uncollectible.

Scheduled receipts, the discounted amount under these pledge commitments, and allowances for uncollectible pledges are as follows:

Fiscal Year	Amount
2012	\$19,272,098
2013	15,769,760
2014	8,544,125
2015	4,766,007
2016	1,642,923
2017–2021	2,513,259
Total Pledge Receipts Expected	52,508,172
Less Discount Amount Representing Interest (0.69% Rate of Interest)	654,668
Present Value of Pledge Receipts Expected	51,853,504
Less Allowance for Uncollectible	1,296,338
Pledges Receivable	\$50,557,166

NOTE 5 CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2011 is presented as follows:

	Balance 07/01/10	Increases	Decreases	Balance 06/30/11
<i>Capital Assets, Non-depreciable</i>				
Land	\$62,119,658	\$193,112		\$62,312,770
Art, Literature, and Artifacts	80,322,785	1,555,095	\$337	81,877,543
Construction in Progress	346,226,327	107,843,194	138,058,503	316,011,018
Computer Software in Development	50,621,598	4,674,180	44,054,860	11,240,918
Other Intangible Assets	1,000,000			1,000,000
Total Capital Assets, Non-depreciable	540,290,368	114,265,581	182,113,700	472,442,249
<i>Capital Assets, Depreciable</i>				
Buildings	2,253,759,781	90,996,210	775,472	2,343,980,519
Machinery and Equipment	333,153,040	51,260,899	21,657,973	362,755,966
General Infrastructure	700,521,139	147,093,469		847,614,608
Computer Software	0	49,196,387		49,196,387
Total Capital Assets, Depreciable	3,287,433,960	338,546,965	22,433,445	3,603,547,480
<i>Less Accumulated Depreciation/Amortization for</i>				
Buildings	647,865,912	50,490,350	47,540	698,308,722
Machinery and Equipment	167,149,140	14,193,086	3,203,866	178,138,360
General Infrastructure	229,823,100	35,276,141		265,099,241
Computer Software	0	2,764,705		2,764,705
Total Accumulated Depreciation/Amortization	1,044,838,152	102,724,282	3,251,406	1,144,311,028
Total Capital Assets, Depreciable, Net	2,242,595,808	235,822,683	19,182,039	2,459,236,452
Capital Assets, Net	\$2,782,886,176	\$350,088,264	\$201,295,739	\$2,931,678,701

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2011, were as follows:

	Amount
Accounts Payable	\$76,066,263
Accrued Payroll	60,874,630
Contract Retainage	10,431,536
Intergovernmental Payables	166,307
Total Accounts Payable and Accrued Liabilities	\$147,538,736

NOTE 7 SHORT TERM DEBT

Short-term debt activity for the year ended June 30, 2011, was as follows:

	Balance 07/01/10	Draws	Repayments	Balance 06/30/11
Commercial Paper Program (2002A Bonds)	\$59,784,000	\$30,000,000	\$16,134,000	\$73,650,000

The University's commercial paper program provides up to \$400,000,000 in short-term financing for the University's capital improvement projects and is supported by a pledge of the University's available funds. The University will typically utilize the commercial paper program for construction financing and will periodically issue long-term bonds to refund the outstanding balances under this program in order to provide permanent financing for these capital improvement projects.

NOTE 8 | LONG TERM LIABILITIES

A | Changes in Long-term Liabilities

A summary of changes in the long-term liabilities for the year ended June 30, 2011 is presented as follows:

	Balance 07/01/10	Additions	Reductions	Balance 06/30/11	Current Portion
Revenue Bonds Payable	\$1,242,850,000		\$28,515,000	\$1,214,335,000	\$92,372,022
Add/Deduct Premium/Discount	13,219,175		1,303,791	11,915,384	
Deduct Deferred Charge on Refunding	(2,632,571)		(401,922)	(2,230,649)	
Total Revenue Bonds Payable	1,253,436,604	\$0	29,416,869	1,224,019,735	92,372,022
Notes Payable	46,100,000		350,000	45,750,000	
Capital Leases Payable	3,461,811		2,648,254	813,557	759,183
Compensated Absences	122,736,494	70,082,057	65,956,925	126,861,626	8,228,583
Annuity and Life Income Payable	10,576,389	778,266		11,354,655	1,458,122
Total Long-term Liabilities	\$1,436,311,298	\$70,860,323	\$98,372,048	\$1,408,799,573	\$102,817,910

Additional information regarding capital lease obligations is included in Note 10.

B Revenue Bonds Payable

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

Purpose	Series	Interest Rate/Ranges	Final Maturity Date	Original Amount of issue plus Capital Appreciation	Principal Paid Through 06/30/11	Discount on Capital Appreciation Bonds	Principal Outstanding plus Capital Appreciation 06/30/11	See Table Below
<i>General Revenue</i>								
	2001A	5.000%–5.375%	12/01/25	\$89,930,000	\$56,790,000		\$33,140,000	
	2001B	4.345%*	12/01/25	54,970,000	20,360,000		34,610,000	
	2001C	3.25%*	12/01/25	54,970,000	20,360,000		34,610,000	
	2002B	5.0%	12/01/11	66,555,000	57,770,000		8,785,000	
	2003	4.625%–5.0%	12/01/33	107,960,000	13,440,000		94,520,000	
	2005A	4.25%–5.0%	12/01/34	404,960,000	3,550,000		401,410,000	
	2007	4.45–5.00%	12/01/36	298,475,000	0		298,475,000	
	2009A	3.0%–5.0%	12/01/28	97,735,000	3,610,000		94,125,000	
	2009B	5.757%**	12/01/39	112,805,000	0		112,805,000	
Total General Revenue				1,288,360,000	175,880,000		1,112,480,000	
Housing System	1997B	5.00%	11/01/11	7,210,000	6,335,000		875,000	(1)
Utility System	1997	5.25%–5.50%	08/01/21	84,135,000		(\$21,081,645)	63,053,355	(2)
Student Recreation Center	1997	5.00%	06/01/11	3,545,000	3,545,000		0	
U.S. EPA Project	1991	9.05%	02/15/15	58,125,000	41,280,000	(2,871,020)	13,973,980	
Total Revenue Bonds Payable (principal only)				\$1,441,375,000	\$227,040,000	(\$23,952,665)	1,190,382,335	
Less: Unamortized Loss on Refunding							(2,230,649)	
Plus: Unamortized Discount							35,868,049	
Total Revenue Bonds Payable							\$1,224,019,735	

General Revenue Bonds were issued for various construction projects and refunding of bonds and commercial paper.

* For variable rate debt with interest rate swaps, the synthetic fixed rates in effect at June 30, 2011 are included.

** The University has elected to treat these bonds as federally taxable "Build America Bonds" for the purposes of the American Recovery and Reinvestment Act and to receive a cash subsidy from the U.S. Treasury equal to 35% of the interest payable on these bonds. For these bonds, the interest rate included is the taxable rate, which does not factor in the cash subsidy from the U.S. Treasury.

The University has pledged future revenues, net of specific operating expenses, to repay revenue bonds as shown in the table below:

Ref	Revenue Source	Total Future Revenues Pledged	CURRENT YEAR			Estimate of % of Revenues Pledged
			Revenues Net of Expenses	Principal & Accretion	Interest	
(1)	Housing Revenues	\$896,875	\$23,543,908	\$825,000	\$63,859	2%
(2)	Utilities Revenues	\$84,135,000	\$42,906,799	\$3,279,945	\$0	6%

C Demand Bonds

Included in bonds payable are several variable rate demand bond issues. Demand bonds are securities that contain a “put” feature that allows bondholders to demand payment before the maturity of the debt upon proper notice to the University’s remarketing or paying agents.

With regards to the following demand bonds, the University has not entered into legal agreements, which would convert the demand bonds not successfully remarketed into another form of long-term debt.

General Revenue, Series 2001B and 2001C

In 2001 the University issued two series of variable rate demand bonds in the amount of \$54,970,000 (2001B) and \$54,970,000 (2001C) that each has a final maturity date of December 1, 2025. The bonds are subject to mandatory sinking fund redemption on the interest payment date on or immediately preceding each December throughout the term of the bonds. The proceeds of these issuances were used to provide funds to refund in advance of their maturity the following issues: Ambulatory Care Clinic, Series 1990; Athletic Facilities, Series 1998; Carolina Inn, Series 1994; School of Dentistry, Series 1995; Kenan Stadium, Series 1996; Housing System, Series 2000; and Parking System, Series 1997C. While bearing interest at a weekly rate, the bonds are subject to purchase on demand with seven days notice and delivery to the University’s remarketing agents J.P. Morgan Chase (2001B) and Bank of America, LLC (2001C). Effective September 23, 2008, J.P. Morgan Chase replaced Lehman Brothers, Inc.

The University entered into a line of credit agreement in the amount of \$300,000,000 with Wachovia Bank (or Bank) on September 21, 2006. Under the line of credit agreement, the University is entitled to draw amounts sufficient to pay the principal and accrued interest on Variable Rate Demand Bonds (or Commercial Paper Bonds) delivered for purchase. Under the line of credit agreement, the University may request that the Bank increase the commitment by increments of \$25,000,000 for a total commitment of up to \$400,000,000. A request for increase is subject to the Bank’s sole discretion, and the University cannot be in default under the agreement at the time of the request. During fiscal year 2009, Wells Fargo purchased Wachovia Bank, but the line of credit agreement remains in place under original terms and conditions.

The University is required to pay a quarterly facility fee for the line of credit in the amount of 0.08 percent per annum based on the size of the commitment. If a long-term debt rating

assigned by S&P, Moody’s, or Fitch is lowered, the facility fee assigned to the lowest rating in the below table shall apply:

S&P	Fitch	Moody’s	Facility Fee
AA	AA	Aa2	0.10%
AA-	AA-	Aa3	0.11%
A+	A+	A1	0.14%
A	A	A2	0.18%

In the event that the Bank increases the available commitment prior to the due date for payment of a facility fee, upon request by the University as referenced in the prior paragraph, the University must pay a supplemental fee based on the facility fee applied to the amount of the increase at the time of commitment to increase. The University will also pay an accrued interest fee equal to the amount of accrued interest, at the time of purchase of the bonds, multiplied by the prime rate multiplied by the ratio of the number of days from the date of purchase of the bonds until the date of payment of the accrued interest to 365 days.

Under the line of credit agreement, draws to purchase bonds will accrue interest at the prime rate payable on the same interest date as provided in the trust agreement for the original bonds. The University is required to begin making a series of ten fully amortizing semi-annual principal payments on bonds held by the Bank six months after the date of purchase. Commercial paper bonds held by the Bank may be rolled over for a period of 180 days and must be reduced by 1/10th of the original amount of the commercial paper bonds for a period of up to ten rollovers. All outstanding principal and accrued but unpaid interest is due in full at the maturity of the line of credit.

The line of credit agreement expires on September 21, 2014 and is subject to covenants customary to this type of transaction, including a default provision in the event that the University’s long-term bond ratings were lowered to below a BBB- for S&P, BBB- for Fitch, and Baa3 for Moody’s. At June 30, 2011, no purchase drawings had been made under the line of credit.

D Capital Appreciation Bonds

The University’s Series 1997 Utility System and the Series 1991 U.S. Environmental Protection Agency Project bond issues include capital appreciation bonds with an original issue amount of \$30,379,142 and \$3,828,921, respectively. These bonds are recorded in the amounts of \$63,053,355 (\$84,135,000 ultimate maturity less \$21,081,645 discount) and \$13,973,980 (\$25,275,000 ultimate maturity less \$2,871,020 accreted principal less \$8,430,000 principal paid), respectively, which is the accreted value at June 30, 2011. These bonds mature in the years from 2012 to 2021.

E Annual Requirements

The annual requirements to pay principal and interest on the long-term obligations at June 30, 2011 are as follows:

Fiscal Year	ANNUAL REQUIREMENTS			NOTES PAYABLE	
	Principal	Interest	Interest Rate Swaps, Net*	Principal	Interest
2012	\$29,250,000	\$51,388,169	\$2,522,391		\$590,633
2013	29,690,000	50,676,991	2,355,540	\$45,750,000	1,588
2014	28,695,000	50,145,680	2,151,745		
2015	29,405,000	49,585,731	1,994,298		
2016	25,915,000	49,019,150	1,831,638		
2017-2021	135,090,000	235,631,698	6,572,310		
2022-2026	150,240,000	214,228,756	2,425,324		
2027-2031	135,715,000	176,548,420			
2032-2036	493,555,000	91,949,915			
2037-2041	156,780,000	6,719,051			
Total Requirements	\$1,214,335,000	\$975,893,561	\$19,853,246	\$45,750,000	\$592,221

Interest on the variable rate General Revenue Bonds 2001B is calculated at 0.04% at June 30, 2011.

Interest on the variable rate General Revenue Bonds 2001C is calculated at 0.06% at June 30, 2011.

Interest rates are reset each week by the remarketing agent based upon a combination of the University's credit rating and market conditions.

This schedule also includes the debt service requirements for debt associated with interest rate swaps. More detailed information about interest rate swaps is presented in Note 9.

*Computed using $(5.24\% - 0.09) \times (\$22,000,000 - \text{annual swap reduction})$ and $(3.314 - 0.19) \times \$49,535,000$ notional amount.

The fiscal year 2012 principal requirements include demand bonds principal payments due 2012 only. This differs from the amount disclosed as current in Note 8A Changes in Long-term Liabilities as the current portion of bonds payable includes all outstanding principal for the demand bonds. See Note 8C Demand Bonds.

F Prior Year Bond Defeasance

During prior years, the University extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows:

General Revenue Bonds, Series 2001A: On August 30, 2005, the University defeased \$33,310,000 of outstanding General Revenue Bonds, Series 2001A. Securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the Statement of Net Assets. At June 30, 2011, the outstanding balance of the defeased General Revenue Bonds, Series 2001A bonds was \$0.

G Notes Payable

The University was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Beginning Balance 07/01/10	Draws	Repayments	Principal Outstanding 06/30/11
Real Property Purchases	Bank of America	1.581%	06/30/11	\$350,000		\$350,000	\$0
Real Property Purchases	Bank of America	1.291%	07/01/12	45,750,000			45,750,000
Total Notes Payable				\$46,100,000	\$0	\$350,000	\$45,750,000

The UNC-Chapel Hill Foundation, part of the University's reporting entity, has a line of credit agreement issued by Bank of America, originally in the aggregate principal amount up to \$10,000,000, and later reduced to \$6,000,000 upon the request of the Foundation, to finance the costs of projects benefiting the Foundation and/or the University. The line of credit had a maturity date of June 30, 2011. Prior to stated maturity, Bank of America extended the maturity date to September 30, 2011 to allow for documents to be restated and amended and to reduce the commitment amount, at the request of the Foundation, from \$6,000,000 to \$3,000,000. The Foundation has since executed the renewal of the line of credit in the amount of \$3,000,000 that carries the new maturity date to June 30, 2013. Under the new commitment, advances under the line of credit accrue interest at the variable rate of the LIBOR Market Index plus 1.15 percent. An unused commitment fee is due each quarter calculated as 0.24 percent of the difference between the commitment amount and the average balance outstanding for the quarter and paid in arrears on a quarterly basis. If the Foundation utilizes the line of credit to purchase an asset on behalf of the University, and later sells such asset to the University, the University reimburses the Foundation the principal amount of the draw and all accrued interest and associated transaction expenses.

On July 1, 2009, the UNC Chapel Hill Foundation, Inc. and Chapel Hill Foundation Real Estate Holdings Inc., (collectively, the Borrowers), entered into a loan agreement with the Bank of America, N.A. for \$45,750,000 to fund the acquisition of student housing and rental real property. Interest payments are made quarterly at the variable rate of the BBA LIBOR Daily Floating Rate plus 1.10 percent. The principal balance of the loan is due at maturity. A one-time loan fee of 0.25 percent of the commitment was paid on the effective date of the agreement. The loan is unsecured, but is governed by a loan agreement with financial and other covenants on the Borrowers. The loan matures on July 1, 2012.

