



The University of North Carolina at Chapel Hill

2014 Comprehensive Annual Financial Report

**FISCAL YEAR ENDED
JUNE 30, 2014**

**CHAPEL HILL,
NORTH CAROLINA**

A CONSTITUENT INSTITUTION
OF THE UNIVERSITY OF
NORTH CAROLINA SYSTEM,
A COMPONENT UNIT OF
THE STATE OF NORTH CAROLINA



SOUTH BUILDING

The University of North Carolina at Chapel Hill

2014 Comprehensive Annual Financial Report

**FISCAL YEAR ENDED
JUNE 30, 2014**

**CHAPEL HILL,
NORTH CAROLINA**

PREPARED BY THE
CONTROLLER'S OFFICE



Table of Contents

4	INTRODUCTORY SECTION
6	Message from the Chancellor
7	Letter of Transmittal
11	Progress and Major Initiatives
20	Board of Trustees
20	Chancellor's Cabinet
21	Organization Chart
22	FINANCIAL SECTION
24	Report of the Independent Auditor
28	Management's Discussion and Analysis
36	Statement of Net Position
37	Statement of Revenues, Expenses, and Changes in Net Position
38	Statement of Cash Flows
40	Statement of Financial Position—Discretely Presented Component Units
41	Statement of Activities—Discretely Presented Component Units
42	Notes to the Financial Statements
78	STATISTICAL SECTION
80	Narrative to the Statistical Section
81	Net Position By Component
82	Changes in Net Position
85	Changes in Net Position Adjusted for Inflation
87	Operating Expenses by Function
88	Revenue Base
88	Academic Year Tuition and Required Fees
89	Principal Revenue Payers
90	Long-term Debt
91	Summary of Ratios
98	Specific Revenue and General Revenue Bond Coverage
100	Annual Undergraduate Educational Costs per Student
102	Admissions, Enrollment, and Degrees Earned
104	Demographic Data
104	Principal Employers
105	Faculty and Staff
105	Capital Assets (Number of Facilities)



Introductory Section

Message from the Chancellor

November 14, 2014



IN CAROLINA'S 221ST YEAR, ONE THING IS VERY CLEAR: WE HAVE MUCH TO BE THANKFUL FOR.

The accomplishments of our faculty, students and staff continue to reflect the enterprising ambitions of Tar Heels who truly work to make the world a better place for a new generation.

We are proud that this summer a column in the *New York Times* cited us as the third most economically

diverse university, a national recognition of our bedrock principles of accessibility and affordability.

Indeed, Carolina remains one of the few American public universities that is both need-blind and meets 100 percent of demonstrated need. This commitment stems from our roots as the nation's first public university and respect for the investment our state has made in us, and we intend to honor it for decades to come.

Faculty brought in nearly \$793 million in research contracts and grants in fiscal 2014, up nearly \$15 million from 2013. Such research excellence drives significant economic growth and job creation in North Carolina, and allows major funding partners to continue to make investments in our faculty. Our researchers create technologies and innovations that are catalysts for new industries, accelerate progress toward a cure for diseases such as AIDS, and help target U.S. spending on global health threats. These funding partnerships and our expanding portfolio are part of a new era at Carolina that will help define us as a leading 21st century public research university.

The past year was our second best ever for fundraising. Gifts increased by 9 percent to \$297.5 million. New commitments were up 9 percent. As a result, we added five new endowed professorships, plus 58 undergraduate scholarships and graduate fellowships. This success reflects the confidence that students, parents, alumni and other loyal supporters have in the University's future.

We are balancing these accomplishments with the challenges posed by the results of an independent investigation conducted by former federal prosecutor Kenneth Wainstein into past academic irregularities. We have already implemented many reforms to address the issues identified by Mr. Wainstein's report, and will continue to focus on ensuring nothing like this ever happens again. This is a significant chapter in our history, but we will not let it define us—and we will increase our efforts to support the daily mission of our University and focus on the experiences and success of our students, faculty and staff.

We appreciate the General Assembly's hard work during the 2014 short session to provide University employees with a much-needed pay increase, as well as the flexibility to reward deserving faculty with existing funds. State support has always been a critical part of our ability to attract and retain the best and brightest scholars who will educate the next generation of leaders and inventors.

UNC-Chapel Hill is committed to delivering excellent and affordable public higher education to its students, and supporting its outstanding faculty and staff, regardless of fiscal climate. Our campus community stands ready to work with the General Assembly and Governor McCrory in the 2015 long session to ensure that Carolina—and the entire university system—remains competitive in the state, national and global environment.

It is the privilege of my career to be chancellor of one of the greatest universities in America. I am prouder than ever to be a Tar Heel and excited about what our campus community is accomplishing—and where we are headed.

A handwritten signature in black ink that reads "Carol L. Folt". The signature is written in a cursive, flowing style.

Carol L. Folt

Letter of Transmittal

November 14, 2014



TO CHANCELLOR FOLT, 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, 2014, 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 position.

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. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. The University is a participant in the Business Compliance Program. This program 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 Finance and Infrastructure 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, 2014.

Profile of the University

The University of North Carolina was anticipated by the first state constitution drawn up in 1776 directing the establishment 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 Chapel Hill belongs to the select group of American and Canadian campuses forming the Association of American Universities. The University'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 (a separate component unit of the State of North Carolina), 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, 2014, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 66 resolves conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 67 revises existing guidance for the financial records of most pension plans for state and local governments that are administered through trusts or equivalent arrangements. GASB Statement No. 70 provides new recognition, measurement, and disclosure guidance for state and local governments that extend or receive nonexchange financial guarantees.

The financial reporting entity for the financial statements is comprised of the University and 11 component units. Eight 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 Intermediate Pool, LLC (UNC Intermediate 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



The University of North Carolina at Chapel Hill has received the award for reporting excellence for the past 19 years.

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, UNC Intermediate 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 17-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

As noted in this letter last year, the economic improvement most forecasters were then expecting for North Carolina and the entire US during fiscal year 2013-2014 turned out to be fairly accurate. According to the Bureau of Labor Statistics, there were 4,389,480 people employed in North Carolina in June 2014, which represents an increase of 77,367 people or 1.8 percent on a seasonally adjusted basis from a year earlier. Over the same period, the unemployment rate in our state fell from 8.3 percent to 6.4 percent.

Non-farm payroll jobs also rose substantially over the year and increased by 79,300 jobs or 2.0 percent on a seasonally

adjusted basis from June 2013 to June 2014.

As would be expected from these healthy gains reported for both measures of employment, the overall income of North Carolina residents also posted strong growth over the fiscal year. The Bureau of Economic Analysis reported that total personal income in North Carolina reached a record high of \$394.3 billion at a seasonally adjusted annual rate in the second quarter of 2014, which represents an increase of \$14.5 billion or 3.8 percent from the second quarter of 2013. The growth only falls slightly below the national increase of 4.1 percent over the same time frame. Total personal income in North Carolina in the second quarter of 2014 made up 2.7 percent of the US total.

The Census Bureau reported on July 1, 2014 that the total population of North Carolina was a record 9,848,060 on July 1, 2013. There were 2,285,605 people under age 18, indicating an ample supply of applicants for admission for years to come. North Carolina's total population was 10th in the US, between Michigan and New Jersey.

Gross domestic product (GDP) for the state, the total value of all goods and services produced within the borders of North Carolina for final demand, was a record \$471.4 billion in 2013 according to the Bureau of Economic Analysis. That was 9th in the US, below New Jersey but a little ahead of both, Georgia (\$454.5 billion) and Virginia (\$452.6 billion).



As released by Bloomberg on October 10, 2014, the consensus among economic forecasters was for real GDP growth of 3.0 percent in the US over the four quarters from July 1, 2014 through June 30, 2015. If realized, that would be the highest growth rate since 2004-2005 and excellent news for the US, North Carolina and the University of North Carolina at Chapel Hill.

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, 2013. This was the 19th 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 Development, University Communications, 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.

Matthew M. Fajack
*Chief Financial Officer and
Vice Chancellor for Finance Administration*

Progress and Major Initiatives

Fiscal Year 2013–2014

CAROLINA HAS EARNED A PLACE AMONG THE WORLD'S MOST RESPECTED PUBLIC UNIVERSITIES. EVERY DAY, STUDENTS, FACULTY AND STAFF IMPROVE THE LIVES OF PEOPLE ACROSS NORTH CAROLINA, THE NATION AND THE WORLD.



Recent highlights include the following:

- 1 Carolina enrolled almost 4,000 first-year students from a record 31,331 applicants. Nearly 18 percent were the first in their families to attend college.
- 2 Carolina ranked as the No. 1 value in U.S. public higher education for the 13th consecutive time based on academic excellence and affordability, according to Kiplinger's Personal Finance. The University was the only school on the magazine's list to meet 100 percent of financial need. Kiplinger's also designated Carolina "best in class" for lowest percentage of students who borrowed and for out-of-state value.
- 3 For the 14th consecutive year, UNC-Chapel Hill placed fifth among top public universities, as ranked in U.S. News and World Report's 2015 "America's Best Colleges Guidebook."
- 4 Carolina ranked 32nd among the world's top 500 research universities, according to the inaugural U.S. News and World Report "Best Global Universities" rankings.
- 5 Faculty brought in \$792.7 million in research contracts and grants in fiscal 2014, up \$14.9 million from 2013. Such research excellence continues to drive significant economic growth and job creation in North Carolina at the same time the faculty accelerate progress toward cures for diseases such as AIDS.
- 6 Carolina dedicated Marsico Hall, a 340,000-square-foot building that houses world-class imaging equipment, including a hybrid MRI/PET whole body scanner, a 7 Tesla MRI whole body scanner, and a cyclotron—a machine used to create the isotopes that researchers and clinicians use in cutting-edge imaging techniques.
- 7 Two internationally recognized faculty members—Joseph DeSimone, Chancellor's Eminent Professor of Chemistry, and Bryan Roth, Michael Hooker Distinguished Professor of Protein Therapeutics and Translational Proteomics—were elected to the Institute of Medicine, among the highest honors a U.S. scientist can receive in health and medicine.
- 8 Licensing technologies created at UNC-Chapel Hill generated more than \$7.9 million in fiscal 2014—more than double the highest amount of royalty income previously received in a single year. That number reflects licensing revenues by companies that use UNC-created technology and from the sale of stock held in successful start-ups.
- 9 The University attracted \$297.5 million in private gifts and grants in fiscal 2014. The total marked the second-best year in UNC history and was 9 percent higher than in 2013. Commitments (pledges and gifts) also were up 9 percent. These results helped create five endowed professorships as well as 58 undergraduate scholarships and graduate fellowships.
- 10 The Carolina Center for Public Service celebrated 15 years of connecting students, faculty and staff with communities across the state and far beyond. The center's initial task was to organize the campus response to Hurricane Floyd in 1999, and now its activities support service in 82 North Carolina counties.



Accessibility/Affordability

New class, new faces: Meet the Class of 2018

They've built schools around the world, published books, conducted research and apprenticed in family businesses. This year's incoming first-year class of 3,988 enrollees at UNC, coming from as far away as Singapore and as close to home as Chapel Hill, features award-winning scientists, artists, champion athletes—and the recipient of a Purple Heart. They are diverse, and they are talented.

Chosen from a record 31,331 applicants, they hail from 94 North Carolina counties, 38 states and the District of Columbia and 24 countries. An additional 800 students are joining the Carolina community as transfer students.

More than 77 percent graduated in the top 10 percent of their high school class, and just over 42 percent ranked within

the top 10 students in that class. More than 13 percent were valedictorian or salutatorian. The incoming class scored an average of 1320 on the SAT (critical reading and math).

Students who will be the first in their families to graduate from a four-year college or university comprise almost 18 percent of the class. Thirteen percent of those in the incoming class are Carolina Covenant Scholars, students from low-income backgrounds who earned a place at UNC and will have the opportunity to graduate debt-free.

Ninety-three percent participated in community service; 74 percent played a sport; 54 percent participated in music, drama or other arts; 49 percent held a position as president of their class or a club; and 22 percent conducted research outside the classroom.



- A After graduating from the North Carolina School of Science and Mathematics, **Ryan Katherine McCord** spent 5 months in Kenya on a Global Gap Year Fellowship.
- B **Carlos Cordero**—a veteran, husband and father of five sons—transferred to Carolina through Carolina Student Transfer Excellence Program (C-STEP) to major in peace, war and defense with a goal of becoming a military intelligence officer.
- C Passionate about public policy, **Andrew Brennan** chose Carolina for opportunities to make a difference through the Robertson Scholars Leadership Program.

Carolina celebrates economic diversity

Carolina ranked among the top three most economically diverse colleges nationally, further highlighting Carolina's commitment to providing an accessible education.

To measure top colleges' efforts on economic diversity, "The Upshot" column of The New York Times calculated a College Access Index based on the share of first-year students in recent years receiving a Pell Grant, as well as the net price of attendance for low- and middle-income families.

UNC was No. 1 among public universities and among an elite group including Vassar and Grinnell in the top two positions.



Above: Student Malcolm Wilkins, mentor Barbara Lucido and graduate Charles Hands celebrate the 10th anniversary of the Carolina Covenant Scholars Program.
Below: students descend the staircase at the Kenan-Flagler Business School.

10 years and counting of Carolina Covenant

In October, the Carolina Covenant Scholars Program celebrated 10 years of helping students from low-income families to fulfill their dreams of attending UNC without borrowing a penny.

One of the first—and among the last remaining—such programs in the nation, the Carolina Covenant promises that UNC will meet 100 percent of an eligible student's financial need with a combination of grants, scholarships and federal work-study funds.

Since 2004, the program has brought more than 5,300 students to Carolina and provided millions of dollars in tuition. The four-year graduation rate of low-income students has dramatically improved. Most notably, the rate for males climbed from 40 percent to 67.3 percent. The greatest improvement has been among African-American males, whose graduation rate jumped by 35 percent.

Research/Innovation

Carolina research drives economic growth and job creation

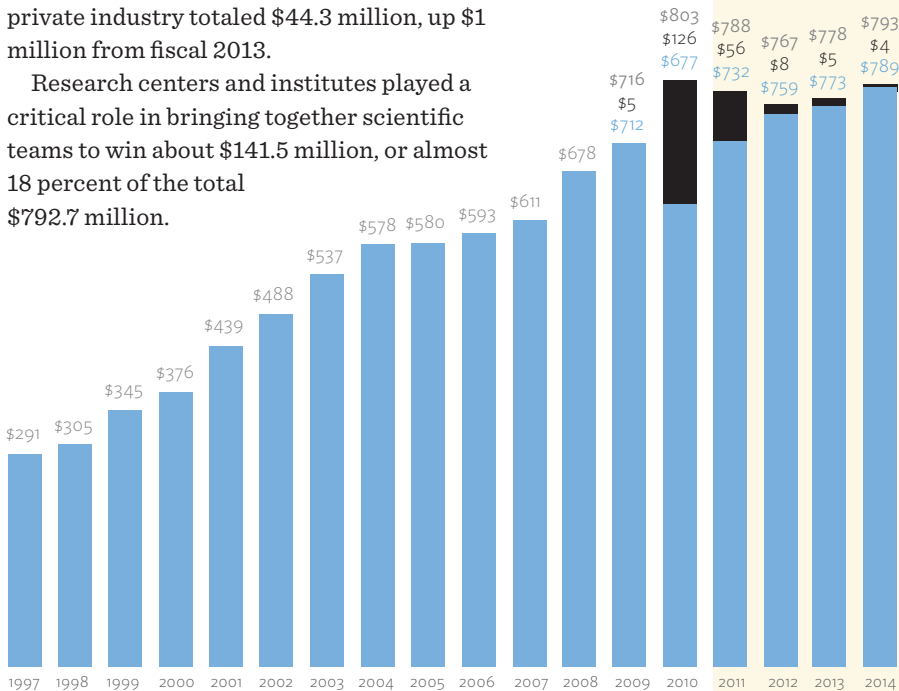


Carolina faculty brought in \$792.7 million in research contracts and grants in fiscal 2014, up \$14.9 million from the \$777.8 million total in fiscal 2013.

The largest sources of funding for Carolina's research enterprise in 2014 came from the federal government, business and industry, and foundations.

The federal government awarded Carolina research about \$570 million, or almost 72 percent of the fiscal 2014 total. The National Institutes of Health was the largest of those federal funders, awarding more than \$428 million. Awards from private industry totaled \$44.3 million, up \$1 million from fiscal 2013.

Research centers and institutes played a critical role in bringing together scientific teams to win about \$141.5 million, or almost 18 percent of the total \$792.7 million.



(Dollars in black denote American Recovery and Reinvestment Act of 2009 to jump-start economic growth and save jobs.)
Dollars in millions

CAROLINA RESEARCH DOLLARS ON THE RISE

EXAMPLES OF MAJOR RESEARCH AWARDS FROM FISCAL 2014

MEASURE Evaluation, led by the Carolina Population Center, won the University's second-largest research grant ever of about \$180 million, to be awarded over five years, from US-AID. The award will be used to continue the research required to optimally target U.S. spending on global-health threats such as malaria and HIV.

The UNC Energy Frontier Research Center developed a way to convert the sun's energy into hydrogen fuel. The U.S. Department of Energy, Office of Basic Energy Sciences, has awarded the center another \$10.8 million to continue work on a complete system to store solar energy.

Carolina's N.C. Translational and Clinical Sciences Institute partnered with N.C. A&T State University and RTI International to bring in \$54.6 million from the NIH to help speed up the process of translating research from the laboratory into real-world applications.

Eastman Chemical Co. funded about \$1.7 million in chemistry and materials-science research at Carolina to help bring new technologies to market more quickly.

Researchers at the School of Medicine found a possible environmental cause of autism in a group of enzymes called topoisomerases. Their work, funded by the NIH, was named a 2013 top advance in autism research by the autism science and advocacy organization Autism Speaks.

School of Medicine researchers also discovered a way to find and kill cells that have pieces of HIV hidden inside them. The method, which has been shown to work in mice, might someday become a part of standard HIV treatment. Their work was funded by programs at the NIH and its National Cancer Center.

Carolina's Environmental Finance Center was awarded \$2 million from the U.S. Environmental Protection Agency to help small communities in North Carolina and across the country improve their water systems.

Service to the state and beyond



Carolina science in service of communities

The Department of Biomedical Engineering—a joint department with North Carolina State University—applies the rigorous methods of physics, chemistry, mathematics and engineering to solve important and urgent biological and biomedical problems.

This year one of the department's students used his education to make one lucky child's dream come true. Using a 3-D printer in the basement of Phillips Hall, senior biomedical engineering student Jeff Powell spent part of his summer designing and developing a prosthetic hand for seven-year-old Holden Mora.

Because of his background in design, research associate professor in biomedical engineering Richard Goldberg put Powell in touch with the Mora family. Goldberg said matching students with projects like this helps put their skills to the test.

The hand consists of 12 parts, each taking from 40 minutes to five hours to print. Powell turned to the Internet to learn how to design each piece, meeting obstacles using the printer throughout the way.

Powell's work has sparked the interest among his peers. With their help, Powell hopes to continue helping families in need.

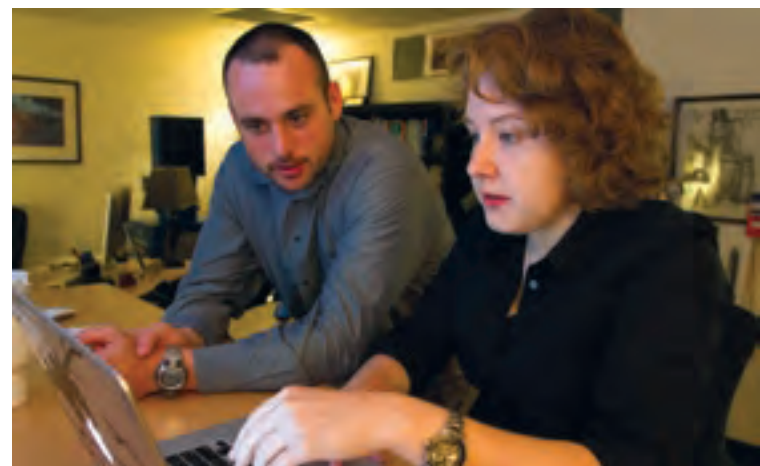
The Research Hub, a new UNC Library initiative to make the entire research life cycle at UNC more connected, collaborative and technology-enabled, is making 3-D printing more accessible on campus. A Kenan Science Library Hub features a new 3-D printing facility.

Top: Jeff Powell poses with the prosthetic hand he created using a 3-D printer in the Biomedical Engineering Lab. Bottom: Steven King, assistant professor at the School of Journalism and Mass Communication, works on ebolainliberia.org with Casey Miller, a May 2014 graduate who now works as a news app developer at *The Wall Street Journal*.