H Annuities Payable

The University participates in split-interest agreements with donors that require benefits payments for a specified period to a designated beneficiary out of assets held in trust for this purpose. At the end of the predetermined period (e.g., the lifetime of the beneficiary specified by the donor), the remaining assets of the trust revert to the University for its use or for a purpose specified by the donor. At the end of each fiscal year, annuities and life income payable to the beneficiaries is calculated using IRS issued 90CM table, taking into consideration beneficiary's age and the amount of the gift, and using IRS issued Life Table 90CM.

NOTE 9 DERIVATIVE INSTRUMENTS

Derivative instruments held at June 30, 2011 are as follows:

Type	Notional Amount	CHANGE IN FAIR VALUE		FAIR VALUE	
		Classification	Increase (Decrease)	Classification	Asset (Liability)
Hedging Derivative Instruments					
<i>Cash Flow Hedges</i>					
Pay-Fixed Interest Rate Swap 2001B Bonds (Lehman Brothers)	\$19,685,000	Deferred Outflow of Resources	\$389,012	Hedging Derivative Liability	(\$4,081,211)
Pay-Fixed Interest Rate Swap 2001B&C and 2002A Bonds (Wachovia)	\$100,000,000	Deferred Outflow of Resources	4,622,586	Hedging Derivative Liability	(11,450,933)
			\$5,011,598		(\$15,532,144)

Hedging derivative instruments held at June 30, 2011 are as follows:

Type	Objective	Notional Amount	Effective Start Date	Termination End Date	Terms
Pay-Fixed Interest Rate Swap	Hedge changes in cash flows on General Revenue 2001B Series Bonds	\$19,685,000	10/03/00	11/01/25	Pay 5.24%, Receive SIFMA
Pay-Fixed Interest Rate Swap	Hedge changes in cash flows on General Revenue 2001B&C and 2002A Series Bonds	\$100,000,000	12/01/07	12/01/36	Pay 3.314%, Receive 67% 1 Mo. LIBOR

The fair value for the Lehman Brothers Special Financing, Inc. interest rate swap was provided by the University's financial advisor, Prager, Sealy, & Co. Their method calculates the future net settlement payments required by the swap assuming that 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 LIBOR due on the date of each future net settlement on the swap.

The fair value for the Wachovia Bank, N.A. interest rate swap was provided by Wachovia. Their method calculates the present value of all expected future payments on the swap based on forward curves discounted at current market rates.

During fiscal year 2009, Lehman Brothers Special Financing, Inc., filed for bankruptcy and no longer disburses the variable payment scheduled under the agreement to the University. To account for this consideration and as allowed under the swap documents, the University nets its scheduled fix payment against that payment that should be received from Lehman Brothers Special Financing, Inc., based upon SIFMA.

Risks

Interest Rate Risk: The University is exposed to interest rate risk on its interest rate swaps. The fair values of these instruments are highly sensitive to interest rate changes. Because rates have changed since the effective dates of the swaps, both of the swaps have a negative fair value as of June 30, 2011. The negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the University's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair values are the calculated values as of June 30, 2011. As the yield curve rises, the value of the swaps will increase and as rates fall, the value of the swaps decrease.

Credit Risk: As of June 30, 2011, the University was not exposed to credit risk because the swaps had a negative fair value.

Basis Risk: The University is exposed to basis risk on the swaps when its bonds begin to trade at a yield above the referenced index rate. For the Lehman Brothers swap, basis risk also exists since swap payments are received semi-annually while bond payments are made monthly. With the alternative tax structure of the swap, a change in tax law would trigger the swap being converted from a SIFMA swap to a percentage of LIBOR swap.

Termination Risk: The swap agreements use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the University being required to make an unanticipated termination payment. The swap may terminate if the University or Lehman Brothers or Wachovia fails to perform under terms of the contract.

Rollover Risk: The University is not exposed to rollover risk for the Lehman Brothers swap based solely upon the maturity date of the bonds since the termination date of the swap, November 1, 2025, is prior to the maturity date of the hedged bonds, December 1, 2025. However, since the underlying hedged variable rate debt is in the form of variable rate demand bonds, the University is subject to rollover risk in the event that the bonds are tendered and cannot be remarketed by the remarketing agent. The University is exposed to rollover risk for the Wachovia swap based upon the maturity date of the underlying debt and due to the form of the debt as variable rate demand bonds.

Future swaps—The University has also entered into a future dated interest rate swap agreement for \$150,000,000 to be effective December 1, 2011, on variable rate bonds.

NOTE 10 LEASE OBLIGATIONS**A** Capital Lease Obligations

Capital lease obligations for machinery and equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2011:

Fiscal Year	Amount
2012	\$777,641
2013	55,911
Total Minimum Lease Payments	833,552
Amount Representing Interest (0%–13.066% Rate of Interest)	19,995
Present Value of Future Lease Payments	\$813,557

Machinery and equipment acquired under capital lease amounted to \$2,874,429 at June 30, 2011. Depreciation for the capital assets associated with capital leases is included in depreciation expense.

B Operating Lease Obligations

Future minimum lease payments under non-cancelable operating leases for buildings and land consist of the following at June 30, 2011:

Fiscal Year	Amount
2012	\$6,417,323
2013	3,591,375
2014	768,055
2015	329,727
2016	56,574
2017–2021	72,475
2022–2026	42,240
2027–2031	40,128
Total Minimum Lease Payments	\$11,317,897

Rental expense for all operating leases during the year was \$24,946,158.

NOTE 11 REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Change in Allowance for Uncollectibles	Less Indigent Care and Contractual Adjustments	Net Revenues
Operating Revenues						
Student Tuition and Fees	\$362,637,149		\$72,740,602			\$289,896,547
Patient Services	\$689,236,056			(\$493,080)	\$409,694,201	\$280,034,935
<i>Sales and Services</i>						
Professional Income	\$98,867,454	\$6,325,138				\$92,542,316
Residential Life	62,154,724	79,961	\$9,729,411			52,345,352
Athletic	47,930,957					47,930,957
Utilities	131,781,470	99,278,763				32,502,707
Dining	30,843,903					30,843,903
Other	90,858,087	65,717,803				25,140,284
Parking	22,856,999	1,199				22,855,800
Bookstore	22,290,785		812,150			21,478,635
Health, Physical Education, and Recreation Services	7,784,912		301,330			7,483,582
UNC Management Company	7,106,313					7,106,313
Rental Property	5,691,729	193,015				5,498,714
School of Government	4,500,444					4,500,444
Trademark License Program	4,071,291					4,071,291
Telecommunications	17,452,414	13,736,575				3,715,839
Doubletree Carolina Inn	3,171,690					3,171,690
Printing/Carolina Copy	6,786,384	4,041,832				2,744,552
KFBS Center	2,693,824					2,693,824
Carolina Living & Learning Center	2,077,820					2,077,820
Performing Arts Series	1,735,382					1,735,382
Repairs & Maintenance	1,687,229					1,687,229
ERP Student Fees	1,424,750					1,424,750
Student Union Services	7,619,585	7,511,574				108,011
Materials Management and Disbursements	46,165					46,165
Total Sales and Services	\$581,434,311	\$196,885,860	\$10,842,891	\$0	\$0	\$373,705,560
Non-operating—Non-capital Gifts	\$93,369,786			\$203,388		\$93,166,398

NOTE 12 OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation and Amortization	Total
Instruction	\$530,494,189	\$25,197,166	\$142,812,939		\$265,674		\$698,769,968
Research	280,296,165	54,072,693	134,080,599		235,652		468,685,109
Public Service	63,613,622	7,653,252	65,883,148		128,895		137,278,917
Academic Support	74,687,092	11,824,994	19,232,341		138,465		105,882,892
Student Services	15,215,692	843,714	12,260,209		729		28,320,344
Institutional Support	63,148,973	5,001,786	23,363,972		43,511		91,558,242
Operations and Maintenance of Plant	45,243,144	6,934,563	21,918,287		71,173,610		145,269,604
Student Financial Aid				\$91,139,491			91,139,491
Auxiliary Enterprises	306,479,075	51,470,698	195,376,656		9,484,497		562,810,926
Depreciation and Amortization						\$102,724,282	102,724,282
Total Operating Expenses	\$1,379,177,952	\$162,998,866	\$614,928,151	\$91,139,491	\$81,471,033	\$102,724,282	\$2,432,439,775

A Retirement Plans

Each permanent full time employee, as a condition of employment, is a member of either the Teachers' and State Employees' Retirement System or the Optional Retirement Program. Eligible employees can elect to participate in the Optional Retirement Program at the time of employment, otherwise they are automatically enrolled in the Teachers' and State Employees' Retirement System.

The Teachers' and State Employees' Retirement System is a cost sharing multiple employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units, and local boards of education. The plan is administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by North Carolina General Statutes 135 5 and 135 8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2011, these rates were set at 4.93 percent of covered payroll for employers and 6 percent of covered payroll for members.

For the current fiscal year, the University had a total payroll of \$1,159,144,403 of which \$472,793,699 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$23,308,729 and \$28,367,622 respectively.

Required employer contribution rates for the years ended June 30, 2010, and 2009, were 3.57 percent and 3.36 percent, respectively, while employee contributions were 6 percent each year. The University made 100 percent of its annual required contributions for the years ended June 30, 2011, 2010, and 2009, which were \$23,308,729, \$16,632,618, and \$15,756,451, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's Comprehensive Annual Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

The Optional Retirement Program (Program) is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the

University may join the Program instead of the Teachers' and State Employees' Retirement System. The Board of Governors of The University of North Carolina is responsible for the administration of the Program and designates the companies authorized to offer investment products or the trustee responsible for the investment of contributions under the Program and approves the form and contents of the contracts and trust agreements.

Participants in the Program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the Program. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135 5.1. Employer and member contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2011, these rates were set at 6.84 percent of covered payroll for employers and 6 percent of covered payroll for members. The University assumes no liability other than its contribution.

For the current fiscal year, the University had a total payroll of \$1,159,144,403 of which \$476,742,643 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were \$32,609,197 and \$28,604,559, respectively.

B Deferred Compensation and Supplemental Retirement Income Plans

IRC Section 457 Plan

The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, the North Carolina Public Employee Deferred Compensation Trust Fund. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. The plan administrator is Prudential Financial, Inc. No costs are incurred by the University. The voluntary contributions by employees amounted to \$8,726,184 for the year ended June 30, 2011.

IRC Section 401(k) Plan

All members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. The plan administrator is Prudential Financial, Inc. No costs are incurred by the University except for a 5 percent employer contribution for the University's law enforcement officers, which is mandated under General Statute 143 166.30(e). Total employer contributions on behalf of University law enforcement officers for the year ended June 30, 2011, were \$122,616. The voluntary contributions by employees amounted to \$3,820,813 for the year ended June 30, 2011.

IRC Section 403(b) and 403(b)(7) Plans

Eligible University employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of universities and certain charitable and other non-profit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. The plan administrators are Fidelity Investments and TIAA-CREF. No costs are incurred by the University. The voluntary contributions by employees amounted to \$24,388,624 for the year ended June 30, 2011.

NOTE 14 | OTHER POSTEMPLOYMENT BENEFITS

A Health Benefits

The University participates in the Comprehensive Major Medical Plan (the Plan), a cost sharing, multiple employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System or the Optional Retirement Program. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

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

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay as you go basis, are determined by the General Assembly.

For the current fiscal year the University contributed 4.9 percent of the covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the Fund. Required contribution rates for the years ended June 30, 2010, and 2009, were 4.5 percent and 4.1 percent, respectively. The University made 100 percent of its annual required contributions to the Plan for the years ended June 30, 2011, 2010, and 2009, which were \$46,527,281, \$41,953,228, and \$37,956,143, respectively. The University assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's Comprehensive Annual Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

B Disability Income

The University participates in the Disability Income Plan of North Carolina (DIPNC), a cost sharing, multiple employer defined benefit plan, to provide short term and long term disability benefits to eligible members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2011, the University made a statutory contribution of 0.52 percent of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC.

Required contribution rates for the years ended June 30, 2010 and 2009, were 0.52 percent and 0.52 percent, respectively. The University made 100 percent of its annual required contributions to the DIPNC for the years ended June 30, 2011, 2010, and 2009, which were \$4,937,589, \$4,847,929, and \$4,813,950, respectively. The University assumes no liability for long term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's Comprehensive Annual Financial Report.

NOTE 15 RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state administered insurance programs, purchase of commercial insurance, and self retention of certain risks. Settled claims have not exceeded coverage in any of the past three fiscal years.

Public Officers and Employees Liability Insurance—Tort claims of up to \$1,000,000 are retained under the authority of the State Tort Claims Act. In addition, the state provides excess public officers' and employees' liability insurance up to \$10,000,000 per employee through a contract with a private insurance company. The University pays the premium, based on a composite rate, directly to the private insurer.

UNC Investment Fund, LLC (blended component unit) Liability Insurance—The UNC Investment Fund, LLC (UNC Investment Fund) is exposed to various risks of loss related to torts, theft of assets, and errors and omissions. The UNC Management Company, Inc. (Management Company) is a separate legal entity from The University of North Carolina System and the University. However, the Management Company's employees conduct UNC Investment Fund's affairs. Therefore, exposures to loss are handled by the purchase of commercial insurance by the Management Company. This insurance is independent of the risk management programs of The University of North Carolina System and the University.

Fire and Other Property Loss—The University is required to maintain fire and lightning coverage on all state owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the state. Such coverage is provided at no cost to the University for operations supported by the state's General Fund. Other operations not supported by the state's General Fund are charged for the coverage. The University has opted to purchase additional coverages offered by the Fund. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible.

Automobile Liability Insurance—All state owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The University pays premiums to the North Carolina Department of Insurance for the coverage.

Employee and Computer Fraud—The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90 percent of each loss less a \$75,000 deductible.

Other authorized coverage not handled by the North Carolina Department of Insurance is purchased through the state's insurance agent of record. Examples include, but are not limited to, fine arts, boiler and machinery, medical professional liability, athletic accident and revenues, and study abroad health insurance.

Comprehensive Major Medical Plan—University employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan has contracted with third parties to process claims.

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

Liability Insurance Trust Fund—The University participates in the Liability Insurance Trust Fund (Trust Fund), a claims-servicing public entity risk pool for healthcare professional liability protection. The Trust Fund services professional liability claims, managing separate accounts for each participant from which the losses of that participant are paid. Although participant assessments are determined on an actuarial basis, ultimate liability for claims remains with the participants and, accordingly, the insurance risks are not transferred to the Trust Fund.

The Trust Fund is an unincorporated entity created by Chapter 116, Article 26, of the North Carolina General Statutes and The University of North Carolina Board of Governors Resolution of June 9, 1978. The Trust Fund is a self-insurance program established to provide professional medical malpractice liability covering The University of North Carolina Hospitals at Chapel Hill (UNC Hospitals) and The University of North Carolina at Chapel Hill Physicians and Associates (UNC P&A), the program participants. The Trust Fund provides coverage for program

participants and individual health care practitioners working as employees, agents, or officers of program participants. The Trust Fund is exempt from federal and state income taxes, and is not subject to regulation by the North Carolina Department of Insurance.

Participation in the Trust Fund is open to the University of North Carolina, any constituent institution of the University of North Carolina, the UNC Hospitals, and any health care institution, agency or entity that has an affiliation agreement with the University of North Carolina, with a constituent institution of the University of North Carolina, or with the UNC Hospitals. Only UNC P&A and UNC Hospitals have participated in the Trust Fund to date. Participants provide management and administrative services to the Trust Fund at no cost.

The Trust Fund is governed by the Liability Insurance Trust Fund Council (the Council). The Council consists of 13 members as follows: one member each appointed by the State Attorney General, the State Auditor, the State Insurance Commissioner, the Director of the Office of State Budget and Management, the State Treasurer, (each serving at the pleasure of the appointer); and eight members appointed to three-year terms (with no limit on the number of terms) by the UNC System's Board of Governors.

The Trust Fund establishes claim liabilities based on estimates of the ultimate cost of claims (including future expenses and claim adjustment expenses) that have been reported but not settled and of claims incurred but not reported. Claim liabilities are recomputed annually based on an independent actuary's study to produce current estimates that reflect recent settlements, claims frequency, inflation, and other factors. Participant assessments are determined at a level to fund claim liabilities, discounted for future investment earnings. Each participant is required by statute to maintain a fund balance of \$100,000 at all times. Participants are subject to additional premium assessments in the event of deficiencies.