UNC responds to Ebola crisis

Last summer, Carolina's William Fischer worked in an isolation area in West Africa as part of a team from Doctors Without Borders to try to help combat the Ebola virus, providing medical treatment and comfort first-hand to ailing patients. Fischer, associate program director for research in the School of Medicine's Division of Pulmonary Diseases and Critical Care, was recruited by the World Health Organization because of his critical care medicine expertise. Since returning, he has helped educate the public about the true risks of Ebola.

In September, the School of Journalism and Mass Communication answered the call of Liberia's Minister of Information to help track real-time information about the Ebola crisis with ebolainliberia.org which helps officials at the Centers for Disease Control and on the ground in West Africa. The site contains graphs that include cumulative total cases of Ebola and cumulative total deaths as a result of Ebola. A map feature gives site users a color-coded view of number of cases and deaths by Liberian county. The hope is the site will help Liberian officials make better-informed decisions to help contain the spread of Ebola while providing the public with a transparent view of the country's Ebola statistics.





Top: A student enjoys Carolina in fall, North Carolina Governor Pat McCrory gives the University Day address, students sign the "Thank You UNC" wall and visitors rest on the South Building steps.

World-class education

Flipped classrooms narrow achievement gaps and accelerate learning

At Carolina, more and more instructors—particularly in STEM (science, technology, engineering and math) disciplines—are “flipping” the classroom: making available lectures outside of class that free up class time for the kinds of activities that will drive those lessons home.

Programs like the Chancellor’s Science Scholars and UNC-BEST have been in place at Carolina to nurture students and future teachers interested in the sciences. Now, grants from the Association of American Universities (AAU) and the National Science Foundation (NSF) are giving Carolina the opportunity

“THE CLASSROOM CHANGES MAKE...EFFICIENT USE OF THE AVAILABLE TIME TO ALLOW STUDENTS TO APPLY THE KNOWLEDGE THROUGH ACTIVITIES, WHICH WILL HELP THEM RETAIN IT AND BETTER PREPARE THEM FOR WHAT’S NEXT.”

to transform the large lecture class and to allow the enterprising teaching and learning techniques of some of Carolina’s most innovative faculty to lead the way.

Teaching methods include pre-class reading assignments and participatory classroom exercises that focus on applying knowledge rather than listening to lectures, with supplemental instruction sessions led

by undergraduate mentors offered. Funding will help expand active-learning methods for STEM courses in the College of Arts and Sciences and, eventually, redesigned classroom space.

The classroom changes aren’t about cramming more into a class, or overloading young scholars with more work, but making more efficient use of the available time to allow students to apply the knowledge through activities, which will help them retain it and better prepare students to study advanced materials and apply concepts thereafter.

As a result, the model has helped dramatically narrow the achievement gaps for first-generation and African-American students in introductory biology and chemistry courses while raising the overall achievement level for students in the classes.



Above, Students Keenan McBride (left) and Caleb Jadrich learn about wave behavior using an interactive simulation in a flipped physics classroom.



Board of Trustees

June 30, 2014

W. Lowry Caudill
CHAIR, DURHAM, NC

Alston Gardner
VICE CHAIR, CHAPEL HILL, NC

Sallie Shuping-Russell
SECRETARY, CHAPEL HILL, NC

Jefferson W. Brown
CHARLOTTE, NC

Phillip L. Clay
CAMBRIDGE, MA

Haywood D. Cochrane
ELON, NC

Donald Williams Curtis
RALEIGH, NC

Charles G. Duckett
WINSTON-SALEM, NC

Peter T. Grauer
NEW YORK, NY

Kelly Matthews Hopkins
CHARLOTTE, NC

Steven Lerner
CHAPEL HILL, NC

Dwight D. Stone
GREENSBORO, NC

Andrew Henry Powell
EX-OFFICIO, CHAPEL HILL, NC

Chancellor's Cabinet

June 30, 2014

Carol L. Folt
CHANCELLOR

Taffye B. Clayton
VICE PROVOST FOR DIVERSITY
& MULTICULTURAL AFFAIRS

Winston B. Crisp
VICE CHANCELLOR FOR
STUDENT AFFAIRS

Lawrence R. (Bubba) Cunningham
DIRECTOR OF ATHLETICS

Joel Curran
VICE CHANCELLOR FOR
COMMUNICATIONS AND PUBLIC AFFAIRS

James W. Dean Jr.
EXECUTIVE VICE CHANCELLOR
AND PROVOST

Deborah Dibbert
CHIEF OF STAFF*

Douglas S. Dibbert
PRESIDENT, GENERAL ALUMNI
ASSOCIATION

Barbara Entwisle
VICE CHANCELLOR FOR RESEARCH

Matthew M. Fajack
CHIEF FINANCIAL OFFICER AND
VICE CHANCELLOR FOR FINANCE
AND ADMINISTRATION

Stephen Farmer
VICE PROVOST, ENROLLMENT
AND UNDERGRADUATE ADMISSIONS

Karen M. Gil
DEAN, COLLEGE OF ARTS & SCIENCES

Chris Kielt
VICE CHANCELLOR FOR
INFORMATION TECHNOLOGY

Dwayne Pinkney
SECRETARY OF THE UNIVERSITY*

William L. Roper
VICE CHANCELLOR FOR MEDICAL AFFAIRS
AND DEAN, SCHOOL OF MEDICINE

David Routh
VICE CHANCELLOR FOR UNIVERSITY
ADVANCEMENT

Leslie Chambers Strohm
VICE CHANCELLOR AND
GENERAL COUNSEL

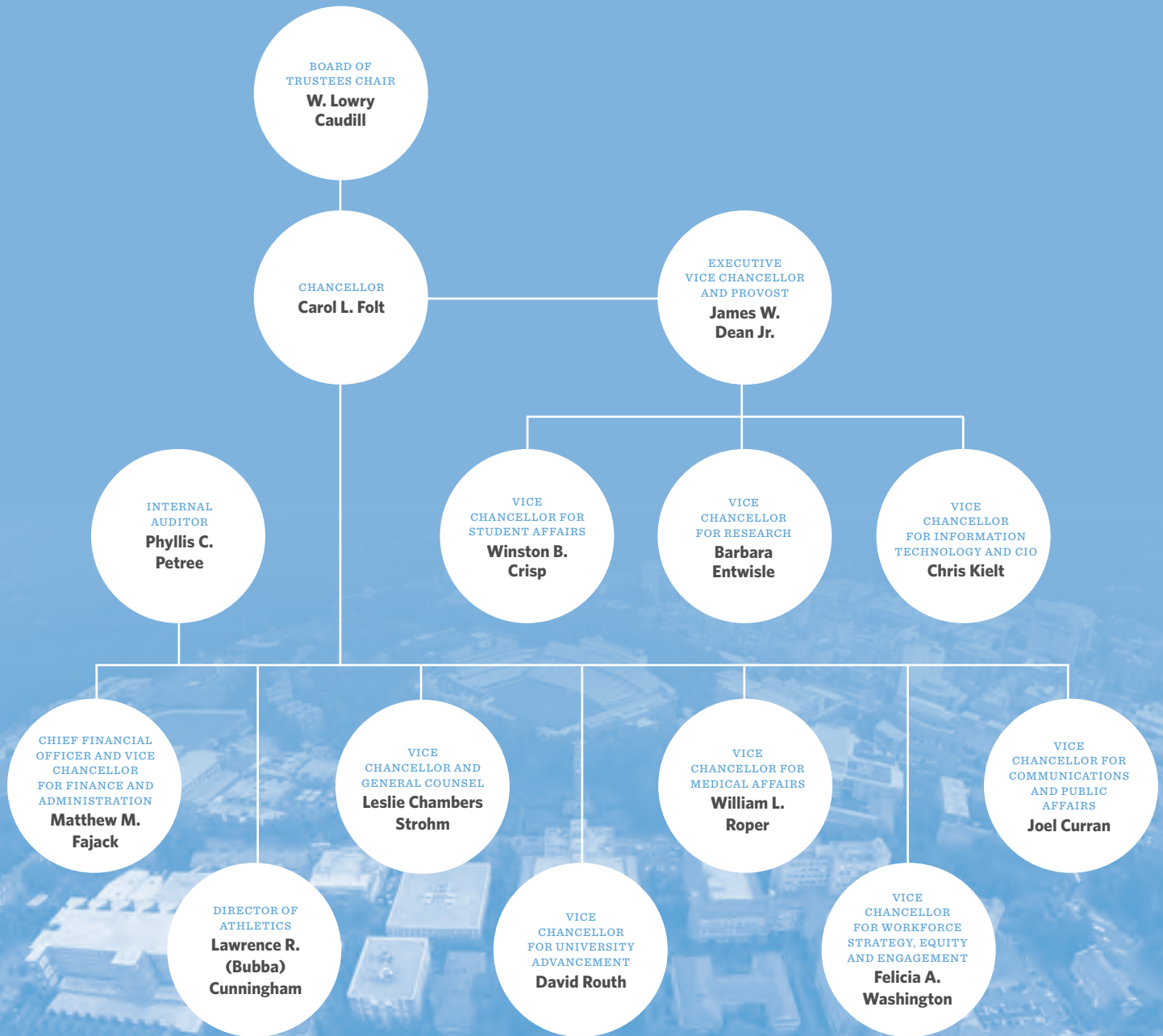
Felicia A. Washington
VICE CHANCELLOR FOR WORKFORCE
STRATEGY, EQUITY AND ENGAGEMENT

Jennifer Willis
DIRECTOR OF STATE RELATIONS

**Effective August 11, 2014. Positions were vacant at June 30, 2014.*

Organization Chart

June 30, 2014





Financial Section



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA

Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0501
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet:
<http://www.ncauditor.net>

INDEPENDENT AUDITOR'S REPORT

Board of Trustees

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 represent 42 percent, 39 percent, and 10 percent, respectively, of the assets, net position, and revenues of the University; nor the financial statements of The Medical Foundation of North Carolina, Inc., The Educational Foundation Scholarship Endowment Trust, and the University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc., the University's discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the report 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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

about whether the financial statements are free from 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 the University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of The University of North Carolina at Chapel Hill, and its discretely presented component units, as of June 30, 2014, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The introductory and supplementary sections are presented for purposes of additional analysis and are not required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The introductory and supplementary sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance. 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.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 14, 2014



Management's Discussion And Analysis (Unaudited)

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 ended June 30, 2014, with comparative information for the fiscal year ended June 30, 2013. Management has prepared the discussion and analysis to be read in conjunction with the financial statements and accompanying notes to the financial statements.

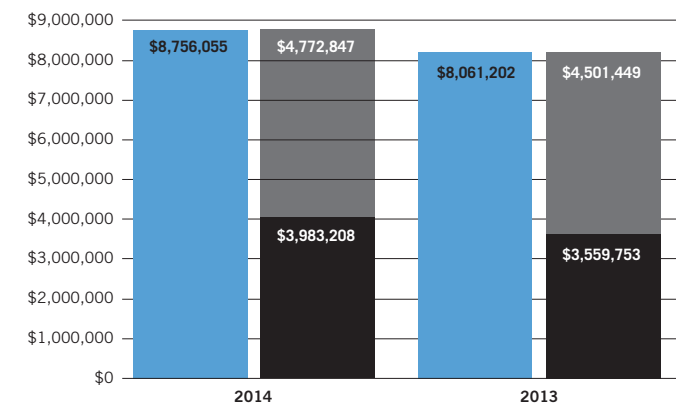
The University is a constituent institution of the 17-campus University of North Carolina System (UNC System), a component unit of the State of North Carolina, and an integral part of the State's *Comprehensive Annual Financial Report (CAFR)*. The financial reporting entity for the financial statements is comprised of the University and 11 component units. Eight 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. Note 1A of the financial statements provides detailed information on the financial reporting entity.

Financial Highlights

The University maintained its solid financial position at June 30, 2014 as the growth in operating revenues surpassed increases in operating expenses, and investment income grew substantially from the prior year. The University's total assets and deferred outflows were \$8.8 billion at June 30, 2014. Net position, which represents the residual interest in the University's assets and deferred outflows after deducting liabilities and deferred inflows, was \$4.8 billion at June 30, 2014. The University's net position increased by \$271 million in fiscal year 2013-2014 as a result of operating, non-operating, and other changes in net position. A comparison of the total assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2014 and June 30, 2013, along with the major components of the changes in net position for the two fiscal years are presented below:

STATEMENT OF NET POSITION

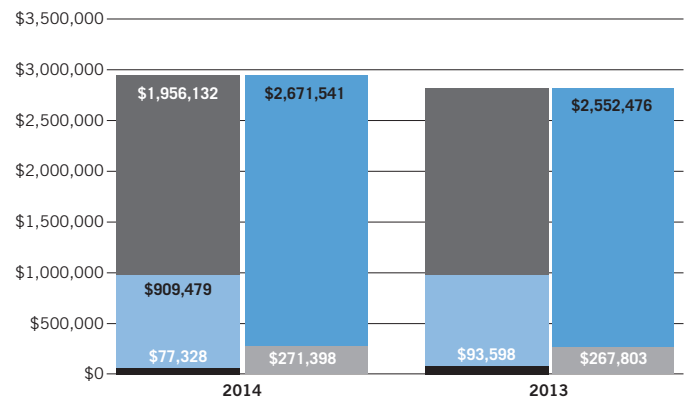
(dollars in thousands)



- Total Assets and Deferred Outflows
- Net Position
- Total Liabilities

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(dollars in thousands)



- Operating Revenues
- Capital Gifts, Appropriations, Grants and Endowments
- Non-operating Revenues, net
- Operating Expenses
- Increase in Net Position

Net position improved 6.0 percent at June 30, 2014 over the prior year. Total assets increased 8.6 percent from the prior year and total liabilities rose 11.9 percent for the same period. The percentage increase of total operating revenues for fiscal year 2013-2014 over the prior year was greater than the corresponding increase for operating expenses: 6.4 percent and 4.7 percent, respectively. Net non-operating revenues and expenses increased 2.4 percent in fiscal year 2013-2014 over the prior year, reflecting higher investment income mitigated by slightly lower state appropriations and non-capital gifts and grants. As a major research university, funding from contracts and grants continues to be of key importance to the University's success in fulfilling its mission. In addition to the foregoing, fund raising for operational needs, sales and services, and tuition and fees likewise 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 Position*
- *Statement of Revenues, Expenses, and Changes in Net Position*
- *Statement of Cash Flows*

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

Condensed Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year, includes all assets and deferred outflows, all liabilities and deferred inflows, and segregates the assets and liabilities into current and non-current components. The subsequent table summarizes the University's assets and deferred outflows, liabilities and deferred inflows, and net position on June 30, 2014 and June 30, 2013.

Current Assets and Liabilities

The Statement of Net Position reflects that working capital, which is current assets less current liabilities, was \$1.2 billion at June 30, 2014 as well as the previous year. One of the factors contributing to a substantial working capital margin is that many operating funds are invested in the State Treasurer's

ASSETS, LIABILITIES, DEFERRED RESOURCES, AND NET POSITION

(dollars in thousands)

	2014	2013	Percent Change
Assets:			
Current assets	\$1,697,314	\$1,556,409	(9.1)
Non-current assets:			
Endowment, restricted, and other investments	3,574,709	3,129,647	14.2
Capital assets, net	3,117,129	3,112,151	0.2
Other non-current assets	282,036	182,568	54.5
Total Assets	8,671,189	7,980,775	8.7
Deferred Outflows of Resources	84,866	80,427	5.5
Liabilities:			
Current liabilities	437,861	310,154	41.2
Non-current liabilities:			
Funds held in trust for pool participants	1,973,240	1,661,608	18.8
Long-term liabilities	1,457,737	1,476,431	(1.3)
Other non-current liabilities	114,370	111,560	2.5
Total Liabilities	3,983,208	3,559,753	11.9
Deferred Inflows of Resources	0	0	0
Net Position:			
Net investment in capital assets	1,662,931	1,632,515	1.9
Restricted	2,189,083	1,896,046	15.5
Unrestricted	920,833	972,888	(5.4)
Total Net Position	\$4,772,847	\$4,501,449	6.0

Short-term Investment Fund in order to maintain a high degree of liquidity while also earning interest. Such funds are reported as cash equivalents in the Statement of Net Position which details other current asset and current liability categories.

Endowment, Restricted and Other Investments

Endowment investments increased 13.9 percent during 2013-2014 and were \$1.7 billion at June 30, 2014 and \$1.5 billion at June 30, 2013, 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, or CHIF), 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), an investment pool organized by the Chapel Hill Investment Fund to allow the University, along with other constituent institutions of the UNC System and affiliated organizations, to pool investment resources.

The CHIF investment objective is to earn a long-term real rate of return exceeding 5.5 percent. This objective is intended to support the Chapel Hill Investment Fund's distribution policy providing a stable source of spending support that is sustainable over the long-term while preserving the purchasing power of the invested funds. The distribution rate is determined annually by its Board of Directors and for the past 5 years has ranged between 5 percent and 6 percent based on the beginning market value of the Chapel Hill Investment Fund.

As reported by UNC Management Company, Inc. (Management Company), the manager of the UNC Investment Fund, the endowment assets invested in the UNC Investment Fund recorded a 15.7 percent return for fiscal year 2013-2014, exceeding both the Strategic Investment Policy Portfolio (SIPP) return of 15.0 percent and the primary objective of earning a real rate of return exceeding 5.5 percent. All seven major asset classes used in managing the portfolio produced positive returns for the fiscal year 2013-2014.

Over the long term, UNCIF's 10-year annualized performance of 9.2 percent has surpassed its primary objective of providing a real rate of return exceeding 5.5 percent. UNCIF's ten year return exceeds both the SIPP benchmark and the Global 70/30 Index (comprised of 70 percent invested in the MSCI All Country World Index and 30 percent in the Barclay's U.S. Aggregate Bond Index) which returned 8.7 percent and 7.0 percent, respectively.

Over the intermediate term, UNCIF's performance reflects recovery from the sharp decline in financial markets witnessed in 2007-2008 with a 5-year annualized return of 10.3 percent. During this period, the Global 70/30 Index and the SIPP benchmark had returns of 11.7 percent and 12.1 percent, respectively.

Recognizing that severe market declines periodically occur, a University Statutory Endowment policy (established pursuant to NC General Statute 116-36) addresses the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The policy indicates that campus departments shall examine the endowment-supported activity for the upcoming fiscal year for possible deferment of program expenses, and if appropriate, pursue alternative funding for essential activities, and 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. The distribution of investment earnings for fiscal years 2013-2014 and 2012-2013 provided for

a full distribution without reduction to principal value.

Non-current restricted investments of \$1.8 billion at June 30, 2014 include funds of affiliated entities that are neither part of the University's reporting entity nor reported discretely but invested through UNCIF.

Capital Assets and Debt Management

The University completed Marsico Hall, an imaging research building, the University's largest capital project to date, in March 2014. A significant portion of \$245.6 million in funding for this 343,000 square foot building came from state debt in the form of COPS, Certificate of Participation. Current projects in design include: a comprehensive renovation to Mary Ellen Jones research building; Student Housing Phase III—a 250 bed undergraduate suite style residence hall which will replace units in Odum Village scheduled for decommissioning in 2017; and an addition to the Manning Plant for generators and a chilled water plant to meet capacity needs. All these projects are funded by the University through cash and debt financing. Looking forward through 2019 in light of the fact that capital renewal needs are ongoing, the University six-year capital plan includes \$210 million worth of projects for possible state funding subject to the financial climate. The University's six-year capital plan for non-appropriated funding identifies \$475 million worth of projects funded from a variety of sources, including debt.

In 2015, the University will initiate a University Master Plan that reflects the campus' strategic plan for sustainability and will guide future development of University properties. The plan will develop land use principles to support the University's academic and research priorities and include examination of facility utilization and needs, infrastructure, environmental resources, and economic impact.

A summary of changes in capital assets is disclosed in Note 5. Capital assets, net of accumulated depreciation and amortization, at June 30, 2014 and June 30, 2013, were as follows:

CAPITAL ASSETS

(dollars in thousands)

	2014	2013	Percent Change
<i>Capital Assets:</i>			
Construction in progress	\$44,257	\$231,972	(80.9)
Land and other non-depreciable assets	216,892	189,931	14.2
Buildings	2,014,192	1,869,324	7.7
General infrastructure	610,646	588,089	3.8
Machinery, equipment, and computer software	231,142	232,835	(0.7)
Total	\$3,117,129	\$3,112,151	0.2

During fiscal year 2013-2014, the University funded capital improvement projects with proceeds from the Board of

Governors of the University of North Carolina System General Revenue Series 2012AB bond issue. After those funds are exhausted, the University will continue 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. As such, outstanding commercial paper debt was \$18.0 million at both June 30, 2014 and at June 30, 2013.

On behalf of the University, the Board of Governors for the University of North Carolina System issued General Revenue Bonds Series 2014 in the amount of \$265.6 million during October 2014 to advance refund a portion of its General Revenue Bonds Series 2005A. (See Subsequent Events Note 20 for additional information.)