For the period July 1, 2010 through June 30, 2011, the Trust Fund provided coverage on an occurrence basis of \$3,000,000 per individual and \$7,000,000 in the aggregate per claim. Effective July 1, 2006, in lieu of purchasing commercial reinsurance, participants contributed approximately \$10,000,000 to a reimbursement fund for future losses. Prior to July 1, 2006, the Trust Fund entered into an excess of loss agreement with an unaffiliated reinsurer.

For the fiscal year ending June 30, 2011, the Trust Fund purchased a direct insurance policy to cover the first \$1,000,000 per occurrence and \$3,000,000 in the aggregate for dental residents. North Carolina General Statutes Chapter 116 was amended during 1987 to authorize the Trust Fund to borrow necessary amounts up to \$30,000,000, in the event that the Trust Fund may have insufficient funds to pay existing and

future claims. Any such borrowing would be repaid from the assets and revenues of program participants. No line of credit or borrowing has been established pursuant to this authorization. The Council believes adequate funds are on deposit in the Trust Fund to meet estimated losses based upon the results of the independent actuary's report.

The Trust Fund has purchased annuity contracts to settle claims for which the claimant has signed an agreement releasing the Fund from further obligation. The related claim liabilities have been removed from estimated malpractice costs.

The Council may choose to terminate the Trust Fund, or the respective participants may choose to terminate their participation. In the event of such termination by either the Council or a participant, an updated actuarial study will be performed to determine amounts due to or from the participants based on loss experience up to the date of termination.

At June 30, 2011, University assets in the Trust Fund totaled \$30,494,589 while University liabilities totaled \$26,180,389 resulting in net assets of \$4,314,200.

Additional disclosures about the funding status and obligations of the Trust Fund are set forth in the Audited Financial Statements of the Liability Insurance Trust Fund. Copies of this report may be obtained from The University of North Carolina Health Care System, 211 Friday Center Drive, Hedrick Building, Room 2029, Chapel Hill, NC 27517.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.16 percent for the current fiscal year.

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

NOTE 16 | COMMITMENTS AND CONTINGENCIES

A Commitments

The University has commitments of \$108,810,858 for various capital improvements projects that include construction and completion of new buildings, and renovations of existing buildings.

The UNC Investment Fund, LLC (UNC Investment Fund) has entered into agreements with limited partnerships to invest capital. These agreements represent the funding of capital over a designated period of time and are subject to adjustments. As of June 30, 2011, the UNC Investment Fund had approximately \$526,206,956 unfunded committed capital.

B Pending Litigation and Claims

The University is undertaking environmental remediation efforts on the Old Sanitary Landfill. The amount of the liability associated with this site cannot reasonably be estimated at this time.

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

C Other Contingent Receivables

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

Purpose	Amount
Pledges to permanent endowments	\$15,273,852

NOTE 17 RELATED PARTIES

There are 14 separately incorporated non-profit foundations associated with the University. These foundations are the Botanical Garden Foundation, Inc., The Dental Alumni Association, Inc., The Dental Foundation of North Carolina, Inc., The Educational Foundation, Inc., The General Alumni Association, The School of Government Foundation, Inc., The Morehead-Cain Scholarship Fund, The Pharmacy Foundation of North Carolina, Inc., The School of Journalism and Mass Communication Foundation of North Carolina, Inc., The University of North Carolina at Chapel Hill Public Health Foundation, Inc., The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc., The School of Social Work Foundation, Inc., James B. Hunt, Jr. Institute for Educational Leadership and Policy Foundation, Inc. and Carolina for Kibera, Inc. Some of these organizations serve, in conjunction with the

University's component units (See Note 1A), as the primary fundraising arm of the University through which individuals, corporations, and other organizations support University programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific colleges and the University's overall academic environment. The alumni associations provide educational opportunities or other services to alumni. The University's financial statements do not include the assets, liabilities, net assets, or operational transactions of these organizations, except for support from each organization to the University. This support totaled \$19,235,361 for the year ended June 30, 2011.

NOTE 18 INVESTMENT IN JOINT VENTURE

The University is a member of the Southern Observatory for Astronomical Research Consortium (SOAR), a joint venture accounted for under the equity method. The University is partners with Michigan State University, the Association of Universities for Research in Astronomy, and the Ministry of Science and Technology of the Federal Republic of Brazil. SOAR designed, constructed, and now operates a 4.0-meter telescope with instrumentation and related support buildings located at Cerro Pachon, a mountain in central Chile. The SOAR agreement allocates the University 16.7 percent of observing time until 2023. The audited financial statements for SOAR may be obtained from the University Controller's Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370.

NOTE 19 CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2011, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 59, updates the disclosure and reporting requirements for certain financial instruments and external investment pools.

STATISTICAL SECTION





Narrative to the Statistical Section

June 30, 2011

73 FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the University's financial performance has changed over time.

-
- Net Assets by Component
 - Changes in Net Assets
 - Changes in Net Assets Adjusted for Inflation
 - Operating Expenses by Function

80 REVENUE CAPACITY

These schedules contain information to help the reader assess the University's revenue sources.

-
- Revenue Base
 - Academic Year Tuition and Required Fees
 - Principal Revenue Payers

82 DEBT CAPACITY

These schedules present information to help the reader assess the University's current levels of outstanding debt.

-
- Long-term Debt
 - Summary of Ratios
 - Specific Revenue and General Revenue Bond Coverage

92 DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the University's financial activities take place.

-
- Annual Undergraduate Educational Costs Per Student
 - Admissions, Enrollment, and Degrees Earned
 - Demographic Data
 - Principal Employers

98 OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the University's financial information relates to the activities it performs.

-
- Faculty and Staff
 - Capital Assets

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	<i>(as restated)</i>									
Invested in Capital Assets	\$1,587,446	\$1,420,104	\$1,338,833	\$1,290,034	\$1,211,805	\$1,119,040	\$1,017,383	\$855,740	\$771,281	\$668,386
Restricted, Non-expendable	656,723	621,873	586,175	548,151	493,305	430,316	378,234	328,735	323,961	304,097
Restricted, Expendable	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133	736,631	648,019	559,128	645,390
Unrestricted	851,254	778,439	700,280	671,970	617,573	525,513	475,631	408,705	370,816	346,546
Total Net Assets	\$4,102,959	\$3,711,598	\$3,462,442	\$3,709,435	\$3,409,036	\$2,928,002	\$2,607,879	\$2,241,199	\$2,025,186	\$1,964,419

expressed as a percent of the total

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%	%
Invested in Capital Assets	38.7	38.3	38.7	34.8	35.5	38.2	39.0	38.2	38.1	34.0
Restricted, Non-expendable	16.0	16.7	16.9	14.8	14.5	14.7	14.5	14.7	16.0	15.5
Restricted, Expendable	24.6	24.0	24.2	32.3	31.9	29.2	28.2	28.9	27.6	32.9
Unrestricted	20.7	21.0	20.2	18.1	18.1	17.9	18.3	18.2	18.3	17.6
Total Net Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

percentage increase (decrease) from prior year

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%	%
	<i>(as restated)</i>									
Invested in Capital Assets	11.8	6.1	3.8	6.5	8.3	10.0	18.9	11.0	15.4	n/a
Restricted, Non-expendable	5.6	6.1	6.9	11.1	14.6	13.8	15.1	1.5	6.5	n/a
Restricted, Expendable	13.1	6.5	(30.2)	10.4	27.3	15.8	13.7	15.9	(13.4)	n/a
Unrestricted	9.4	11.2	4.2	8.8	17.5	10.5	16.4	10.2	7.0	n/a
Total Net Assets	10.5	7.2	(6.7)	8.8	16.4	12.3	16.4	10.7	3.1	n/a

CHANGES IN NET ASSETS LAST TEN FISCAL YEARS

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	\$289,897	\$249,083	\$236,960	\$218,763	\$210,651	\$195,882	\$164,457	\$153,943	\$146,961	\$124,661
Patient services, net	280,035	242,757	237,966	214,706	197,221	184,324	172,063	172,877	131,256	137,035
Federal grants and contracts	571,288	530,368	471,680	447,793	429,059	422,229	403,100	384,618	356,845	330,403
State and local grants and contracts	38,251	37,679	29,091	51,207	45,256	41,842	39,816	39,793	34,289	38,512
Non-governmental grants and contracts	146,081	120,674	123,649	115,513	92,572	89,976	81,560	75,388	64,547	75,536
Sales and services, net	373,706	354,439	321,505	349,372	324,432	301,303	290,397	270,351	262,106	246,568
Interest earnings on loans	842	790	801	666	679	672	1,441	435	281	121
Other operating revenues	4,836	6,485	7,835	6,232	4,574	5,283	4,167	5,233	7,283	14,629
Total operating revenues	1,704,936	1,542,275	1,429,487	1,404,252	1,304,444	1,241,511	1,157,001	1,102,638	1,003,568	967,465
Expenses										
<i>Operating Expenses</i>										
Salaries and benefits	1,379,178	1,340,749	1,309,862	1,210,757	1,122,269	1,042,452	966,629	917,840	876,266	829,473
Supplies and materials	162,999	156,404	174,501	161,219	165,704	152,911	148,440	151,196	146,986	148,324
Services	614,928	538,784	533,023	526,646	462,093	432,212	407,690	380,126	377,856	364,832
Scholarships and fellowships	91,140	69,083	58,557	58,058	56,662	54,105	51,170	47,427	45,618	40,415
Utilities	81,471	81,210	77,636	66,197	60,727	56,277	47,870	46,208	43,915	45,452
Depreciation and amortization	102,724	90,861	70,747	66,413	80,827	64,475	60,102	60,589	53,076	48,517
Total operating expenses	2,432,440	2,277,091	2,224,326	2,089,290	1,948,282	1,802,432	1,681,901	1,603,386	1,543,717	1,477,013
Operating loss	(727,504)	(734,816)	(794,839)	(685,038)	(643,838)	(560,921)	(524,900)	(500,748)	(540,149)	(509,548)
Non-Operating Revenues (Expenses)										
State appropriations	520,198	509,691	518,276	543,292	492,471	440,070	406,673	380,446	368,024	368,504
State aid—federal recovery funds	14,480	32,062	20,051	0	0	0	0	0	0	0
Non-capital grants—federal student financial aid	18,946	17,099	10,170	0	0	0	0	0	0	0
Non-capital grants	175,600	155,014	143,846	102,932	62,669	67,388	62,544	53,154	40,995	34,769
Non-capital gifts, net	93,166	75,881	87,226	113,094	73,637	68,824	73,693	68,517	60,888	62,404
Investment income (loss), net	208,184	103,605	(296,904)	146,650	317,767	207,423	154,900	135,369	47,398	52,957
Interest and fees on debt	(56,765)	(64,261)	(52,465)	(53,311)	(42,926)	(39,921)	(21,823)	(18,339)	(15,681)	(15,031)
Federal interest subsidy on debt	2,273	1,130	0	0	0	0	0	0	0	0
Other non-operating revenues (expenses)	(2,670)	(14,219)	2,359	851	146	(230)	8,374	(8,132)	(1,899)	(7,662)
Net non-operating revenues	973,412	816,002	432,559	853,508	903,764	743,554	684,361	611,015	499,725	495,941
Income before other revenues	245,908	81,186	(362,280)	168,470	259,926	182,633	159,461	110,267	(40,424)	(13,607)
Capital appropriations	0	0	12,539	47,206	52,888	15,776	5,166	898	0	0
Refund of prior years capital appropriations	(81)	(444)	(3,317)	0	0	0	0	0	0	0
Capital grants	91,864	86,117	27,124	12,885	118,850	52,277	152,844	74,392	72,486	27,480
Capital gifts	9,149	50,688	34,686	11,596	15,662	13,368	11,521	6,359	7,553	8,238
Additions to endowments	44,521	31,609	44,255	60,242	39,442	56,069	37,688	24,098	21,153	23,283
Increase (Decrease) in Net Assets	\$391,361	\$249,156	(\$246,993)	\$300,399	\$486,768	\$320,123	\$366,680	\$216,014	\$60,768	\$45,394

CHANGES IN NET ASSETS (CONTINUED)

LAST TEN FISCAL YEARS

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	(as restated)									
Total Revenues	\$2,883,317	\$2,605,171	\$2,330,019	\$2,443,000	\$2,477,976	\$2,162,706	\$2,070,404	\$1,845,871	\$1,622,065	\$1,545,100
Total Expenses	2,491,956	2,356,015	2,577,012	2,142,601	1,991,208	1,842,583	1,703,724	1,629,857	1,561,297	1,499,706

Increase (Decrease) in Net Assets	\$391,361	\$249,156	(\$246,993)	\$300,399	\$486,768	\$320,123	\$366,680	\$216,014	\$60,768	\$45,394
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Expressed as a percent of Total Revenues / Total Expenses

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%	%
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	10.1	9.6	10.2	9.0	8.5	9.1	7.9	8.3	9.1	8.1
Patient services, net	9.7	9.3	10.2	8.8	8.0	8.5	8.3	9.4	8.1	8.9
Federal grants and contracts	19.8	20.5	20.4	18.3	17.3	19.6	19.6	20.8	22.0	21.3
State and local grants and contracts	1.3	1.4	1.2	2.1	1.8	1.9	1.9	2.2	2.1	2.5
Non-governmental grants and contracts	5.1	4.6	5.3	4.7	3.7	4.2	3.9	4.1	4.0	4.9
Sales and services, net	13.0	13.6	13.8	14.3	13.1	13.9	14.0	14.6	16.2	16.0
Interest earnings on loans	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Other operating revenues	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.3	0.4	0.9
Total operating revenues	59.1	59.2	61.4	57.5	52.6	57.4	55.9	59.7	61.9	62.6

Expenses

<i>Operating Expenses</i>										
Salaries and benefits	55.3	56.9	50.8	56.5	56.4	56.6	56.7	56.3	56.1	55.3
Supplies and materials	6.5	6.6	6.8	7.5	8.3	8.3	8.7	9.3	9.4	9.9
Services	24.7	22.9	20.7	24.6	23.2	23.5	23.9	23.3	24.2	24.3
Scholarships and fellowships	3.7	2.9	2.3	2.7	2.8	2.9	3.0	2.9	2.9	2.7
Utilities	3.3	3.4	3.0	3.1	3.0	3.1	2.8	2.8	2.8	3.0
Depreciation and amortization	4.1	3.9	2.7	3.1	4.1	3.5	3.5	3.7	3.4	3.2
Total operating expenses	84.4	87.4	95.5	85.5	78.6	83.3	81.3	86.8	95.2	95.6
Operating loss	(25.3)	(28.2)	(34.1)	(28.0)	(26.0)	(25.9)	(25.4)	(27.1)	(33.3)	(33.0)

Non-Operating Revenues (Expenses)

State appropriations	18.0	19.6	22.2	22.4	19.9	20.3	19.6	20.6	22.7	23.8
State aid—federal recovery funds	0.5	1.2	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-capital grants—federal student financial aid	0.7	0.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-capital grants	6.1	6.0	6.2	4.2	2.5	3.1	3.0	2.9	2.5	2.3
Non-capital gifts, net	3.2	2.9	3.7	4.6	3.0	3.2	3.6	3.7	3.8	4.0
Investment income (loss), net	7.2	4.0	(11.5)	6.0	12.8	9.6	7.5	7.3	2.9	3.4
Interest and fees on debt	(2.3)	(2.7)	(2.0)	(2.5)	(2.2)	(2.2)	(1.3)	(1.1)	(1.0)	(1.0)
Federal interest subsidy on debt	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-operating revenues (expenses)	(0.1)	(0.6)	0.1	0.0	0.0	0.0	0.4	(0.5)	(0.1)	(0.5)
Net non-operating revenues	33.9	31.3	18.6	34.9	36.5	34.3	33.1	33.1	30.8	32.1
Income before other revenues	8.6	3.1	(15.5)	6.9	10.5	8.4	7.7	6.0	(2.5)	(0.9)
Capital appropriations	0.0	0.0	0.5	1.9	2.1	0.7	0.2	0.0	0.0	0.0
Refund of prior years capital appropriations	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital grants	3.2	3.3	0.9	0.4	4.8	2.5	7.4	4.1	4.4	1.8
Capital gifts	0.3	1.9	1.5	0.5	0.6	0.6	0.6	0.3	0.5	0.5
Additions to endowments	1.5	1.2	1.9	2.5	1.6	2.6	1.8	1.3	1.3	1.5
Increase (Decrease) in Net Assets	13.6	9.6	(10.6)	12.3	19.6	14.8	17.7	11.7	3.7	2.9