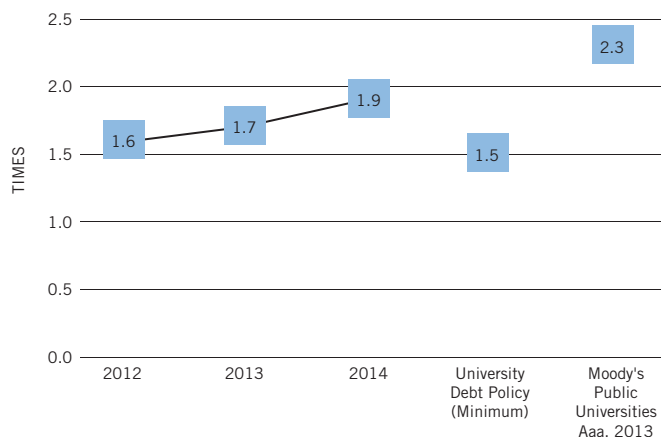
On February 14, 2014, a University unit that is blended for financial reporting purposes restructured a bank note, paying down \$4.25 million in principal and extending the duration of the remaining \$5.0 million with a final maturity date of February 14, 2024. In addition, on October 3, 2013, another University blended unit closed on a bank note that provides up to \$30.0 million in funding for the construction of a capital project. The note expires on October 2, 2016. At June 30, 2014, the total amount of draws against the note was \$4.705 million.

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 2013-2014 ranged from 0.07 to 0.20 percent and for fiscal 2012-2013 ranged from 0.13 to 0.23 percent. Interest rates on the University's variable rate, long-term bonds ranged from 0.02 to 0.88 percent for fiscal year 2013-2014 and from 0.04 to 0.92 percent for fiscal year 2012-2013. 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.

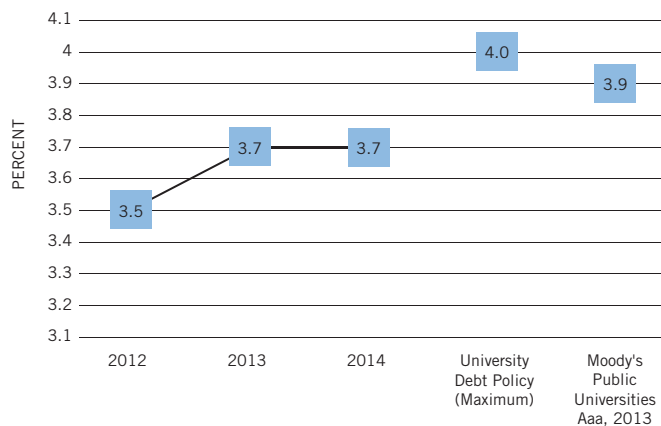
The University's debt policy uses two key ratios to measure debt capacity, financial health, and credit quality. The *expendable resources to debt ratio* measures unrestricted, expendable restricted, and temporarily restricted net position to funded debt and serves as a relative indicator of financial 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 2012-2013 (the latest available comparative statistics). At June 30, 2014, the *expendable resources to debt ratio* was 1.9 times, and the *debt service to operations ratio* was 3.7 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. The University continues to maintain its long-term bond ratings of Aaa/AA+/AAA from Moody's Investor Services, Standard & Poor's and Fitch Ratings, respectively.

EXPENDABLE RESOURCES TO DEBT



DEBT SERVICE TO OPERATIONS



Other Non-current Assets and Liabilities

Total other non-current assets were \$282.0 million at June 30, 2014 and \$182.6 million at June 30, 2013, a 54.5 percent increase. Non-current restricted cash increased principally due to decrease in foundations' participation in the Temporary Investment Pool, shifting cash from other funds.

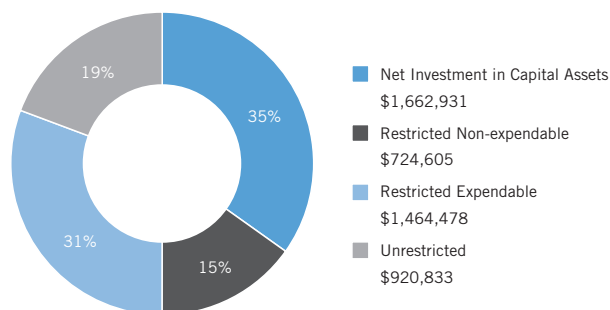
Non-current liabilities were \$3.6 billion at June 30, 2014 and \$3.2 billion at June 30, 2013, and include funds held in trust for the University's affiliated foundations and other campuses in the UNC System and their affiliates of \$2.1 billion and \$1.7 billion, respectively. These entities are not part of the University's financial reporting entity and are not discretely presented, but the entities do invest in the UNC Investment Fund. The increase in funds held in trust of 18.8 percent over the prior year resulted from additional participant contributions and net investment gains.

Net Position

Net position represents the value of the University's assets and deferred outflows after liabilities and deferred inflows are deducted. The University's net position was \$4.8 billion at June 30, 2014, an increase of \$271.4 million over the prior year. Net investment in capital assets 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 position includes 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 position includes resources in which the University is legally obligated to spend the resources in accordance with restrictions provided by external parties. Unrestricted net position is 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.

2014 NET POSITION: \$4,772,847

(dollars in thousands)



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

The Statements of Revenues, Expenses, and Changes in Net Position present the University's results of operations and other changes in net position. The statements for the fiscal year ended June 30, 2014 and the prior year are summarized as follows:

UNIVERSITY OPERATIONS AND OTHER CHANGES

(dollars in thousands)

	2014	2013	Percent Change
<i>Operating Revenues:</i>			
Student tuition and fees, net	\$361,771	\$348,049	3.9
Grants and contracts	820,154	761,196	7.7
Sales and services, net	770,512	720,520	6.9
Other	3,695	8,929	(58.6)
Total Operating Revenues	1,956,132	1,838,694	6.4
Operating Expenses	2,671,541	2,552,476	4.7
Operating Loss	(715,409)	(713,782)	0.2
<i>Non-operating Revenues (Expenses):</i>			
State appropriations	482,728	515,121	(6.3)
Non-capital gifts and grants	238,649	250,442	(4.7)
Investment income	258,372	191,969	34.6
Interest and fees on debt	(66,218)	(70,119)	(5.6)
Federal interest subsidy on debt	2,109	2,174	(3.0)
Other net non-operating expenses	(6,161)	(1,600)	285.1
Net Non-operating	909,479	887,987	2.4
Income Before Other Changes	194,070	174,205	11.4
Capital appropriations	4,313	2,285	88.8
Capital grants	41,507	44,177	(6.0)
Capital gifts	5,899	23,182	(74.6)
Additions to permanent endowments	25,609	23,954	6.9
Increase in Net Position	271,398	267,803	1.3
Net Position—July 1	4,501,449	4,233,646	6.3
Net Position—June 30	\$4,772,847	\$4,501,449	6.0

Fiscal year 2013-2014 revenues and other changes total \$3,015,318 and expenses total \$2,743,920.

Fiscal year 2012-2013 revenues and other changes total \$2,891,998 and expenses total \$2,624,195.

Operating Revenues

The operating revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Net student tuition and fees for fiscal year 2013-2014 increased 3.9 percent over the prior year total. Student tuition and fees are reported net of scholarship discounts, which totaled \$96.0 million for fiscal year 2013-2014 and \$84.6 million for the prior year. Tuition

rates increased for fiscal year 2013-2014 by 10.3 percent for undergraduate residents, 6.1 percent for undergraduate non-residents, 6.5 percent for graduate residents, and 6.8 percent for graduate non-residents.

Revenues from operating grants and contracts increased 7.7 percent over the prior year. Discussion of grants and contracts in terms of awards provides another useful perspective. Faculty secured \$792.7 million in research funding during fiscal year 2013-2014, as compared to \$777.8 million the previous year. The funding comes in contracts and grants awarded by federal and state agencies, foundations, nonprofit organizations, corporations and associations, with the federal government providing the majority of the awards. Securing research funding has become an increasingly competitive endeavor, particularly as the portion of the federal government budget allocable to research is constrained. A key factor in dealing with such competitive pressures is diversifying funding sources and bringing in more awards from foundations and private industry and business.

The National Institutes of Health (NIH) remained the University's largest funding source, with awards exceeding \$428 million. NIH's strong and ongoing support reflects positively on the University's health-related professional schools (dentistry, medicine, nursing, pharmacy and public health), UNC Health Care and its teaching hospitals, and basic and social science units in the College of Arts and Sciences.

The University's other top funders were the National Science Foundation at \$37.4 million; the Department of Health and Human Services, \$22.2 million; and U.S. Agency for International Development, \$21.5 million. The University's multidisciplinary research centers and institutes continue to play a growing role in bringing research funding to North Carolina, accounting for approximately \$141.5 million of total awards in fiscal year 2013-2014, almost 18 percent of the total \$792.7 million. New, innovative research facilities and infrastructure have made possible ground-breaking interdisciplinary scientific research, which contributes to obtaining research awards.

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 received from the Chapel Hill Investment Fund to support University administrative services.