CHANGES IN NET ASSETS (CONTINUED)

LAST TEN FISCAL YEARS

percentage increase (decrease) from prior year

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%	%
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	16.4	5.1	8.3	3.9	7.5	19.1	6.8	4.8	17.9	n/a
Patient services, net	15.4	2.0	10.8	8.9	7.0	7.1	(0.5)	31.7	(4.2)	n/a
Federal grants and contracts	7.7	12.4	5.3	4.4	1.6	4.7	4.8	7.8	8.0	n/a
State and local grants and contracts	1.5	29.5	(43.2)	13.1	8.2	5.1	0.1	16.1	(11.0)	n/a
Non-governmental grants and contracts	21.1	(2.4)	7.0	24.8	2.9	10.3	8.2	16.8	(14.5)	n/a
Sales and services, net	5.4	10.2	(8.0)	7.7	7.7	3.8	7.4	3.1	6.3	n/a
Interest earnings on loans	6.6	(1.4)	20.3	(1.9)	1.0	(53.4)	231.3	54.8	132.2	n/a
Other operating revenues	(25.4)	(17.2)	25.7	36.2	(13.4)	26.8	(20.4)	(28.1)	(50.2)	n/a
Total operating revenues	10.5	7.9	1.8	7.7	5.1	7.3	4.9	9.9	3.7	n/a
Expenses										
<i>Operating Expenses</i>										
Salaries and benefits	2.9	2.4	8.2	7.9	7.7	7.8	5.3	4.7	5.6	n/a
Supplies and materials	4.2	(10.4)	8.2	(2.7)	8.4	3.0	(1.8)	2.9	(0.9)	n/a
Services	14.1	1.1	1.2	14.0	6.9	6.0	7.3	0.6	3.6	n/a
Scholarships and fellowships	31.9	18.0	0.9	2.5	4.7	5.7	7.9	4.0	12.9	n/a
Utilities	0.3	4.6	17.3	9.0	7.9	17.6	3.6	5.2	(3.4)	n/a
Depreciation and amortization	13.1	28.4	6.5	(17.8)	25.4	7.3	(0.8)	14.2	9.4	n/a
Total operating expenses	6.8	2.4	6.5	7.2	8.1	7.2	4.9	3.9	4.5	n/a
Operating loss	(1.0)	(7.6)	16.0	6.4	14.8	6.9	4.8	(7.3)	6.0	n/a
Non-Operating Revenues (Expenses)										
State appropriations	2.1	(1.7)	(4.6)	10.3	11.9	8.2	6.9	3.4	(0.1)	n/a
State aid—federal recovery funds	(54.8)	59.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-capital grants—federal student financial aid	10.8	68.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-capital grants	13.3	7.8	39.7	64.2	(7.0)	7.7	17.7	29.7	17.9	n/a
Non-capital gifts, net	22.8	(13.0)	(22.9)	53.6	7.0	(6.6)	7.6	12.5	(2.4)	n/a
Investment income (loss), net	100.9	134.9	(302.5)	(53.8)	53.2	33.9	14.4	185.6	(10.5)	n/a
Interest and fees on debt	(11.7)	22.5	(1.6)	24.2	7.5	82.9	19.0	17.0	4.3	n/a
Federal interest subsidy on debt	101.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other non-operating revenues (expenses)	(81.2)	(702.8)	177.2	482.9	163.5	(102.7)	203.0	(328.2)	75.2	n/a
Net non-operating revenues	19.3	88.6	(49.3)	(5.6)	21.5	8.6	12.0	22.3	0.8	n/a
Income before other revenues	202.9	122.4	(315.0)	(35.2)	42.3	14.5	44.6	372.8	(197.1)	n/a
Capital appropriations	0.0	(100.0)	(73.4)	(10.7)	235.2	205.4	475.3	n/a	n/a	n/a
Refund of prior years capital appropriations	(81.8)	(86.6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Capital grants	6.7	217.5	110.5	(89.2)	127.3	(65.8)	105.5	2.6	163.8	n/a
Capital gifts	(82.0)	46.1	199.1	(26.0)	17.2	16.1	81.2	(15.8)	(8.3)	n/a
Additions to endowments	40.8	(28.6)	(26.5)	52.7	(29.7)	48.8	56.4	13.9	(9.1)	n/a
Increase (Decrease) in Net Assets	57.1	200.9	(182.2)	(38.3)	52.1	(12.7)	69.7	255.5	33.9	n/a

CHANGES IN NET ASSETS ADJUSTED FOR INFLATION LAST TEN FISCAL YEARS (2002 DOLLARS)

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	\$209,938	\$184,282	\$177,112	\$167,333	\$169,936	\$163,271	\$144,436	\$141,073	\$139,428	\$124,661
Patient services, net	202,796	179,602	177,864	164,230	159,101	153,637	151,116	158,424	124,528	137,035
Federal grants and contracts	413,717	392,389	352,550	342,519	346,129	351,935	354,026	352,462	338,553	330,403
State and local grants and contracts	27,701	27,877	21,744	39,168	36,509	34,876	34,969	36,466	32,531	38,512
Non-governmental grants and contracts	105,789	89,280	92,420	88,356	74,679	74,997	71,631	69,085	61,238	75,536
Sales and services, net	270,631	262,229	240,304	267,236	261,725	251,141	255,043	247,749	248,670	246,568
Interest earnings on loans	610	584	599	509	548	560	1,266	399	267	121
Other operating revenues	3,502	4,798	5,856	4,767	3,690	4,403	3,660	4,796	6,910	14,629
Total operating revenues	1,234,684	1,141,041	1,068,449	1,074,118	1,052,317	1,034,820	1,016,147	1,010,454	952,125	967,465
Expenses										
<i>Operating Expenses</i>										
Salaries and benefits	998,776	991,943	979,036	926,114	905,353	868,902	848,949	841,105	831,348	829,473
Supplies and materials	118,041	115,714	130,428	123,317	133,676	127,454	130,369	138,555	139,451	148,324
Services	445,320	398,615	398,400	402,834	372,778	360,256	358,057	348,346	358,487	364,832
Scholarships and fellowships	66,002	51,111	43,768	44,409	45,710	45,097	44,940	43,462	43,280	40,415
Utilities	59,000	60,083	58,028	50,634	48,989	46,908	42,042	42,345	41,664	45,452
Depreciation and amortization	74,391	67,223	52,879	50,800	65,204	53,741	52,785	55,524	50,355	48,517
Total operating expenses	1,761,530	1,684,689	1,662,539	1,598,108	1,571,710	1,502,358	1,477,142	1,469,337	1,464,585	1,477,013
Operating loss	(526,846)	(543,648)	(594,090)	(523,990)	(519,393)	(467,538)	(460,995)	(458,883)	(512,460)	(509,548)
Non-Operating Revenues (Expenses)										
State appropriations	376,718	377,091	387,377	415,567	397,285	366,806	357,164	348,639	349,159	368,504
State aid—federal recovery funds	10,486	23,721	14,987	0	0	0	0	0	0	0
Non-capital grants—federal student financial aid	13,720	12,651	7,601	0	0	0	0	0	0	0
Non-capital grants	127,166	114,686	107,515	78,733	50,556	56,169	54,930	48,710	38,894	34,769
Non-capital gifts, net	67,469	56,140	65,196	86,506	59,404	57,366	64,721	62,789	57,767	62,404
Investment income (loss), net	150,763	76,651	(221,916)	112,173	256,348	172,891	136,042	124,052	44,968	52,957
Interest and fees on debt	(41,108)	(47,543)	(39,214)	(40,778)	(34,629)	(33,275)	(19,166)	(16,806)	(14,877)	(15,031)
Federal interest subsidy on debt	1,646	836	0	0	0	0	0	0	0	0
Other non-operating revenues (expenses)	(1,934)	(10,520)	1,763	651	118	(192)	7,355	(7,452)	(1,802)	(7,662)
Net non-operating revenues	704,926	603,713	323,309	652,852	729,082	619,765	601,046	559,932	474,109	495,941
Income before other revenues	178,080	60,065	(270,781)	128,862	209,689	152,227	140,051	101,049	(38,351)	(13,607)
Capital appropriations	0	0	9,372	36,108	42,666	13,150	4,537	823	0	0
Refund of prior years capital appropriations	(59)	(328)	(2,479)	0	0	0	0	0	0	0
Capital grants	66,526	63,713	20,273	9,856	95,878	43,574	134,236	68,173	68,770	27,480
Capital gifts	6,626	37,501	25,926	8,870	12,635	11,142	10,118	5,827	7,166	8,238
Additions to endowments	32,241	23,386	33,078	46,079	31,819	46,735	33,100	22,083	20,069	23,283
Increase (Decrease) in Net Assets	\$283,414	\$184,337	(\$184,611)	\$229,775	\$392,687	\$266,828	\$322,042	\$197,955	\$57,654	\$45,394
Higher Education Price Index (HEPI)	311.8	305.2	302.1	295.2	279.9	270.9	257.1	246.4	238.0	225.8

CHANGES IN NET ASSETS ADJUSTED FOR INFLATION (CONTINUED)
LAST TEN FISCAL YEARS (2002 DOLLARS)

percentage increase (decrease) from prior year

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%	%
					(as restated)					
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	13.9	4.0	5.8	(1.5)	4.1	13.0	2.4	1.2	11.8	n/a
Patient services, net	12.9	1.0	8.3	3.2	3.6	1.7	(4.6)	27.2	(9.1)	n/a
Federal grants and contracts	5.4	11.3	2.9	(1.0)	(1.6)	(0.6)	0.4	4.1	2.5	n/a
State and local grants and contracts	(0.6)	28.2	(44.5)	7.3	4.7	(0.3)	(4.1)	12.1	(15.5)	n/a
Non-governmental grants and contracts	18.5	(3.4)	4.6	18.3	(0.4)	4.7	3.7	12.8	(18.9)	n/a
Sales and services, net	3.2	9.1	(10.1)	2.1	4.2	(1.5)	2.9	(0.4)	0.9	n/a
Interest earnings on loans	4.5	(2.5)	17.7	(7.1)	(2.1)	(55.8)	217.3	49.4	120.7	n/a
Other operating revenues	(27.0)	(18.1)	22.8	29.2	(16.2)	20.3	(23.7)	(30.6)	(52.8)	n/a
Total operating revenues	8.2	6.8	(0.5)	2.1	1.7	1.8	0.6	6.1	(1.6)	n/a
Expenses										
<i>Operating Expenses</i>										
Salaries and benefits	0.7	1.3	5.7	2.3	4.2	2.4	0.9	1.2	0.2	n/a
Supplies and materials	2.0	(11.3)	5.8	(7.7)	4.9	(2.2)	(5.9)	(0.6)	(6.0)	n/a
Services	11.7	0.1	(1.1)	8.1	3.5	0.6	2.8	(2.8)	(1.7)	n/a
Scholarships and fellowships	29.1	16.8	(1.4)	(2.8)	1.4	0.3	3.4	0.4	7.1	n/a
Utilities	(1.8)	3.5	14.6	3.4	4.4	11.6	(0.7)	1.6	(8.3)	n/a
Depreciation and amortization	10.7	27.1	4.1	(22.1)	21.3	1.8	(4.9)	10.3	3.8	n/a
Total operating expenses	4.6	1.3	4.0	1.7	4.6	1.7	0.5	0.3	(0.8)	n/a
Operating loss	(3.1)	(8.5)	13.4	0.9	11.1	1.4	0.5	(10.5)	0.6	n/a
Non-Operating Revenues (Expenses)										
State appropriations	(0.1)	(2.7)	(6.8)	4.6	8.3	2.7	2.4	(0.1)	(5.2)	n/a
State aid—federal recovery funds	(55.8)	58.3	100.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-capital grants—federal student financial aid	8.4	66.4	100.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-capital grants	10.9	6.7	36.6	55.7	(10.0)	2.3	12.8	25.2	11.9	n/a
Non-capital gifts, net	20.2	(13.9)	(24.6)	45.6	3.6	(11.4)	3.1	8.7	(7.4)	n/a
Investment income (loss), net	96.7	(134.5)	(297.8)	(56.2)	48.3	27.1	9.7	175.9	(15.1)	n/a
Interest and fees on debt	(13.5)	21.2	(3.8)	17.8	4.1	73.6	14.0	13.0	(1.0)	n/a
Federal interest subsidy on debt	96.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other non-operating revenues (expenses)	(81.6)	(696.7)	170.8	451.7	(161.5)	(102.6)	(198.7)	313.5	(76.5)	n/a
Net non-operating revenues	16.7	86.7	(50.5)	(10.5)	17.6	3.1	7.3	18.1	(4.4)	n/a
Income before other revenues	196.5	122.2	(310.1)	(38.5)	37.7	8.7	38.6	(363.5)	181.8	n/a
Capital appropriations	0.0	(100.0)	(74.0)	(15.4)	224.5	189.8	451.3	n/a	n/a	n/a
Refund of prior years capital appropriations	(82.0)	(86.8)	(100.0)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Capital grants	4.4	214.3	105.7	(89.7)	120.0	(67.5)	96.9	(0.9)	150.3	n/a
Capital gifts	(82.3)	44.6	192.3	(29.8)	13.4	10.1	73.6	(18.7)	(13.0)	n/a
Additions to endowments	37.9	(29.3)	(28.2)	44.8	(31.9)	41.2	49.9	10.0	(13.8)	n/a
Increase (Decrease) in Net Assets	53.7	199.9	(180.3)	(41.5)	47.2	(17.1)	62.7	243.3	27.0	n/a

OPERATING EXPENSES BY FUNCTION LAST TEN FISCAL YEARS

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Operating Expenses by Function										
Instruction	\$698,770	\$684,836	\$674,942	\$662,228	\$624,128	\$595,319	\$575,951	\$532,927	\$531,123	\$497,771
Research	468,685	431,317	398,754	358,199	312,160	285,646	271,208	257,945	247,434	237,275
Public Service	137,279	138,044	126,427	95,618	90,025	85,330	83,005	78,276	75,410	76,896
Academic Support	105,883	107,806	107,371	106,613	97,776	86,229	75,384	75,693	70,888	67,618
Student Services	28,320	26,961	27,967	28,434	25,865	23,957	21,653	20,488	19,491	18,225
Institutional Support	91,558	83,962	89,954	86,549	76,188	71,609	67,426	64,732	63,461	58,560
Operations and Maintenance of Plant	145,270	136,008	145,550	133,031	124,991	111,720	92,860	87,891	86,451	90,942
Student Financial Aid	91,140	69,083	58,557	58,058	56,662	54,105	51,170	47,427	45,618	40,415
Auxiliary Enterprises	562,811	508,213	524,057	494,147	459,660	424,042	383,142	377,418	350,765	340,794
Depreciation and amortization	102,724	90,861	70,747	66,413	80,827	64,475	60,102	60,589	53,076	48,517
Total Operating Expenses by Function	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432	\$1,681,901	\$1,603,386	\$1,543,717	\$1,477,013

Fiscal Year Ended June 30,	expressed as percent of the total									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%	%
Instruction	28.7	30.1	30.4	31.7	32.2	33.1	34.3	33.2	34.4	33.7
Research	19.3	18.9	17.9	17.2	16.0	15.8	16.1	16.1	16.0	16.0
Public Service	5.6	6.1	5.7	4.6	4.6	4.7	4.9	4.9	4.9	5.2
Academic Support	4.4	4.7	4.8	5.1	5.0	4.8	4.5	4.7	4.6	4.6
Student Services	1.2	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2
Institutional Support	3.8	3.7	4.0	4.1	3.9	4.0	4.0	4.0	4.1	4.0
Operations and Maintenance of Plant	6.0	6.0	6.5	6.4	6.4	6.2	5.5	5.5	5.6	6.2
Student Financial Aid	3.7	3.0	2.6	2.8	2.9	3.0	3.0	3.0	3.0	2.7
Auxiliary Enterprises	23.1	22.3	23.6	23.6	23.6	23.5	22.8	23.5	22.7	23.1
Depreciation and amortization	4.2	4.0	3.2	3.2	4.1	3.6	3.6	3.8	3.4	3.3
Total Operating Expenses by Function	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Fiscal Year Ended June 30,	percentage increase (decrease) from prior year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%	%	%	%	%
Instruction	2.0	1.5	1.9	6.1	4.8	3.4	8.1	0.3	6.7	n/a
Research	8.7	8.2	11.3	14.7	9.3	5.3	5.1	4.2	4.3	n/a
Public Service	(0.6)	9.2	32.2	6.2	5.5	2.8	6.0	3.8	(1.9)	n/a
Academic Support	(1.8)	0.4	0.7	9.0	13.4	14.4	(0.4)	6.8	4.8	n/a
Student Services	5.0	(3.6)	(1.6)	9.9	8.0	10.6	5.7	5.1	6.9	n/a
Institutional Support	9.0	(6.7)	3.9	13.6	6.4	6.2	4.2	2.0	8.4	n/a
Operations and Maintenance of Plant	6.8	(6.6)	9.4	6.4	11.9	20.3	5.7	1.7	(4.9)	n/a
Student Financial Aid	31.9	18.0	0.9	2.5	4.7	5.7	7.9	4.0	12.9	n/a
Auxiliary Enterprises	10.7	(3.0)	6.1	7.5	8.4	10.7	1.5	7.6	2.9	n/a
Depreciation and amortization	13.1	28.4	6.5	(17.8)	25.4	7.3	(0.8)	14.2	9.4	n/a
Total Operating Expenses by Function	6.8	2.4	6.5	7.2	8.1	7.2	4.9	3.9	4.5	n/a

REVENUE BASE LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
National Institutes of Health										
Total Appropriations (000's)	\$30,986,200	\$31,246,200	\$30,553,298	\$29,465,000	\$28,626,000	\$28,586,617	\$28,495,157	\$27,887,512	\$27,066,782	\$23,296,382
percent increase from prior year	(0.83)%	2.27%	3.69%	2.93%	0.14%	0.32%	2.18%	3.03%	16.18%	n/a
National Science Foundation										
Total Appropriations (000's)	\$6,859,870	\$6,926,400	\$6,490,400	\$6,064,900	\$5,917,160	\$5,580,000	\$5,472,820	\$5,577,830	\$5,309,995	\$4,789,240
percent increase from prior year	(0.96)%	6.72%	7.02%	2.50%	6.04%	1.96%	(1.88)%	5.04%	10.87%	n/a

Sources: National Institutes of Health, National Science Foundation.

ACADEMIC YEAR TUITION AND REQUIRED FEES LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
UNC-Chapel Hill vs Association of American Universities (AAU)										
Resident Undergraduate—										
UNC-CH	\$6,665	\$5,625	\$5,397	\$5,340	\$5,033	\$4,613	\$4,451	\$4,072	\$3,856	\$3,277
percent increase from prior year	18.50%	4.23%	1.07%	6.10%	9.11%	3.64%	9.31%	5.60%	17.67%	n/a
AAU Public Universities (mean)										
	n/a	\$8,806	\$8,283	\$7,771	\$7,321	\$6,906	\$6,458	\$5,980	\$5,160	\$4,656
percent increase from prior year	n/a	6.31%	6.59%	6.15%	6.01%	6.94%	7.99%	15.89%	10.82%	n/a
Non-Resident Undergraduate—UNC-CH										
	\$25,280	\$23,513	\$22,295	\$20,988	\$19,681	\$18,411	\$17,549	\$15,920	\$15,140	\$13,269
percent increase from prior year	7.52%	5.46%	6.23%	6.64%	6.90%	4.91%	10.23%	5.15%	14.10%	n/a
AAU Public Universities (mean)										
	n/a	\$24,775	\$23,104	\$21,821	\$20,652	\$19,579	\$18,471	\$16,849	\$15,089	\$13,656
percent increase from prior year	n/a	7.23%	5.88%	5.66%	5.48%	6.00%	9.63%	11.66%	10.49%	n/a
Resident Graduate—										
UNC-CH	\$8,202	\$7,162	\$6,693	\$6,236	\$5,680	\$5,014	\$4,651	\$4,269	\$4,043	\$3,449
percent increase from prior year	14.52%	7.01%	7.33%	9.79%	13.27%	7.80%	8.95%	5.59%	17.22%	n/a
AAU Public Universities (mean)										
	n/a	\$10,795	\$10,133	\$9,432	\$8,913	\$8,379	\$7,812	\$7,260	\$6,315	\$5,750
percent increase from prior year	n/a	6.53%	7.43%	5.82%	6.37%	7.26%	7.60%	14.96%	9.83%	n/a
Non-Resident Graduate—										
UNC-CH	\$22,932	\$21,560	\$21,091	\$20,234	\$19,678	\$19,012	\$17,899	\$16,267	\$15,692	\$13,760
percent increase from prior year	6.36%	2.22%	4.23%	2.83%	3.50%	6.22%	10.03%	3.66%	14.04%	n/a
AAU Public Universities (mean)										
	n/a	\$23,002	\$21,912	\$20,618	\$20,067	\$19,295	\$18,367	\$16,488	\$14,898	\$13,729
percent increase from prior year	n/a	4.97%	6.28%	2.75%	4.00%	5.05%	11.40%	10.67%	8.51%	n/a

Sources: "Academic Year Tuition and Required Fees, AAU Public Universities," Univ. of Missouri System, Sept. 2009; The University of North Carolina at Chapel Hill Fact Book; Office of Institutional Research and Assessment.

n/a - not available.

PRINCIPAL REVENUE PAYERS
LAST TEN FISCAL YEARS

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	<i>(as restated)</i>									
State and local grants and contracts	\$38,251	\$37,679	\$29,091	\$51,207	\$45,256	\$41,842	\$39,816	\$39,793	\$34,289	\$38,512
State appropriations and state aid	534,678	541,753	538,327	543,292	492,471	440,070	406,673	380,446	368,024	368,504
Capital appropriations	0	0	12,539	47,206	52,888	15,776	5,166	898	0	0
Capital grants	91,864	86,117	27,124	12,885	118,850	52,277	152,844	74,392	72,486	27,480
NC State Government	\$664,793	\$665,549	\$607,081	\$654,590	\$709,465	\$549,965	\$604,499	\$495,529	\$474,799	\$434,496
<i>percent increase (decrease) from prior year</i>	<i>(0.11%)</i>	<i>9.63%</i>	<i>(7.26%)</i>	<i>(7.73%)</i>	<i>29.00%</i>	<i>(9.02%)</i>	<i>21.99%</i>	<i>4.37%</i>	<i>9.28%</i>	<i>n/a</i>
Federal grants and contracts	\$571,288	\$530,368	\$471,680	\$447,793	\$429,059	\$422,229	\$403,100	\$384,618	\$356,845	\$330,403
Non-capital grants	194,546	172,113	154,016	102,932	62,669	67,388	62,544	53,154	40,995	34,769
Federal Government	\$765,834	\$702,481	\$625,696	\$550,725	\$491,728	\$489,617	\$465,644	\$437,772	\$397,840	\$365,172
<i>percent increase from prior year</i>	<i>9.02%</i>	<i>12.27%</i>	<i>13.61%</i>	<i>12.00%</i>	<i>0.43%</i>	<i>5.15%</i>	<i>6.37%</i>	<i>10.04%</i>	<i>8.95%</i>	<i>n/a</i>

LONG-TERM DEBT LAST TEN FISCAL YEARS

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Revenue Debt	\$1,112,480	\$1,135,545	\$943,585	\$961,280	\$678,980	\$694,575	\$338,210	\$351,430	\$190,255	\$195,810
Plus Unamortized Discount/Premium	36,068	37,824	30,438	31,898	26,821	28,050	8,098	8,662	5,409	5,867
Less Unamortized Loss on Refunding	(2,231)	(2,633)	(3,034)	(3,436)	(3,838)	(4,240)	(2,280)	(2,606)	(2,932)	(3,257)
Net General Revenue Debt	1,146,317	1,170,736	970,989	989,742	701,963	718,385	344,028	357,486	192,732	198,420
Revenue Bonds	77,903	82,944	79,734	81,480	83,502	85,642	112,395	114,553	181,531	186,438
Plus Unamortized Discount/Premium	(200)	(243)	(287)	(333)	(158)	(181)	(330)	(356)	(716)	(903)
Net Revenue Bonds	77,703	82,701	79,447	81,147	83,344	85,461	112,065	114,197	180,815	185,535
Total Bonds Payable	1,224,020	1,253,437	1,050,436	1,070,889	785,307	803,846	456,093	471,683	373,547	383,955
Notes Payable	45,750	46,100	675	1,037	1,362	21,054	33,519	35,000	39,333	3,800
Capital Leases Payable	814	3,462	1,710	2,804	2,404	379	970	1,320	927	606
Total	\$1,270,584	\$1,302,999	\$1,052,821	\$1,074,730	\$789,073	\$825,279	\$490,582	\$508,003	\$413,807	\$388,361

<i>Long Term Debt (whole dollars)</i>										
per Student FTE	\$47,022	\$48,789	\$39,946	\$41,503	\$30,966	\$32,954	\$19,835	\$20,893	\$17,213	\$16,514
per Dollar of Total Grants and Contracts	\$1.34	\$1.51	\$1.35	\$1.50	\$1.25	\$1.33	\$0.84	\$0.92	\$0.83	\$0.81
per Dollar of State Appropriations and State Aid	\$2.38	\$2.41	\$1.96	\$1.98	\$1.60	\$1.88	\$1.21	\$1.34	\$1.12	\$1.05

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Net General Revenue Debt	\$1,146,317	\$1,170,736	\$970,989	\$989,742	\$701,963	\$718,385	\$344,028	\$357,486	\$192,732	\$198,420
Commercial Paper Program	73,650	59,784	148,291	101,157	192,414	117,414	141,141	8,841	19,000	1,000
Total General Revenue Debt	\$1,219,967	\$1,230,520	\$1,119,280	\$1,090,899	\$894,377	\$835,799	\$485,169	\$366,327	\$211,732	\$199,420

<i>General Revenue Debt (whole dollars)</i>										
per Student FTE	\$45,149	\$46,075	\$42,468	\$42,128	\$35,098	\$33,375	\$19,616	\$15,067	\$8,807	\$8,480
per Dollar of Total Grants and Contracts	\$1.28	\$1.43	\$1.44	\$1.52	\$1.42	\$1.34	\$0.83	\$0.66	\$0.43	\$0.42
per Dollar of State Appropriations and State Aid	\$2.28	\$2.27	\$2.08	\$2.01	\$1.82	\$1.90	\$1.19	\$0.96	\$0.58	\$0.54

Data Used in the Above Calculations

Total Student FTE	27,021	26,707	26,356	25,895	25,482	25,043	24,733	24,314	24,041	23,517
State appropriations and State aid	\$534,678	\$541,753	\$538,327	\$543,292	\$492,471	\$440,070	\$406,673	\$380,446	\$368,024	\$368,504
Federal grants and contracts	\$571,288	\$530,368	\$471,680	\$447,793	\$429,059	\$422,229	\$403,100	\$384,618	\$356,845	\$330,403
State and local grants and contracts	38,251	37,679	29,091	51,207	45,256	41,842	39,816	39,793	34,289	38,512
Non-governmental grants and contracts	146,081	120,674	123,649	115,513	92,572	89,976	81,560	75,388	64,547	75,536
Non-capital grants	194,546	172,113	154,016	102,932	62,669	67,388	62,544	53,154	40,995	34,769
Total Grants and Contracts	\$950,166	\$860,834	\$778,436	\$717,445	\$629,556	\$621,435	\$587,020	\$552,953	\$496,676	\$479,220

SUMMARY OF RATIOS LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	0.87 x	0.83 x	0.79 x	1.06 x	1.05 x	0.92 x	0.86 x	0.79 x	0.60 x	0.66 x
/ Strength Factor	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Ratio / Strength Factor	6.54	6.24	5.94	7.97	7.89	6.92	6.47	5.94	4.51	4.96
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	2.29	2.18	2.08	2.79	2.76	2.42	2.26	2.08	1.58	1.74
= Ratio 10.00 Cap Subtotal	2.29	2.18	2.08	2.79	2.76	2.42	2.26	2.08	1.58	1.74
+ Return on Net Assets Ratio	10.5%	7.2%	(6.7%)	8.8%	16.7%	12.3%	16.4%	10.7%	3.1%	2.4%
/ Strength Factor	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
= Ratio / Strength Factor	5.25	3.60	(3.35)	4.40	8.35	6.15	8.20	5.35	1.55	1.20
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	1.05	0.72	(0.67)	0.88	1.67	1.23	1.64	1.07	0.31	0.24
= Ratio 10.00 Cap Subtotal	1.05	0.72	(0.67)	0.88	1.67	1.23	1.64	1.07	0.31	0.24
+ Net Operating Revenues Ratio	9.0%	3.3%	(18.9%)	7.3%	11.5%	9.0%	8.6%	6.3%	(2.7%)	(0.9%)
/ Strength Factor	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
= Ratio / Strength Factor	12.86	4.71	(27.00)	10.43	16.43	12.86	12.29	9.00	(3.74)	(1.33)
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	1.29	0.47	(2.70)	1.04	1.64	1.29	1.23	0.90	(0.37)	(0.13)
= Ratio 10.00 Cap Subtotal	1.00	0.47	(2.70)	1.00	1.00	1.00	1.00	0.90	(0.37)	(0.13)
+ Viability Ratio	1.6 x	1.4 x	1.5 x	1.9 x	2.1 x	1.8 x	2.3 x	2.5 x	2.1 x	2.5 x
/ Strength Factor	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Ratio / Strength Factor	3.84	3.36	3.60	4.56	5.04	4.32	5.52	6.00	5.04	6.00
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	1.34	1.18	1.26	1.60	1.76	1.51	1.93	2.10	1.76	2.10
= Ratio 10.00 Cap Subtotal	1.34	1.18	1.26	1.60	1.76	1.51	1.93	2.10	1.76	2.10
Composite Financial Index	5.97	4.55	(0.03)	6.31	7.83	6.45	7.06	6.15	3.26	3.95
Composite Financial Index with 10.00 Cap	5.68	4.55	(0.03)	6.27	7.19	6.16	6.83	6.15	3.26	3.95

The Composite Financial Index (CFI) provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators. Ratio/Strength are capped at a maximum of 10 before the weighing factors are applied so that a higher CFI does not unduly mask a weakness in a component ratio.

SUMMARY OF RATIOS (CONTINUED)
LAST TEN FISCAL YEARS

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
PRIMARY RESERVE RATIO										
Unrestricted Net Assets	\$851,254	\$778,439	\$700,280	\$671,970	\$617,573	\$525,513	\$475,631	\$408,705	\$370,816	\$346,546
Unrestricted Net Assets— Component Units *	37,848	26,543	23,334	28,897	28,627	23,709	20,653	17,724	n/a	n/a
Expendable Restricted Net Assets	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133	736,632	648,019	559,128	645,390
Temporarily Restricted Net Assets— Component Units *	278,740	245,187	237,867	363,803	361,559	284,351	238,745	209,030	n/a	n/a
Expendable Net Assets	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706	\$1,471,661	\$1,283,478	\$929,944	\$991,936
Operating Expenses	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432	\$1,681,901	\$1,603,386	\$1,543,717	\$1,477,013
Interest and Fees on Debt	56,765	64,261	52,465	53,311	42,926	39,921	21,823	18,339	15,681	15,031
Total Expenses	\$2,489,205	\$2,341,352	\$2,276,791	\$2,142,601	\$1,991,208	\$1,842,353	\$1,703,724	\$1,621,725	\$1,559,398	\$1,492,044
Expendable Net Assets	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706	\$1,471,661	\$1,283,478	\$929,944	\$991,936
Total Expenses	\$2,489,205	\$2,341,352	\$2,276,791	\$2,142,601	\$1,991,208	\$1,842,353	\$1,703,724	\$1,621,725	\$1,559,398	\$1,492,044
Ratio	0.87 x	0.83 x	0.79 x	1.06 x	1.05 x	0.92 x	0.86 x	0.79 x	0.60 x	0.66 x

Measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net assets not be available. A positive ratio and an increasing amount over time denotes strength.