Operating Expenses

The University's operating expenses were \$2.7 billion for the fiscal year ended June 30, 2014, an increase of 4.7 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)

	2014	2013	Percent Change
Salaries and benefits	\$1,467,756	\$1,435,472	2.2
Supplies and materials	159,907	160,698	(0.5)
Services	715,833	650,516	10.0
Scholarships and fellowships	112,450	104,557	7.5
Utilities	85,157	83,265	2.3
Depreciation and amortization	130,438	117,968	10.6
Total Operating Expenses	\$2,671,541	\$2,552,476	4.7

OPERATING EXPENSES BY FUNCTION

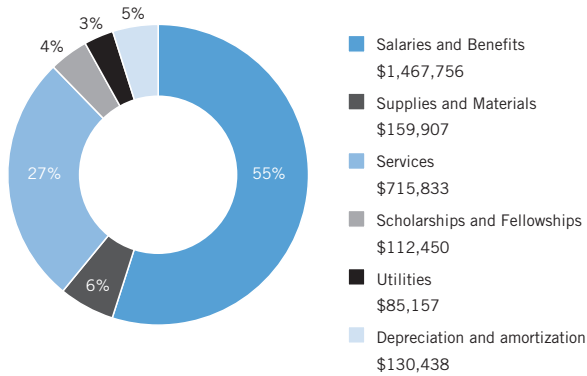
(dollars in thousands)

	2014	2013	Percent Change
Instruction	\$675,822	\$694,692	(2.7)
Research	546,752	529,102	3.3
Public service	134,917	133,059	1.4
Academic support	118,680	114,371	3.8
Student services	32,807	27,565	19.0
Institutional support	100,238	93,852	6.8
Operations and maintenance of plant	150,013	135,314	10.9
Student financial aid	112,450	104,557	7.5
Auxiliary enterprises	669,423	601,996	11.2
Depreciation and amortization	130,439	117,968	10.6
Total Operating Expenses	\$2,671,541	\$2,552,476	4.7

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

**2014 OPERATING EXPENSES
BY NATURE: \$2,671,541**

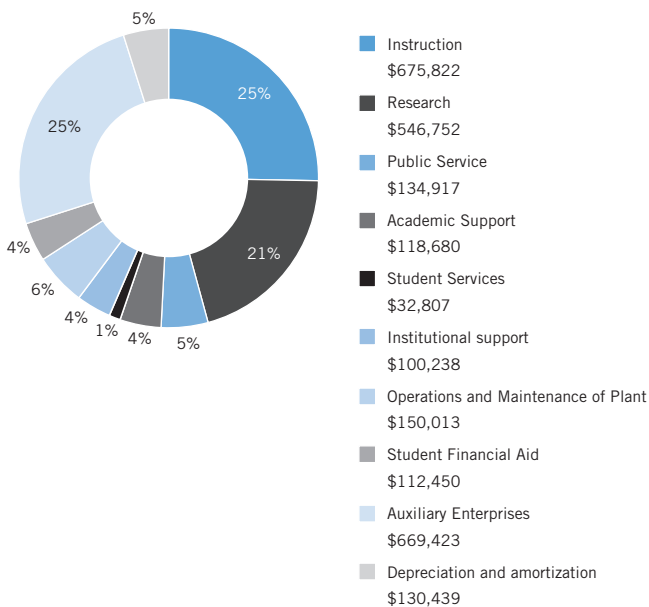
(dollars in thousands)



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

**2014 OPERATING EXPENSES
BY FUNCTION: \$2,671,541**

(dollars in thousands)



Operating expense categories changed at varying rates, although the overall rate of increase was 4.7 percent. Depreciation and amortization incurred the highest increase of 10.6 percent, followed by expenses for services and scholarships and fellowships at 10.0 percent and 7.5 percent, respectively. The other operating expense categories by natural classification incurred minimal changes. Operating expenses by functional classification recorded the same increases for depreciation and amortization and for student financial aid as the natural classification categories previously noted. For the other functional classifications, student services recorded the highest increase, 19.0 percent over the prior year.

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 totaled \$482.7 million for fiscal year 2013-2014, a net decrease of 6.3 percent, or \$32.4 million, from the state appropriations of \$515.1 million received during the prior year. The appropriations for fiscal 2013-2014 reflected a \$15 million reduction to the School of Medicine along with \$21 million campus-wide decline absorbed by postponed strategic and operational initiatives. Partially offsetting increases of \$6.5 million for operating new buildings and \$1.5 million for student enrollment growth along with various other less significant individual adjustments aggregated to the overall net decline for the year.

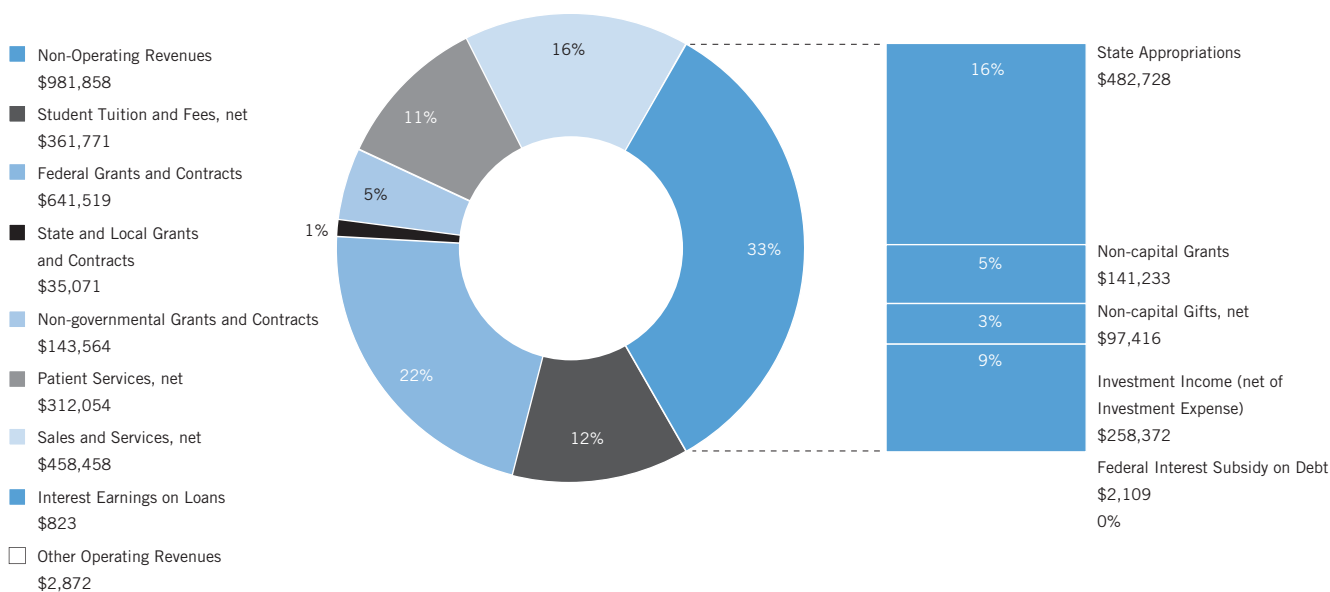
Non-capital gifts and grants decreased 4.7 percent to \$238.6 million and include expendable gifts and federal and other awards that are not considered to be operating revenues. Investment income for fiscal year 2013-2014 was \$258.4 million, an increase of 34.6 percent from the prior year. Investment income includes income and realized and unrealized gains, net of investment management fees.

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 \$2.9 billion for fiscal year 2013-14.

2014 TOTAL REVENUES BY SOURCE: \$2,937,990

(dollars in thousands)



Other Changes in Net Position

Capital grants of \$41.5 million for fiscal year 2013-2014 and \$44.2 million for fiscal year 2012-2013 are for capital construction projects. Capital gifts of \$5.9 million for fiscal year 2013-2014 and \$23.2 million for the prior year include funding for construction projects and contributed improvements to facilities. Non-expendable gifts and funds from the state's program to match gifts for distinguished professorship endowments resulted in additions to permanent endowments of \$25.6 million during fiscal year 2013-2014 and \$24.0 million during fiscal year 2012-13.

Economic Outlook

The University's state appropriations budget for fiscal year 2014-2015 is \$490.5 million, a net increase of \$7.8 million from the prior year, essentially stabilizing after recent significant reductions that have been challenging to ensure did not materially negatively impact the University's core mission.

Tuition rates for fiscal year 2014-2015 for undergraduate residents remained stable, and increased 11.7 percent for undergraduate non-residents, 4.2 percent for graduate residents, and 1.4 percent for graduate non-residents. The University continues to return a portion of tuition revenue to students in the form of need-based aid and continues to provide 100 percent of documented need-based aid to students.

Consistency and growth in sponsored awards is a proven and reliable source in support of the University's research mission. Philanthropic efforts continue to demonstrate success. Invested endowment funds provide an important distribution of earnings in support of the University's operating budget. The University's strong debt credit ratings of Aaa, AA+, and AAA allow it to obtain competitive financing for capital construction.

Fund-raising has been a cornerstone resource for the University. Fiscal year 2013-2014 marked another strong fund-raising year—the second best in University history—with a total of \$297.5 million in private gifts and grants, over a 9 percent increase compared to the prior fiscal year.

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, 2014, the Management Company managed invested assets of \$4.2 billion in the UNC Investment Fund.

STATEMENT OF NET POSITION

June 30, 2014

Assets	
<i>Current Assets:</i>	
Cash and cash equivalents	\$41,779,972
Restricted cash and cash equivalents	427,804,306
Short-term investments	682,104,783
Restricted short-term investments	201,630,037
Receivables, net (Note 4)	293,749,498
Due from State of North Carolina component units	22,009,984
Inventories	23,783,217
Notes receivable, net (Note 4)	4,200,091
Other assets	252,528
Total current assets	1,697,314,416
<i>Non-Current Assets:</i>	
Restricted cash and cash equivalents	228,049,004
Receivables, net (Note 4)	13,839,674
Restricted due from primary government	327,656
Endowment investments	1,701,042,103
Restricted investments	1,846,015,944
Other investments	27,650,514
Notes receivable, net (Note 4)	31,501,325
Investment in joint venture (Note 18)	8,318,917
Capital assets - non-depreciable (Note 5)	261,149,873
Capital assets - depreciable, net (Note 5)	2,855,979,488
Total non-current assets	6,973,874,498
Total assets	\$8,671,188,914

Deferred Outflows Of Resources	
Deferred Loss on Refunding	\$1,676,332
Accumulated decrease in fair value of hedging derivatives	83,190,081
Total deferred outflows of resources	\$84,866,413

Liabilities	
<i>Current Liabilities:</i>	
Accounts payable and accrued liabilities (Note 6)	\$117,183,293
Due to primary government	4,409
Due to State of North Carolina component units	27,494,148
Deposits payable	4,548,142
Funds held for others	91,505,631
Unearned revenue	36,066,600
Interest payable	12,675,557
Short-term debt (Note 7)	18,000,000
Long-term liabilities - current portion (Note 8)	130,383,639
Total current liabilities	437,861,419
<i>Non-Current Liabilities:</i>	
U. S. Government grants refundable	31,180,116
Funds held in trust for pool participants	1,973,239,781
Hedging derivative liability (Note 9)	83,190,081
Long-term liabilities, net (Note 8)	1,457,737,081
Total non-current liabilities	3,545,347,059
Total liabilities	\$3,983,208,478

Net Position	
Net investment in capital assets	\$1,662,931,222
<i>Restricted for:</i>	
<i>Non-expendable:</i>	
Scholarships and fellowships	157,705,575
Research	19,708,735
Library acquisitions	31,361,277
Endowed professorships	334,311,889
Departmental uses	130,565,006
Loans	20,909,301
Other	30,042,769
Total non-expendable	724,604,552
<i>Expendable:</i>	
Scholarships and fellowships	238,069,838
Research	94,369,077
Library acquisitions	59,758,853
Endowed professorships	431,223,609
Departmental uses	409,311,578
Instruction and educational agreements	920,709
Plant improvements	26,600,714
Capital projects	127,289,735
Debt service	76,933,465
Total expendable	1,464,477,578
Unrestricted	920,833,497
Total net position	\$4,772,846,849