* For the fiscal year ended June 30, 2004, the University implemented Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations are Component Units. This Statement amends GASB Statement No. 14, The Financial Reporting Entity, to provide additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units based on the nature and significance of their relationship to the University. The component units of the University are discretely presented in the Financial Section.

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
RETURN ON NET ASSETS RATIO										
Change in Net assets	\$391,361	\$249,156	(\$246,993)	\$300,399	\$486,768	\$320,123	\$366,680	\$216,014	\$60,768	\$45,394
Total Net Assets (Beginning of Year)	\$3,711,598	\$3,462,442	\$3,709,435	\$3,409,036	\$2,922,268	\$2,607,879	\$2,241,199	\$2,025,186	\$1,964,418	\$1,919,024
Ratio	10.5%	7.2%	(6.7%)	8.8%	16.7%	12.3%	16.4%	10.7%	3.1%	2.4%

Measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.

SUMMARY OF RATIOS (CONTINUED)

LAST TEN FISCAL YEARS

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
NET OPERATING REVENUES RATIO										
Total Operating Revenues	\$1,704,936	\$1,542,275	\$1,429,487	\$1,404,252	\$1,304,444	\$1,241,511	\$1,157,001	\$1,102,637	\$1,003,568	\$967,465
State Appropriations and State Aid	534,678	541,753	538,327	543,292	492,471	440,070	406,673	380,446	368,024	368,505
Non-capital Gifts and Grants, net	287,712	247,994	241,242	216,026	136,306	136,212	136,237	121,671	101,882	97,173
Investment Income (Loss), net	208,184	103,605	(296,904)	146,650	317,767	207,423	154,900	135,369	47,398	52,957
Adjusted Net Operating Revenues	\$2,735,510	\$2,435,627	\$1,912,152	\$2,310,220	\$2,250,988	\$2,025,216	\$1,854,811	\$1,740,123	\$1,520,872	\$1,486,100
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$245,908	\$81,186	(\$362,280)	\$168,470	\$259,926	\$182,633	\$159,462	\$110,267	(\$40,424)	(\$13,607)
Adjusted Net Operating Revenues	\$2,735,510	\$2,435,627	\$1,912,152	\$2,310,220	\$2,250,988	\$2,025,216	\$1,854,811	\$1,740,123	\$1,520,872	\$1,486,100
Ratio	9.0%	3.3%	(18.9%)	7.3%	11.5%	9.0%	8.6%	6.3%	(2.7%)	(0.9%)

Measures whether the institution is living within available resources. A positive ratio and an increasing amount over time, generally reflects strength.

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
VIABILITY RATIO										
Unrestricted Net Assets	\$851,254	\$778,439	\$700,280	\$671,970	\$617,573	\$525,513	\$475,631	\$408,705	\$370,816	\$346,546
Unrestricted Net Assets—Component Units *	37,848	26,543	23,334	28,897	28,627	23,709	20,653	17,724	n/a	n/a
Expendable Restricted Net Assets	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133	736,632	648,019	559,128	645,390
Temporarily Restricted Net Assets—Component Units *	278,740	245,187	237,867	363,803	361,559	284,351	238,745	209,030	n/a	n/a
Expendable Net Assets	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706	\$1,471,661	\$1,283,478	\$929,944	\$991,936
Bonds	\$1,224,020	\$1,253,437	\$1,050,436	\$1,070,889	\$785,307	\$803,846	\$456,093	\$471,684	\$373,548	\$383,955
Commercial Paper	73,650	59,784	148,291	101,157	192,414	117,414	141,141	8,841	19,000	1,000
Capital Leases	814	3,462	1,710	2,804	2,404	379	970	1,320	927	606
Notes	45,750	46,100	675	1,037	1,362	21,054	33,519	35,000	39,332	3,800
Notes—Component Units *	850	850	1,400	1,500	2,100	3,000	263	255	n/a	n/a
Total Adjusted University Debt	\$1,345,084	\$1,363,633	\$1,202,512	\$1,177,387	\$983,587	\$945,693	\$631,986	\$517,100	\$432,807	\$389,361
Expendable Net Assets	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706	\$1,471,661	\$1,283,478	\$929,944	\$991,936
Total Adjusted University Debt	\$1,345,084	\$1,363,633	\$1,202,512	\$1,177,387	\$983,587	\$945,693	\$631,986	\$517,100	\$432,807	\$389,361
Ratio	1.6 x	1.4 x	1.5 x	1.9 x	2.1 x	1.8 x	2.3 x	2.5 x	2.1 x	2.5 x

Measures the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so. A positive ratio of greater than 1:1 generally denotes strength.

* For the fiscal year ended June 30, 2004, the University implemented Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations are Component Units. This Statement amends GASB Statement No. 14, The Financial Reporting Entity, to provide additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units based on the nature and significance of their relationship to the University. The component units of the University are discretely presented in the Financial Section.

SUMMARY OF RATIOS (CONTINUED)
LAST TEN FISCAL YEARS

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
OPERATING MARGIN EXCLUDING GIFTS										
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$245,908	\$81,186	(\$362,280)	\$168,470	\$259,926	\$182,632	\$159,462	\$110,267	(\$40,424)	(\$13,607)
Less: Non-capital Gifts and Grants, net	(287,712)	(247,994)	(241,242)	(216,026)	(136,306)	(136,212)	(136,237)	(121,671)	(101,882)	(97,173)
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(\$41,804)	(\$166,808)	(\$603,522)	(\$47,556)	\$123,620	\$46,420	\$23,225	(\$11,404)	(\$142,306)	(\$110,780)
Total Operating Revenues	\$1,704,936	\$1,542,275	\$1,429,487	\$1,404,252	\$1,304,444	\$1,241,511	\$1,157,001	\$1,102,637	\$1,003,568	\$967,465
State Appropriations and State Aid	534,678	541,753	538,327	543,292	492,471	440,070	406,673	380,446	368,024	368,505
Investment Income (Loss), net	208,184	103,605	(296,904)	146,650	317,767	207,423	154,900	135,369	47,398	52,957
Adjusted Net Operating Revenues less Gifts	\$2,447,798	\$2,187,633	\$1,670,910	\$2,094,194	\$2,114,682	\$1,889,004	\$1,718,574	\$1,618,452	\$1,418,990	\$1,388,927
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(\$41,804)	(\$166,808)	(\$603,522)	(\$47,556)	\$124,719	\$46,420	\$23,225	(\$11,404)	(\$142,306)	(\$110,780)
Adjusted Net Operating Revenues less Gifts	\$2,447,798	\$2,187,633	\$1,670,910	\$2,094,194	\$2,114,682	\$1,889,004	\$1,718,574	\$1,618,452	\$1,418,990	\$1,388,927
Ratio	(1.7%)	(7.6%)	(36.1%)	(2.3%)	5.8%	2.5%	1.4%	(0.7%)	(10.0%)	(8.0%)

A more restrictive measure of whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflects strength.

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Assets	\$851,254	\$778,439	\$700,280	\$671,970	\$617,573	\$525,513	\$475,631	\$408,705	\$370,816	\$346,546
Unrestricted Net Assets—Component Units *	37,848	26,543	23,334	28,897	28,627	23,709	20,653	17,724	n/a	n/a
Expendable Restricted Net Assets	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133	736,632	648,019	559,128	645,390
Temporarily Restricted Net Assets—Component Units *	278,740	245,187	237,867	363,803	361,559	284,351	238,745	209,030	n/a	n/a
Expendable Net Assets	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706	\$1,471,661	\$1,283,478	\$929,944	\$991,936
Total Notes, Bonds, Capital Leases and Commercial Paper	\$1,344,233	\$1,362,783	\$1,201,112	\$1,175,887	\$981,487	\$942,693	\$631,723	\$516,845	\$432,807	\$389,361
Long-Term Debt—Component Units *	850	850	1,400	1,500	2,100	3,000	263	255	n/a	n/a
Less: U.S. EPA Project Bonds **	(13,974)	(21,060)	(19,286)	(21,478)	(23,495)	(25,349)	(27,317)	(29,221)	(30,975)	(32,591)
Total Adjusted University Debt	\$1,331,109	\$1,342,573	\$1,183,226	\$1,155,909	\$960,092	\$920,344	\$604,669	\$487,879	\$401,832	\$356,770
Expendable Net Assets	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706	\$1,471,661	\$1,283,478	\$929,944	\$991,936
Total Adjusted University Debt	\$1,331,109	\$1,342,573	\$1,183,226	\$1,155,909	\$960,092	\$920,344	\$604,669	\$487,879	\$401,832	\$356,770
Ratio	1.6 x	1.4 x	1.5 x	2.0 x	2.2 x	1.8 x	2.4 x	2.6 x	2.3 x	2.8 x

*A broader measure of the ability of the institution to cover its debt as of the balance sheet date.
Continued on opposite page...*

SUMMARY OF RATIOS (CONTINUED)

LAST TEN FISCAL YEARS

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Assets	\$851,254	\$778,439	\$700,280	\$671,970	\$617,573	\$525,513	\$475,631	\$408,705	\$370,816	\$346,546
Non-expendable Restricted Net Assets	656,723	621,873	586,175	548,151	493,305	430,316	378,234	328,735	323,961	304,097
Expendable Restricted Net Assets	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133	736,632	648,019	559,128	645,390
Total Financial Resources	\$2,515,513	\$2,291,494	\$2,123,609	\$2,419,401	\$2,197,231	\$1,808,962	\$1,590,497	\$1,385,459	\$1,253,905	\$1,296,033
Total Financial Resources	\$2,515,513	\$2,291,494	\$2,123,609	\$2,419,401	\$2,197,231	\$1,808,962	\$1,590,497	\$1,385,459	\$1,253,905	\$1,296,033
Total Notes, Bonds, Capital Leases and Commercial Paper	\$1,344,233	\$1,362,783	\$1,201,112	\$1,175,887	\$981,487	\$942,693	\$631,723	\$516,845	\$432,807	\$389,361
Ratio	1.9 x	1.7 x	1.8 x	2.1 x	2.2 x	1.9 x	2.5 x	2.7 x	2.9 x	3.3 x

A broader measure of the ability of the institution to cover its debt as of the balance sheet date.

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	(\$598,111)	(\$626,420)	(\$679,012)	(\$641,134)	(\$570,342)	(\$492,016)	(\$460,046)	(\$348,742)	(\$382,265)	(\$440,099)
State Appropriations and State Aid	534,678	541,753	538,327	543,292	492,471	440,070	406,673	380,446	368,024	368,505
Grants for Other than Capital Purposes	194,546	172,113	154,016	102,932	62,669	67,388	62,544	53,154	40,995	34,769
Non-capital Gifts	93,166	75,881	87,226	113,094	73,637	68,824	73,693	68,517	60,888	62,404
Adjusted Cash Flow from Operations	\$224,279	\$163,327	\$100,557	\$118,184	\$58,435	\$84,266	\$82,864	\$153,375	\$87,642	\$25,579
Total Notes, Bonds, Capital Leases and Commercial Paper	\$1,344,233	\$1,362,783	\$1,201,112	\$1,175,887	\$981,487	\$942,693	\$631,723	\$516,845	\$432,807	\$389,361
Adjusted Cash Flow from Operations	\$224,279	\$163,327	\$100,557	\$118,184	\$58,435	\$84,266	\$82,864	\$153,375	\$87,642	\$25,579
Ratio	6.0 x	8.3 x	11.9 x	9.9 x	16.8 x	11.2 x	7.6 x	3.4 x	4.9 x	15.2 x

Measures the financial strength of the institution by indicating how long the institution would take to repay the debt using the cash provided by its operations. A decreasing ratio over time denotes strength.

Continued from opposite page...

* For the fiscal year ended June 30, 2004, the University implemented Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations are Component Units. This Statement amends GASB Statement No. 14, The Financial Reporting Entity, to provide additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units based on the nature and significance of their relationship to the University. The component units of the University are discretely presented in the Financial Section.

** U.S. EPA Project Bonds are secured by an irrevocable lease from the U.S. government. This lease covers the debt service requirements for the term of the Bonds.

SUMMARY OF RATIOS (CONTINUED)

LAST TEN FISCAL YEARS

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
DEBT BURDEN RATIO										
Interest and Fees Paid on Debt and Leases	\$55,699	\$53,180	\$53,010	\$52,779	\$43,676	\$40,390	\$22,644	\$20,438	\$18,303	\$21,117
Principal Paid on Debt and Leases	47,647	148,637	46,462	238,672	43,344	228,037	39,608	21,900	14,044	14,130
Less: Principal Paid from Gifts and Excess Funds	(16,484)	(17,639)	(20,866)	(15,732)	0	0	0	0	0	0
Less: Principal Paid from Refinancing Activities	0	(104,858)	0	(198,244)	(19,719)	(206,539)	(19,910)	(4,333)	0	0
Debt Service	\$86,862	\$79,320	\$78,606	\$77,475	\$67,301	\$61,888	\$42,342	\$38,005	\$32,347	\$35,247
Operating Expenses	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432	\$1,681,901	\$1,603,386	\$1,543,717	\$1,477,013
Interest and Fees on Debt	56,765	64,261	52,465	53,311	42,926	39,921	21,823	18,339	15,681	15,031
Fixed Asset Writedowns (if not included in Operating Expenses)	0	0	0	0	0	0	2,635	8,132	1,899	7,661
Less: Depreciation Expense	(102,724)	(90,861)	(70,747)	(66,413)	(80,827)	(64,475)	(60,102)	(60,589)	(53,076)	(48,517)
Plus: Principal Paid on Debt and Leases	47,647	148,637	46,462	238,672	43,344	228,037	39,608	21,900	14,044	14,130
Less: Principal Paid from Gifts and Excess Funds	(16,484)	(17,639)	(20,866)	(15,732)	0	0	0	0	0	0
Less: Principal Paid from Refinancing Activities	0	(104,858)	0	(198,244)	(19,719)	(206,539)	(19,910)	(4,333)	0	0
Total Expenditures	\$2,417,644	\$2,276,631	\$2,231,640	\$2,100,884	\$1,934,006	\$1,799,376	\$1,665,955	\$1,586,835	\$1,522,265	\$1,465,318
Debt Service	\$86,862	\$79,320	\$78,606	\$77,475	\$67,301	\$61,888	\$42,342	\$38,005	\$32,347	\$35,247
Total Expenditures	\$2,417,644	\$2,276,631	\$2,231,640	\$2,100,884	\$1,934,006	\$1,799,376	\$1,665,955	\$1,586,835	\$1,522,265	\$1,465,318
Ratio	3.6%	3.5%	3.5%	3.7%	3.5%	3.4%	2.5%	2.4%	2.1%	2.4%

Measures the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures.

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	\$55,699	\$53,180	\$53,010	\$52,779	\$43,676	\$40,390	\$22,644	\$20,438	\$18,303	\$21,117
Less: Interest and Fees Paid—U.S. EPA Project Bonds *	(5)	(6)	(360)	(683)	(977)	(1,264)	(1,534)	(1,781)	(2,013)	(2,210)
Principal Paid on Debt and Leases	47,647	148,637	46,462	238,672	43,344	228,037	39,608	21,900	14,044	14,130
Less: Non-contractual Principal Paid from Gifts and Excess Funds	(16,484)	(17,639)	(20,866)	(15,732)	0	0	0	0	0	0
Less: Principal Paid from Refinancing Activities	0	(104,858)	0	(198,244)	(19,719)	(206,539)	(19,910)	(4,333)	0	0
Less: Principal Paid—U.S. EPA Project Bonds *	(4,215)	(4,215)	(3,860)	(3,540)	(3,245)	(3,240)	(3,065)	(2,815)	(2,585)	(2,385)
Debt Service	\$82,642	\$75,099	\$74,386	\$73,252	\$63,079	\$57,384	\$37,743	\$33,409	\$27,749	\$30,652
Debt Service	\$82,642	\$75,099	\$74,386	\$73,252	\$63,079	\$57,384	\$37,743	\$33,409	\$27,749	\$30,652
Operating Expenses	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432	\$1,681,901	\$1,603,386	\$1,543,717	\$1,477,013
Ratio	3.4%	3.3%	3.3%	3.5%	3.2%	3.2%	2.2%	2.1%	1.8%	2.1%

Measures the financial strength of the institution.