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2014

Revenues	
<i>Operating Revenues:</i>	
Student tuition and fees, net (Note 11)	\$361,770,560
Patient services, net (Note 11)	312,054,448
Federal grants and contracts	641,518,512
State and local grants and contracts	35,071,213
Non-governmental grants and contracts	143,564,204
Sales and services, net (Note 11)	458,458,394
Interest earnings on loans	822,910
Other operating revenues	2,871,956
Total operating revenues	1,956,132,197
Expenses	
<i>Operating Expenses:</i>	
Salaries and benefits	1,467,756,494
Supplies and materials	159,906,582
Services	715,832,709
Scholarships and fellowships	112,449,587
Utilities	85,156,899
Depreciation and amortization	130,438,445
Total operating expenses	2,671,540,716
Operating loss	(715,408,519)
Non-Operating Revenues (Expenses)	
State appropriations	482,727,867
Non-capital grants—student financial aid	18,621,786
Other non-capital grants	122,610,959
Non-capital gifts, net (Note 11)	97,416,148
Investment income (net of investment expense of \$4,894,702)	258,372,237
Interest and fees on debt	(66,217,726)
Federal interest subsidy on debt	2,109,311
Other non-operating expenses	(6,161,644)
Net non-operating revenues	909,478,938
Income before other revenues, expenses, gains, or losses	194,070,419
Capital appropriations	4,313,326
Capital grants	41,506,762
Capital gifts	5,898,596
Additions to endowments	25,608,504
Increase in net position	271,397,607
Net Position	
Net position - July 1, 2013	4,501,449,242
Net position - June 30, 2014	\$4,772,846,849

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, 2014

Cash Flows From Operating Activities	
Received from customers	\$1,857,863,611
Payments to employees and fringe benefits	(1,455,707,818)
Payments to vendors and suppliers	(952,271,422)
Payments for scholarships and fellowships	(112,449,587)
Loans issued	(6,355,052)
Collection of loans	5,869,711
Interest earned on loans	767,178
Other receipts	7,992,826
Net cash used by operating activities	(654,290,553)
Cash Flows From Non-Capital Financing Activities	
State appropriations	482,727,867
Non-capital grants - student financial aid	18,621,786
Other non-capital grants	122,610,959
Non-capital gifts	99,249,901
Additions to endowments	25,608,504
William D. Ford direct lending receipts	174,258,609
William D. Ford direct lending disbursements	(170,498,025)
Related activity agency receipts	722,062,881
Related activity agency disbursements	(451,015,627)
Receipts from UNC Health Care System for School of Medicine	15,400,040
Net cash provided by non-capital financing activities	1,039,026,895
Cash Flows From Capital Financing And Related Financing Activities	
Proceeds from capital debt	4,705,000
Capital grants	43,919,188
Capital appropriations	4,313,326
Capital gifts	680,085
Acquisition and construction of capital assets	(136,583,340)
Principal paid on capital debt and leases	(15,065,885)
Interest and fees paid on capital debt and leases	(72,030,658)
Federal interest subsidy on debt received	2,109,311
Net cash used by capital financing and related financing activities	(167,952,973)
Cash Flows From Investing Activities	
Proceeds from sales and maturities of investments	3,443,758,282
Investment income	114,573,403
Purchase of investments and related fees	(4,149,192,320)
Net cash used by investing activities	(590,860,635)
Net decrease in cash and cash equivalents	(374,077,266)
Cash and cash equivalents - July 1, 2013	1,071,710,548
Cash and cash equivalents - June 30, 2014	\$697,633,282

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

Reconciliation Of Net Operating Loss To Net Cash Used By Operating Activities	
Operating loss	(715,408,519)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:</i>	
Depreciation and amortization expense	130,438,445
Allowances, write-offs, and amortizations	6,382,113
<i>Changes in assets and liabilities:</i>	
Receivables, net	(89,097,394)
Inventories	278,080
Notes receivable, net	(478,352)
Other assets	228,963
Accounts payable and accrued liabilities	8,829,417
Due to primary government	(1,462)
U.S. government grants refundable	46,728
Unearned revenue	(464,905)
Compensated absences	4,956,333
Net cash used by operating activities	(\$654,290,553)

Non-Cash Investing, Capital, And Financing Activities	
Assets acquired through a gift	\$5,218,511
Change in fair value of investments	\$144,090,835
Loss on disposal of capital assets	(\$6,385,046)
Amortization of bond premium/discounts	\$5,474,828

Reconciliation Of Cash And Cash Equivalents	
<i>Current assets:</i>	
Cash and cash equivalents	\$41,779,972
Restricted cash and cash equivalents	427,804,306
<i>Non-current assets:</i>	
Restricted cash and cash equivalents	228,049,004
Total cash and cash equivalents - June 30, 2014	\$697,633,282

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

STATEMENT OF FINANCIAL POSITION

June 30, 2014

Assets	UNC-CH Arts and Sciences Foundation, Inc.	The Educational Foundation Scholarship Endowment Trust	The Medical Foundation of North Carolina, Inc.
<i>Current assets</i>			
Cash and cash equivalents	\$17,753,531	\$10,559,908	\$58,332,857
Promises to give, net	6,559,330	2,407,577	3,047,221
Contributions receivable from split-interest agreements		3,890,245	
Accounts receivable	387,043		
Funds held in trust	1,461,169		
Other current assets			314,128
Total current assets	26,161,073	16,857,730	61,694,206
<i>Property and equipment</i>			
Capital assets			987,600
Leasehold interest - building	3,750,483		
Furniture and equipment	594,558		
Allowance for depreciation	(1,448,033)		(606,154)
Total property and equipment	2,897,008		381,446
<i>Other assets</i>			
Investments	185,259,559	202,410,713	185,812,350
Real estate	199,000		
Promises to give, net	5,959,477		4,877,242
Split-interest agreements	1,831,200		
Cash surrender value of life insurance		1,943,600	
Other assets			3,883,991
Total other assets	193,249,236	204,354,313	194,573,583
Total non-current assets	196,146,244	204,354,313	194,955,029
Total assets	\$222,307,317	\$221,212,043	\$256,649,235
Liabilities and Net Assets			
<i>Current liabilities</i>			
Accounts payable and accrued expenses	\$135,838		\$367,545
Annuities payable		\$60,023	
Total current liabilities	135,838	60,023	367,545
<i>Long-term liabilities</i>			
Deferred revenue			1,703
Charitable remainder trusts			35,512
Total long-term liabilities			37,215
Total liabilities	135,838	60,023	404,760
<i>Net assets</i>			
Unrestricted	36,887,551		9,813,649
Temporarily restricted	89,482,787	109,618,963	163,592,811
Permanently restricted	95,801,141	111,533,057	82,838,015
Total net assets	222,171,479	221,152,020	256,244,475
Total liabilities and net assets	\$222,307,317	\$221,212,043	\$256,649,235

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

DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2014

Support and Revenue	UNC-CH Arts and Sciences Foundation, Inc.	The Educational Foundation Scholarship Endowment Trust	The Medical Foundation of North Carolina, Inc.
<i>Support</i>			
Contributions	\$13,296,014	\$2,309,487	\$19,500,029
Development assessment fee	2,517,439		
Change in value of split-interest agreements	58,700		567,915
Contributed services and facilities	82,675		1,969,153
Actuarial adjustment of annuities payable		2,065	
Endowment investment return designated for current operations		9,568,515	
Total support	15,954,828	11,880,067	22,037,097
<i>Revenue</i>			
Interest and dividends			2,421,005
Net unrealized and realized gains on investments	24,834,650		24,741,178
Investment income	1,696,149		
Other expense	(5,616)		1,117,509
Total revenue	26,525,183		28,279,692
Total support and revenue	42,480,011	11,880,067	50,316,789
Expenses			
<i>Program services</i>			
Grants	10,069,874		16,773,381
Scholarship expense distribution		9,560,990	
Annuity payments		7,525	
Total program services	10,069,874	9,568,515	16,773,381
<i>Supporting services</i>			
Fundraising expenses	3,138,585		3,474,221
Management, administrative, and general	1,174,724		1,993,119
Total supporting services	4,313,309		5,467,340
Total program and supporting services	14,383,183	9,568,515	22,240,721
Bad debt expense	2,270,806		
Total expenses	16,653,989	9,568,515	22,240,721
Changes in Nets Assets from Operations	25,826,022	2,311,552	28,076,068
Other Changes			
Endowment investment return in excess of amounts designated for current operations		18,501,099	
Changes in Net Assets			
Unrestricted	5,141,319		1,485,225
Temporarily restricted	15,597,871	18,503,164	21,446,953
Permanently restricted	5,086,832	2,309,487	5,143,890
Total changes in net assets	25,826,022	20,812,651	28,076,068
Net Assets—Beginning of Year	196,345,457	200,339,369	228,168,407
Net Assets—End of Year	\$222,171,479	\$221,152,020	\$256,244,475

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

Table of Contents

Notes to the Financial Statements

June 30, 2014

43	NOTE 1 Significant Accounting Policies	67	NOTE 9 Derivative Instruments
	A Financial Reporting Entity	68	NOTE 10 Lease Obligations
	B Basis of Presentation		A Capital Lease Obligations
	C Basis of Accounting		B Operating Lease Obligations
	D Cash and Cash Equivalents	69	NOTE 11 Revenues
	E Investments	70	NOTE 12 Operating Expenses by Function
	F Receivables	70	NOTE 13 Pension Plans
	G Inventories	71	NOTE 14 Other Postemployment Benefits
	H Capital Assets		A Health Benefits
	I Restricted Assets		B Disability Income
	J Funds Held in Trust for Pool Participants	72	NOTE 15 Risk Management
	K Funds Held in Trust by Others	73	NOTE 16 Commitments And Contingencies
	L Non-current Long-term Liabilities		A Commitments
	M Compensated Absences		B Pending Litigation and Claims
	N Net Position		C Other Contingent Receivables
	O Scholarship Discounts	74	NOTE 17 Related Parties
	P Revenue and Expense Recognition	74	NOTE 18 Investment in Joint Venture
	Q Internal Sales Activities	75	NOTE 19 Blended Component Units
48	NOTE 2 Deposits and Investments	77	NOTE 20 Subsequent Events
	A Deposits		
	B Investments		
58	NOTE 3 Endowment Investments		
59	NOTE 4 Receivables		
60	NOTE 5 Capital Assets		
60	NOTE 6 Accounts Payable and Accrued Liabilities		
61	NOTE 7 Short term Debt		
61	NOTE 8 Long term Liabilities		
	A Changes in Long-term Liabilities		
	B Revenue Bonds Payable		
	C Demand Bonds		
	D Capital Appreciation Bonds		
	E Annual Requirements		
	F Notes Payable		
	G Annuities Payable		