* U.S. EPA Project Bonds are secured by an irrevocable lease from the U.S. government. This lease covers the debt service requirements for the term of the Bonds.

SUMMARY OF RATIOS (CONTINUED)

LAST TEN FISCAL YEARS

in thousands

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432	\$1,681,901	\$1,603,386	\$1,543,717	\$1,477,013
Interest and Fees on Debt	56,765	64,261	52,465	53,311	42,926	39,921	21,823	18,339	15,681	15,031
Fixed Asset Writedowns (if not included in Operating Expenses)	0	0	0	0	0	0	2,635	8,132	1,899	7,661
Total Adjusted Operating Expenses	\$2,489,205	\$2,341,352	\$2,276,791	\$2,142,601	\$1,991,208	\$1,842,353	\$1,706,359	\$1,629,857	\$1,561,297	\$1,499,705
Research Expenses	\$468,685	\$431,317	\$398,753	\$358,199	\$312,160	\$285,646	\$271,208	\$257,945	\$247,434	\$237,275
Total Adjusted Operating Expenses	\$2,489,205	\$2,341,352	\$2,276,791	\$2,142,601	\$1,991,208	\$1,842,353	\$1,706,359	\$1,629,857	\$1,561,297	\$1,499,705
Ratio	18.8%	18.4%	17.5%	16.7%	15.7%	15.5%	15.9%	15.8%	15.8%	15.8%

Measures the institution's research expense to the total operating expenses.

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
NET TUITION PER STUDENT										
Student Tuition and Fees, net	\$289,897	\$249,083	\$236,960	\$218,763	\$210,651	\$195,882	\$164,457	\$153,943	\$146,961	\$124,661
Less: Scholarships and Fellowships	(91,140)	(69,083)	(58,557)	(58,059)	(56,662)	(54,105)	(51,170)	(47,427)	(45,618)	(40,415)
Net Tuition and Fees	\$198,757	\$180,000	\$178,403	\$160,703	\$153,989	\$141,777	\$113,287	\$106,516	\$101,343	\$84,246
Net Tuition and Fees	\$198,757	\$180,000	\$178,403	\$160,703	\$153,989	\$141,777	\$113,287	\$106,516	\$101,343	\$84,246
Undergraduate, Graduate and Professional FTE	27,021	26,707	26,356	25,895	25,482	25,043	24,733	24,314	24,041	23,517
Net Tuition per Student (whole dollars)	\$7,356	\$6,740	\$6,769	\$6,206	\$6,043	\$5,661	\$4,580	\$4,381	\$4,215	\$3,582

Measures the institution's net student tuition and fees received per student.

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<i>(as restated)</i>										
STATE APPROPRIATIONS AND STATE AID PER STUDENT										
State Appropriations and State Aid	\$534,678	\$541,753	\$538,327	\$543,292	\$492,471	\$440,070	\$406,673	\$380,446	\$368,024	\$368,505
Undergraduate, Graduate and Professional FTE	27,021	26,707	26,356	25,895	25,482	25,043	24,733	24,314	24,041	23,517
State Appropriation per Student (whole dollars)	\$19,787	\$20,285	\$20,425	\$20,981	\$19,326	\$17,573	\$16,443	\$15,647	\$15,308	\$15,670

Measures the institution's dependency on state appropriations.

SPECIFIC REVENUE AND GENERAL REVENUE BOND COVERAGE LAST TEN FISCAL YEARS

The University of North Carolina at Chapel Hill has issued General Revenue Bonds, which are repaid from Available Funds. Available Funds are defined as any unrestricted Net Assets remaining after satisfying obligations of the University under trust indentures, trust agreements or bond resolutions (Specific Revenue Bonds), but excluding State Appropriations, Tuition, and certain special facilities revenues. Specific Revenue Bonds have a pledged revenue stream as the repayment source.

in thousands

For the fiscal year ended June 30,	2011	2010	2009	2008	2007
SPECIFIC REVENUE BOND COVERAGE					
Gross Operating Revenues	\$213,554	\$204,725	\$195,265	\$177,705	\$160,112
Direct Operating Expenses	132,525	129,049	144,364	114,352	115,450
Net Revenue Available for Debt Service	\$81,029	\$75,676	\$50,901	\$63,353	\$44,662
Principal	\$5,450	\$5,890	\$5,515	\$6,340	\$6,180
Interest	84	168	588	1,090	1,527
Specific Revenue Debt Service Requirements	\$5,534	\$6,058	\$6,103	\$7,430	\$7,707
Coverage	14.64	12.49	8.34	8.53	5.79

For the fiscal year ended June 30,	2011	2010	2009	2008	2007
AVAILABLE FUNDS GENERAL REVENUE BONDS					
Total Unrestricted Revenue	\$1,670,027	\$1,572,416	\$1,483,607	\$1,539,517	\$1,447,939
Less:					
State Appropriations and State Aid	(534,678)	(541,753)	(538,327)	(543,292)	(492,471)
Tuition and Fees	(289,897)	(249,083)	(236,960)	(218,763)	(210,652)
Specific Revenue Debt Service Requirements	(5,534)	(6,058)	(6,103)	(7,430)	(7,707)
Plus:					
Adjusted Beginning Unrestricted Net Assets	778,439	699,458	671,970	617,573	525,513
Total Available Funds	\$1,618,357	\$1,474,980	\$1,374,187	\$1,387,605	\$1,262,622
Annual Increase	\$143,377	\$100,793	(\$13,418)	\$124,983	\$114,743
% Increase	9.7%	7.3%	(1.0%)	9.9%	10.0%

For the fiscal year ended June 30,	2011	2010	2009	2008	2007
GENERAL REVENUE BOND COVERAGE					
Total Available Funds	\$1,618,357	\$1,474,980	\$1,374,187	\$1,387,605	\$1,262,622
Principal	\$23,065	\$18,580	\$17,695	\$16,175	\$15,595
Interest	53,310	48,596	44,876	38,970	32,814
General Revenue Debt Service Requirements	\$76,375	\$67,176	\$62,571	\$55,145	\$48,409
Coverage	21.19	21.96	21.96	25.16	26.08

General Revenue Bond Debt Service includes debt service for specific revenue bonds refunded or defeased by issuance of general revenue debt during the year of refunding.

in thousands

For the fiscal year ended June 30,	2006	2005	2004	2003	2002
SPECIFIC REVENUE BOND COVERAGE					
Gross Operating Revenues	\$143,900	\$125,968	\$121,470	\$116,985	\$102,042
Direct Operating Expenses	105,885	90,218	90,057	90,731	73,720
Net Revenue Available for Debt Service	\$38,015	\$35,750	\$31,413	\$26,254	\$28,322
Principal	\$5,635	\$5,700	\$5,335	\$6,420	\$10,090
Interest	2,325	3,669	4,034	4,414	8,433
Specific Revenue Debt Service Requirements	\$7,960	\$9,369	\$9,369	\$10,834	\$18,523
Coverage	4.78	3.82	3.35	2.42	1.53

For the fiscal year ended June 30,	2006	2005	2004	2003	2002
AVAILABLE FUNDS GENERAL REVENUE BONDS					
Total Unrestricted Revenue	\$1,316,160	\$1,191,976	\$1,148,297	\$1,055,273	\$987,708
Less:					
State Appropriations and State Aid	(440,070)	(406,673)	(380,446)	(368,024)	(368,505)
Tuition and Fees	(195,882)	(164,457)	(153,943)	(146,961)	(124,661)
Specific Revenue Debt Service Requirements	(7,960)	(9,369)	(9,369)	(10,834)	(18,523)
Plus:					
Adjusted Beginning Unrestricted Net Assets	475,631	410,110	370,816	346,546	392,613
Total Available Funds	\$1,147,879	\$1,021,587	\$975,355	\$876,000	\$868,632
Annual Increase	\$126,292	\$46,232	\$99,355	\$7,368	\$65,265
% Increase	12.4%	4.7%	11.3%	0.8%	8.1%

For the fiscal year ended June 30,	2006	2005	2004	2003	2002
GENERAL REVENUE BOND COVERAGE					
Total Available Funds	\$1,147,879	\$1,021,587	\$975,355	\$876,000	\$868,632
Principal	\$15,285	\$13,220	\$11,745	\$7,150	\$4,060
Interest	28,373	14,459	10,017	8,332	7,094
General Revenue Debt Service Requirements	\$43,658	\$27,679	\$21,762	\$15,482	\$11,154
Coverage	26.29	36.91	44.82	56.58	77.88

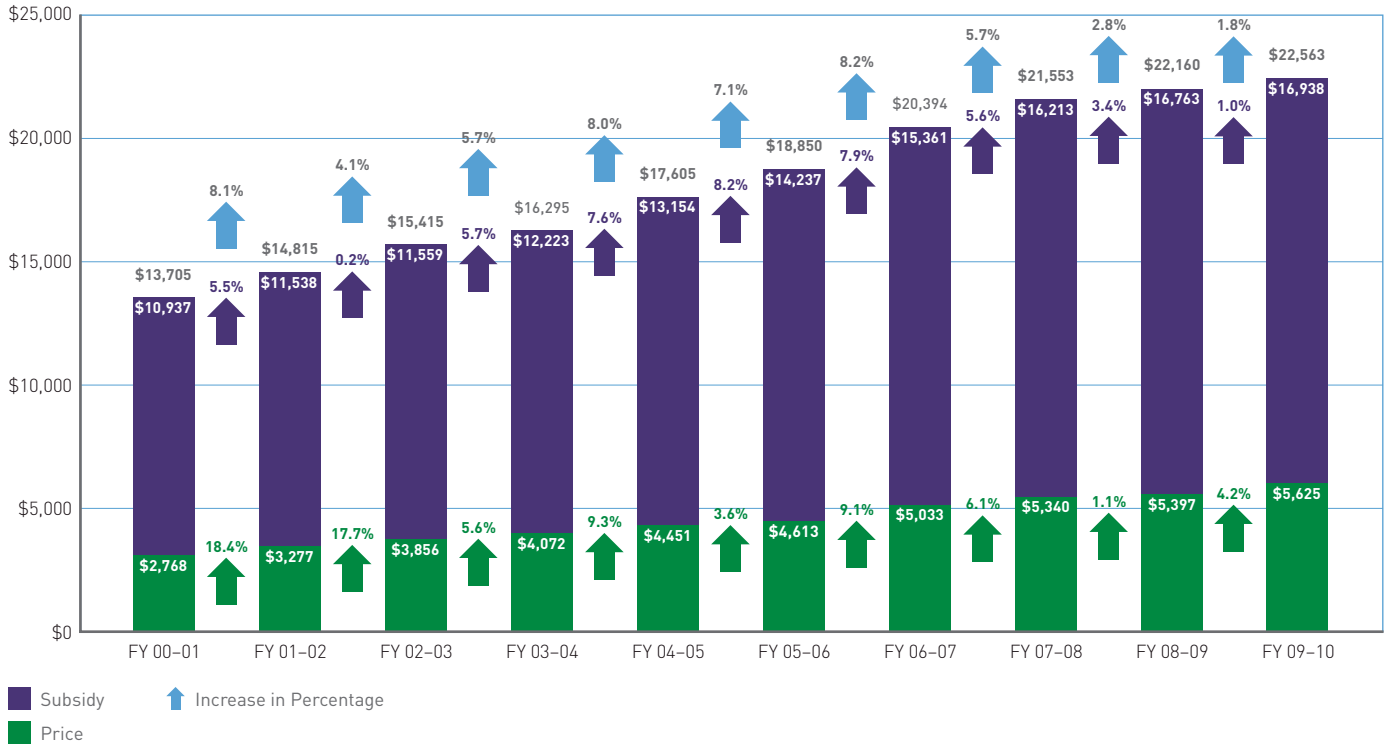
General Revenue Bond Debt Service includes debt service for specific revenue bonds refunded or defeased by issuance of general revenue debt during the year of refunding.

ANNUAL UNDERGRADUATE EDUCATIONAL COSTS PER STUDENT

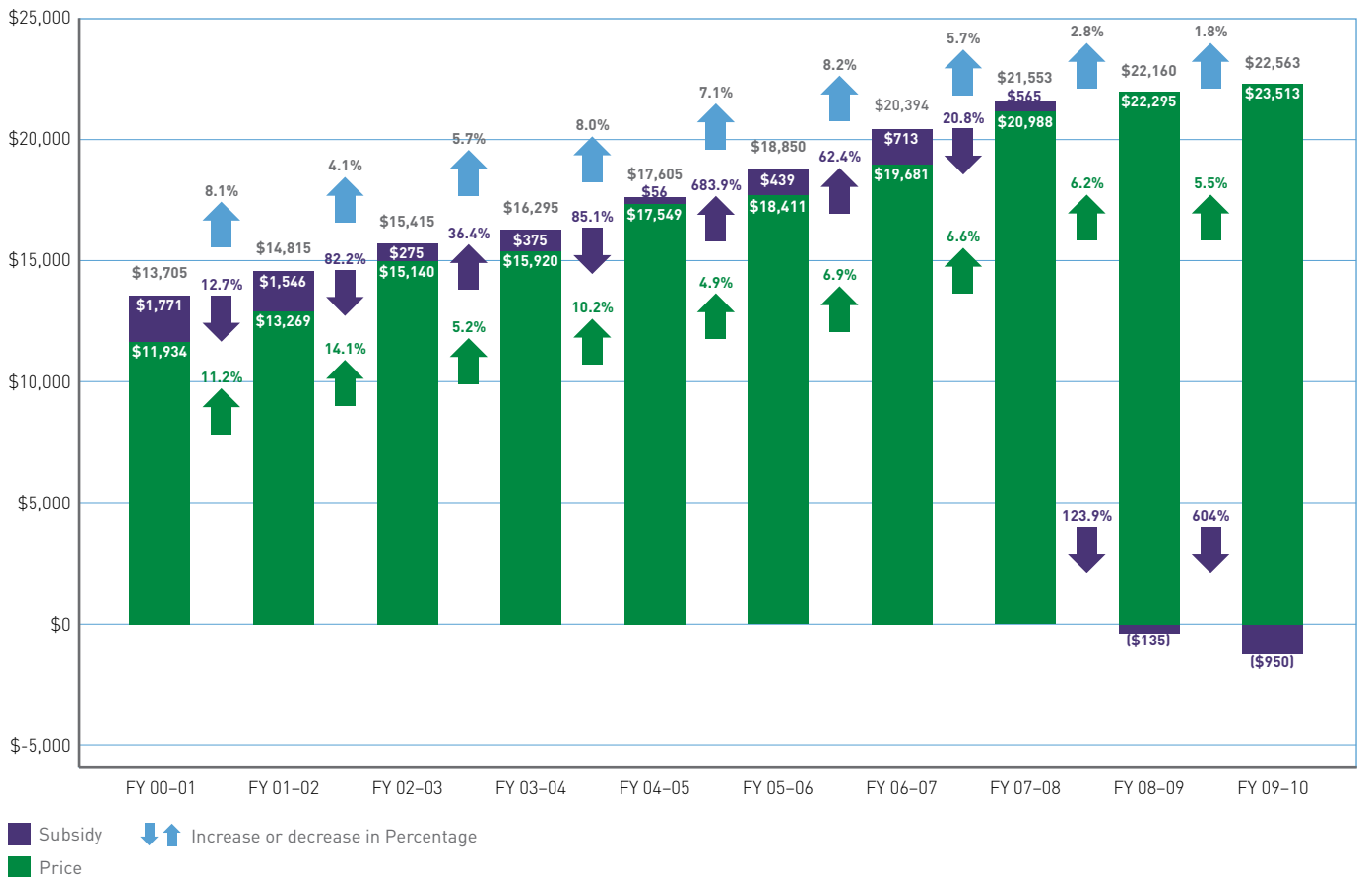
Public concern over tuition prices at colleges and universities led in 1997 to the establishment by Congress of the National Commission on the Cost of Higher Education. The task of the commission was to investigate the college cost-price conundrum and recommend ways to address it. In response, the National Association of College and University Business Officers (NACUBO) developed the Cost of College Project. The goal was to create a uniform methodology that any college or university could use to explain and present how much it costs to provide one year of undergraduate education and related services. The criteria governing the project include: simplicity of use and understanding; basis should be on existing data from annual financial statements; should be applicable to all types of colleges and universities; and should produce reasonable results when compared with more detailed cost data derived from the institution's internal accounting methods.