Significant Accounting Policies

A Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The University of North Carolina at Chapel Hill (University) is a constituent institution of the multi-campus University of North Carolina System (UNC 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 Intermediate Pool, LLC (UNC Intermediate 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 eight to 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 chair 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 of the Chapel Hill Investment Fund may elect one or two directors by unanimous written consent. The Chapel Hill Investment Fund supports the University by operating an investment fund for certain eligible 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, the UNC System, other constituent institutions of the UNC System, and certain eligible 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 eligible government entities or tax-exempt organizations that are controlled by or support the University, the UNC System, or other constituent institutions of the 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, 2014, the Chapel Hill Investment Fund membership interest was approximately 64% 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 UNC Intermediate Fund was organized by the University to make available an intermediate-term investment fund for eligible participants. The University is the controlling member. Eligible participants in the fund include not only the University but also the UNC System, its constituent institutions, and/or affiliates and supporting organizations of the UNC System or such constituent institutions. The University has retained the Management Company to serve as the investment manager of the fund. Because the University is the organizer and controlling member of the UNC Intermediate Fund, the financial statements of the UNC Intermediate 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 chair of the University Board of Trustees, the chair of the Board of Directors of the Chapel Hill Investment Fund, and the president of the Management 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 chair 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, UNC Intermediate 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.

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

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, nonprofit, 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 one ex-officio director, the Dean of the UNC School of Medicine, and up to 33 elected directors, which serve staggered terms. Two other ex-officio directors, the President of UNC Health Care and the President of the Medical Foundation, have no voting rights on any matters. Its purpose is to support educational, scientific, and public service efforts of

the University's School of Medicine and UNC Health Care System. Historically, the University's School of Medicine has been the major recipient of financial support from the Medical Foundation rather than UNC Health Care System. 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 five 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 statements for these differences.

During the year ended June 30, 2014, the Medical Foundation, the Arts and Sciences Foundation, and the Educational Foundation Trust distributed in total \$36,404,245 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 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.

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 (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

E Investments

Investments are generally 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. The majority of private equity limited partnerships and real assets limited partnerships are subject to fair value estimation, which includes discounted cash flow and transaction comparison. The estimated fair value of these investments is \$1.42 billion.

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 Faculty Physicians 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. Students, patients, pledges, and notes receivables are recorded net of an 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 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 legally segregated for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and endowment and other restricted investments.

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 pools 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, 2014 is \$33.8 million.

L Non-current Long-term Liabilities

Non-current long-term liabilities include principal amounts of revenue 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.

Revenue bonds payable are reported net of unamortized premiums or discounts. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method. Deferred charges on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method, and are included as Deferred Outflows of Resources on the Statement of Net Position. 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 noncurrent, 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 Position

The University's net position is classified as follows:

Net Investment in Capital Assets—This represents the University's total investment in capital assets, net of outstanding 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 Net Investment in Capital Assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision

for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position includes consideration of deferred inflows and outflows of resources.

O Scholarship Discounts

Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the gross charge for goods and services provided by the University and the actual 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 Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.

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 Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, state and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and 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 147-777* to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. However, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, may authorize the University to deposit its institutional trust funds in interest-bearing accounts and other investments authorized by the Board of Governors, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. Although specifically exempted, the University may voluntarily deposit institutional trust funds, endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2014, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$579,344,554 which represents the University's equity position in the State Treasurer's STIF. The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2014. Assets and shares of the STIF 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 STIF) 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) 707-0500.

Cash on hand at June 30, 2014 was \$133,907. The carrying amount of the University's deposits not with the State Treasurer was \$118,154,821 and the bank balance was \$94,877,881. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$92,524,541 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 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 specified bills of exchange or time drafts and corporate bonds and notes with specified ratings. G.S. 147-69.2 authorizes general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

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, in accordance with the bond resolutions.

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, UNC Management Company, Chapel Hill Investment Fund, UNC Intermediate 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)—The Temporary Pool is a fixed income portfolio managed by the 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 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 U.S. Securities and Exchange Commission 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.

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, 2014.

TEMPORARY POOL INVESTMENTS

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
<i>Debt Securities</i>					
U.S. Treasuries	\$125,152,800	\$40,073,850	\$85,078,950		
U.S. Agencies	124,280,330	12,717,032	19,512,216	\$2,670,022	\$89,381,060
Mortgage Pass Throughs	29,233	29,233			
Collateralized Mortgage Obligations	9,337,973	2,960,574	77,314		6,300,085
Asset-backed Securities	1,007,785	1,007,785			
Money Market Mutual Funds	48,726,939	48,726,939			
Domestic Corporate Bonds	31,189,902	9,718,301	17,376,892	493,505	3,601,204
Total Debt Securities	339,724,962	\$115,233,714	\$122,045,372	\$3,163,527	\$99,282,349
<i>Other Securities</i>					
Domestic Stocks	30,000				
Total Temporary Pool Investments	\$339,754,962				

The University has elected to invest \$47.7 million of asset of the Temporary Pool in the UNC Chapel Hill Investment Fund. The disclosures for these investments are not included in the preceding table. Rather, the disclosures for this portion of the Temporary Investment Pool are included in those for UNC Chapel Hill Investment Fund, Inc.

At June 30, 2014, 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	\$124,280,330	\$15,683	\$124,264,647				
Collateralized Mortgage Obligations	9,337,973					\$5,175,522	\$4,162,451
Asset-backed Securities	1,007,785					1,007,785	
Mortgage Pass Throughs	29,233				\$29,233		
Money Market Mutual Funds	48,726,939	48,726,939					
Domestic Corporate Bonds	31,189,902	4,951,841	10,158,388	\$15,222,338	493,505	363,830	
Total	\$214,572,162	\$53,694,463	\$134,423,035	\$15,222,338	\$522,738	\$6,547,137	\$4,162,451

Rating Agency: Moody's/Standard & Poor's/Fitch (lowest rating reported above)

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

The Temporary Investment Pool's Statement of Net Position and Statement of Operations and Changes in Net Position as of and for the period ended June 30, 2014, are as follows:

STATEMENT OF NET POSITION

June 30, 2014

	Amount
<i>Assets:</i>	
State Treasurer Investment Fund	\$80,000,000
Accounts Receivable	24
Accrued Investment Income	754,148
Deferred Loss	61,227
Chapel Hill Investment Fund	47,719,183
Investments	339,754,962
Total Assets	\$468,289,544
<i>Liabilities:</i>	
Accounts Payable	2,090,806
Total Liabilities	2,090,806
<i>Net Position As Held in Trust for All Pool Participants:</i>	
Internal Portion	275,675,323
External Portion	190,523,415
Total Net Position	466,198,738
Total Liabilities and Net Position	\$468,289,544

Intermediate Investment Pool (Intermediate Pool) -

Established in October 2007, the Intermediate Pool is a portfolio managed by the Management Company, 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; 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

STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2014

	Amount
<i>Increase in Net Position from Operations:</i>	
Revenues: Investment Income	\$3,086,064
Expenses: Investment Management	(504,058)
Net Increase in Net Position Resulting from Operations	2,582,006
<i>Distributions to Participants:</i>	
Distributions Paid and Payable	(2,582,006)
<i>Share Transactions:</i>	
Net Share Purchases	(13,931,610)
Total Decrease in Net Position	(13,931,610)
<i>Net Position:</i>	
Beginning of Year	480,130,348
End of Year	\$466,198,738

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 investment guidelines.

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 table on the following page presents the fair value of the investments by type and investments subject to interest rate risk at June 30, 2014.

INTERMEDIATE POOL INVESTMENTS

Investment Maturities (in Years)

Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10
<i>Debt Securities</i>					
Debt Mutual Funds	\$7,468,132		\$7,468,132		
Money Market Mutual Funds	6,642,984	\$6,642,984			
Total Intermediate Pool Investments	\$14,111,116	\$6,642,984	\$7,468,132	\$0	\$0

At June 30, 2014, investments in the Intermediate Pool had the following credit quality distribution for securities with credit exposure:

Investment Type	Fair Value	AAA, Aaa	A
Debt Mutual Funds	\$7,468,132	\$2,393,891	\$5,074,241
Money Market Mutual Funds	6,642,984	6,642,984	
Total	\$14,111,116	\$9,036,875	\$5,074,241

Rating Agency: Moody's/Standard & Poor's/Fitch (lowest rating reported above)

At June 30, 2014, the Intermediate Investment Pool had investments of \$19,204,795 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 Intermediate Pool, LLC (UNC Intermediate Fund) - The UNC Intermediate Fund was organized by the University in May 2013 as a partnership to make available an intermediate-term investment fund for eligible participants with the University being the controlling member. The UNC Intermediate Fund received initial contributions on January 1, 2014; it is classified as a governmental external investment pool. Eligible participants in the fund include not only the University but also the University of North Carolina System (UNC System), its constituent institutions, and/or affiliates and supporting organizations of the UNC System or such constituent institutions. The University has retained the Management Company to serve as the investment manager of the fund. Because the University is the organizer and controlling member of UNC Intermediate Fund, its financial statements have been blended with those of the University

Fund ownership of the UNC Intermediate Fund is measured using the unit value method. Under this method, each participant's investment balance is determined on a market value basis. The UNC Intermediate Fund is not registered with the SEC and is not subject to any formal oversight beyond that provided by UNC Management Company as well as an

Oversight Committee of University employees appointed by the Chancellor of the University. 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 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 UNC Intermediate 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 Bank of New York Mellon is the custodian for the UNC Intermediate Fund and provides the University with monthly statements providing income and market value information. UNC Intermediate Fund investments are comprised of shares in mutual funds, money market accounts, and the UNC Investment Fund.

As of June 30, 2014, the University's membership interest was approximately 98% of the UNC Intermediate Fund's total membership interests. An affiliated organization, not included in the University's reporting entity, held the remaining 2% membership interest. This external portion of the UNC Intermediate Fund is presented in the accompanying financial statements as Funds Held in Trust for Pool Participants.

The following table presents the fair value of the UNC Intermediate Fund investments by type and investments subject to interest rate risk at June 30, 2014.

UNC INTERMEDIATE FUND INVESTMENTS

Investment Maturities (in Years)

Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10
<i>Debt Securities</i>					
U.S. Treasuries	\$3,353,101		\$3,353,101		