After more than two years in development and testing by almost 150 colleges and universities, the final project report was delivered in November 2002. Carolina was one of those testing sites. A single-page template was developed by NACUBO to be used to record the necessary information. The template shows annual costs per resident undergraduate student at the University. The graphs displayed on the next page show historical trends in the total annual costs per resident and non-resident undergraduate student at the University, and the difference between the price the student pays (i.e., tuition and fees) and state support (i.e., "subsidy"). The methodology was created to help individual institutions calculate and report the annual cost of providing an undergraduate education. It was not designed to be a mechanism for collecting national data on college costs or creating industry benchmarks. It is also not a measure of the value or quality of the education provided by the institution.

COST OF COLLEGE FOR RESIDENT UNDERGRADUATE STUDENTS



COST OF COLLEGE FOR NON-RESIDENT UNDERGRADUATE STUDENTS



ADMISSIONS, ENROLLMENT, AND DEGREES EARNED LAST TEN FISCAL YEARS (FALL ENROLLMENT)

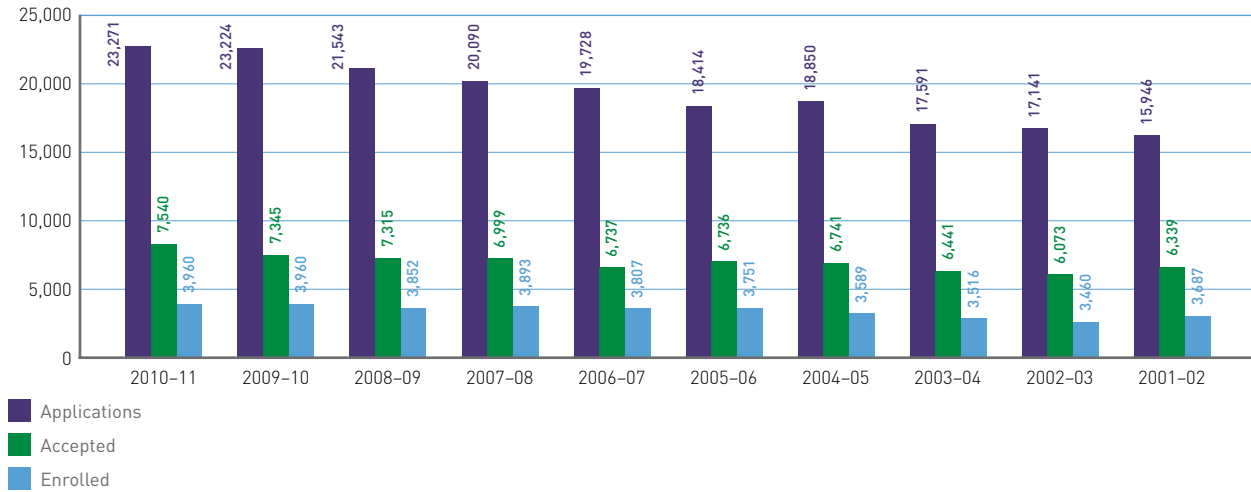
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
ADMISSIONS—FRESHMEN										
Applications	23,271	23,224	21,543	20,090	19,728	18,414	18,850	17,591	17,141	15,946
Accepted	7,540	7,345	7,315	6,999	6,737	6,736	6,741	6,441	6,073	6,339
Enrolled	3,960	3,960	3,852	3,893	3,807	3,751	3,589	3,516	3,460	3,687
Accepted as a Percentage of Applications	32.4%	31.6%	34.0%	34.8%	34.1%	36.6%	35.8%	36.6%	35.4%	39.8%
Enrolled as a Percentage of Accepted	52.5%	53.9%	52.7%	55.6%	56.5%	55.7%	53.2%	54.6%	57.0%	58.2%
Average SAT Scores—Total	1,304	1,302	1,301	1,302	1,292	1,299	1,287	1,283	1,267	1,257
Verbal	644	642	643	646	638	643	638	634	625	623
Math	660	660	658	656	654	656	649	649	642	634

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
ENROLLMENT										
Undergraduate, Graduate and Professional FTE	27,021	26,707	26,356	25,895	25,482	25,043	24,733	24,314	24,041	23,517
Undergraduate, Graduate and Professional Headcount	29,390	28,916	28,567	28,136	27,717	27,276	26,878	26,359	26,028	25,464
Men (Headcount)	12,083	11,825	11,825	11,635	11,563	11,403	11,288	10,941	10,661	10,344
Percentage of Total	41.1%	40.9%	41.4%	41.4%	41.7%	41.8%	42.0%	41.5%	41.0%	40.6%
Women (Headcount)	17,307	17,091	16,742	16,501	16,154	15,873	15,590	15,418	15,367	15,120
Percentage of Total	58.9%	59.1%	58.6%	58.6%	58.3%	58.2%	58.0%	58.5%	59.0%	59.4%
African American (Headcount)	2,504	2,793	2,820	2,813	2,756	2,692	2,686	2,658	2,574	2,490
Percentage of Total	8.6%	9.8%	9.9%	10.0%	9.9%	9.9%	10.0%	10.1%	9.9%	9.7%
White (Headcount)	19,587	19,616	19,788	19,860	19,819	19,695	19,665	19,635	19,779	19,720
Percentage of Total	66.6%	67.8%	69.3%	70.6%	71.5%	72.2%	73.2%	74.4%	76.0%	77.3%
Other (Headcount)	7,299	6,507	5,959	5,463	5,142	4,889	4,527	4,066	3,675	3,254
Percentage of Total	24.8%	22.4%	20.8%	19.4%	18.6%	17.9%	16.8%	15.5%	14.1%	12.9%

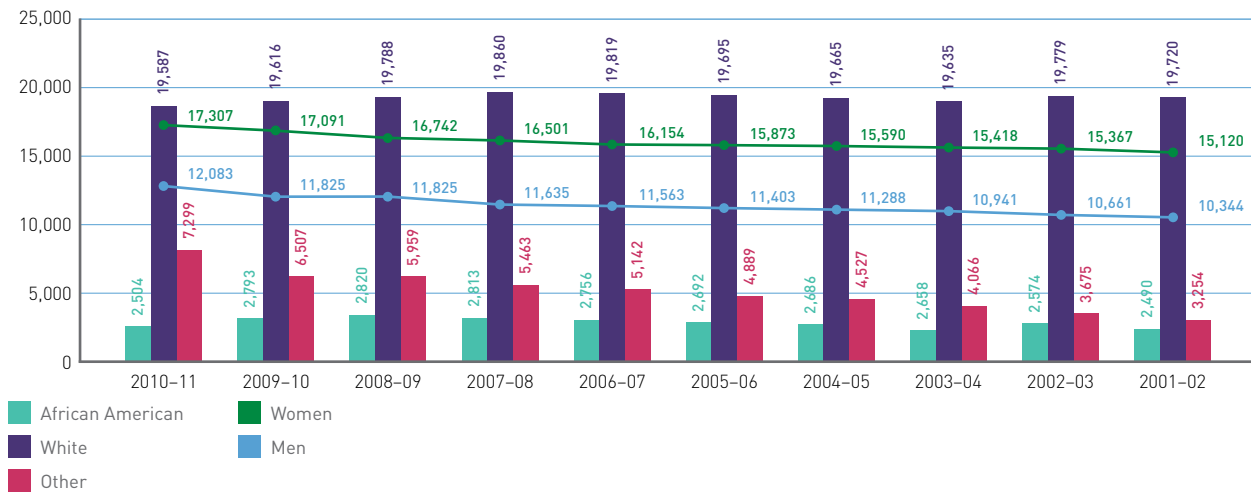
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
DEGREES EARNED										
Bachelor's	4,595	4,444	4,302	4,131	3,787	3,773	3,888	3,715	3,741	3,560
Master's	1,918	1,840	1,832	1,836	1,871	1,914	1,847	1,872	1,739	1,638
Doctoral	495	513	485	600	512	490	459	439	412	390
Professional	668	643	618	604	601	608	610	587	672	589

Source: The University of North Carolina at Chapel Hill Fact Book.

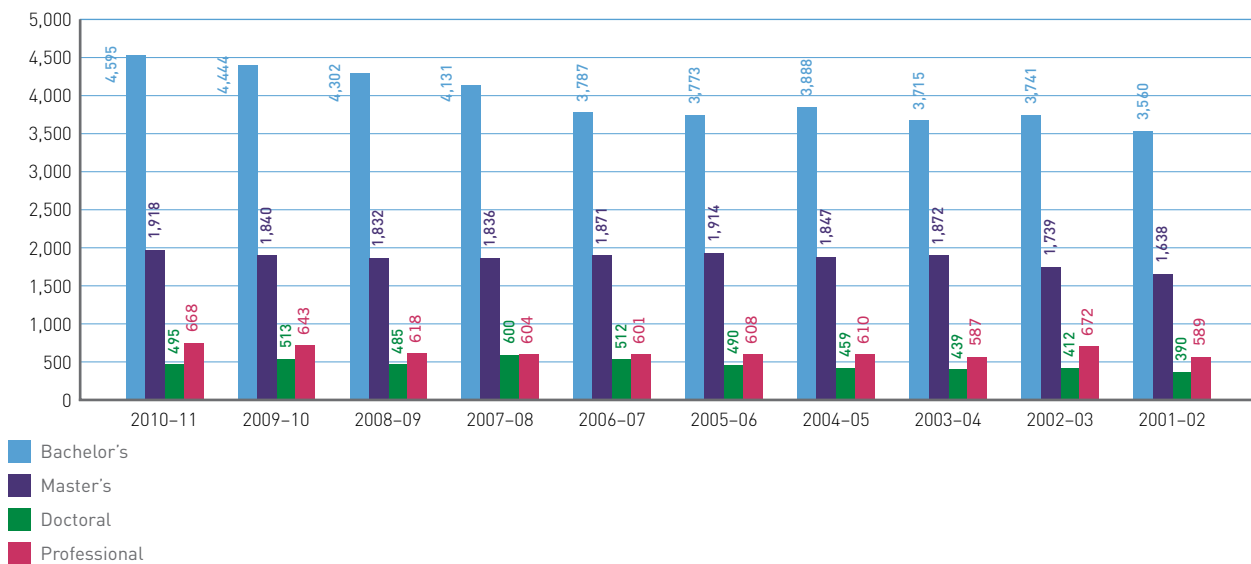
FRESHMEN APPLIED, ACCEPTED, AND ENROLLED



HEADCOUNT TOTAL



DEGREES EARNED



DEMOGRAPHIC DATA

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
North Carolina Population	9,692,818	9,535,483	9,380,884	9,222,414	9,061,032	8,856,505	8,683,242	8,541,221	8,407,248	8,320,146
North Carolina Population— 18 year olds	n/a	134,940	142,644	131,240	126,722	122,281	120,352	119,691	118,653	114,518
North Carolina Personal Income (in millions)	\$348,602	\$333,523	\$319,963	\$317,611	\$305,022	\$286,402	\$265,299	\$249,797	\$237,379	\$229,353
North Carolina Per Capita Income	\$35,965	\$34,977	\$34,108	\$34,439	\$33,663	\$32,338	\$30,553	\$29,246	\$28,235	\$27,566
North Carolina Unemployment Rate	10.50%	10.00%	11.02%	5.95%	4.94%	4.56%	5.33%	5.49%	6.51%	6.27%

n/a – data not available.

Sources: Office of the State Controller, North Carolina State Data Center, U.S. Census Bureau.

PRINCIPAL EMPLOYERS

FISCAL YEAR						
Employer						
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of North Carolina	180,000–184,999	1	4.51%	160,000–164,999	1	4.37%
Federal Government	65,000–69,999	2	1.67%	60,000–64,999	2	1.68%
Wal-Mart Associates, Inc.	50,000–54,999	3	1.30%	35,000–39,999	3	1.01%
Duke University	25,000–29,999	4	0.68%	20,000–24,999	5	0.61%
Charlotte Mecklenburg Hospital	25,000–29,999	5	0.68%	10,000–14,999	9	0.34%
Food Lion, LLC	20,000–24,999	6	0.56%	25,000–29,999	4	0.74%
Wells Fargo Bank, N.A.	20,000–24,999	7	0.56%	10,000–14,999	8	0.34%
Charlotte-Mecklenburg Board of Education	15,000–19,999	8	0.43%	15,000–19,999	7	0.47%
Wake County Public Schools	15,000–19,999	9	0.43%	10,000–14,999	10	0.34%
Lowes Home Centers, Inc.	15,000–19,999	10	0.43%	—	—	—
IBM Corporation	—	—	—	15,000–19,999	6	0.47%
Total	430,000–479,990		11.25%	360,000–409,990		10.37%

Notes: All figures are based on 1st quarter average. Percentage of total state employment is based on the average of the ranges given.
Source: Office of the State Controller (North Carolina Employment Security Commission).

FACULTY AND STAFF LAST TEN FISCAL YEARS

Fall employment of fiscal year	2010-11	2009-10	2008-09	2007-08	2006-07
FACULTY					
Full-time	3,234	3,221	3,147	3,000	2,919
Part-time	284	285	303	295	303
Total Faculty	3,518	3,506	3,450	3,295	3,222
Percentage Tenured	54.5%	54.4%	54.4%	46.1%	46.9%

Fall employment of fiscal year	2010-11	2009-10	2008-09	2007-08	2006-07
STAFF AND EPA NON-FACULTY					
Full-time	1,738	1,771	1,710	1,610	1,501
Part-time	138	139	146	146	155
EPA Non-Faculty	1,876	1,910	1,856	1,756	1,656
Full-time	6,385	6,484	6,453	6,174	6,104
Part-time	273	303	323	308	317
SPA	6,658	6,787	6,776	6,482	6,421
Total Full-time	8,123	8,255	8,163	7,784	7,605
Total Part-time	411	442	469	454	472
Total Staff and EPA Non-Faculty	8,534	8,697	8,632	8,238	8,077
Total Faculty, Staff, and EPA Non-Faculty	12,052	12,203	12,082	11,533	11,299

Note: SPA denotes employees subject to the State Personnel Act.
EPA denotes employees exempt from the State Personnel Act.

Source: The University of North Carolina at Chapel Hill Fact Book.

Fall employment of fiscal year	2005-06	2004-05	2003-04	2002-03	2001-02
FACULTY					
Full-time	2,885	2,844	2,744	2,701	2,598
Part-time	323	330	313	307	322
Total Faculty	3,208	3,174	3,057	3,008	2,920
Percentage Tenured	48.1%	48.7%	45.9%	50.5%	52.1%

Fall employment of fiscal year	2005-06	2004-05	2003-04	2002-03	2001-02
STAFF AND EPA NON-FACULTY					
Full-time	1,374	1,307	1,227	1,157	1,034
Part-time	131	132	128	111	97
EPA Non-Faculty	1,505	1,439	1,355	1,268	1,131
Full-time	6,005	6,004	5,947	5,915	5,782
Part-time	318	321	317	290	278
SPA	6,323	6,325	6,264	6,205	6,060
Total Full-time	7,379	7,311	7,174	7,072	6,816
Total Part-time	449	453	445	401	375
Total Staff and EPA Non-Faculty	7,828	7,764	7,619	7,473	7,191
Total Faculty, Staff, and EPA Non-Faculty	11,036	10,938	10,676	10,481	10,111

Note: SPA denotes employees subject to the State Personnel Act.
EPA denotes employees exempt from the State Personnel Act.

Source: The University of North Carolina at Chapel Hill Fact Book.

CAPITAL ASSETS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Academic/Administrative buildings	133	131	129	127	125	122	122	122	120	120
Dormitories/Auxiliary buildings	90	90	90	90	90	88	83	83	79	79
Art/Library collections	6	6	6	6	6	6	6	6	6	6

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DAN SEARS: PAGES 2,5,6,7,9-17,20,71, INSIDE FRONT COVER

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Fiscal year ended June 30, 2011 | Chapel Hill, North Carolina
2011 Comprehensive Annual Financial Report



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL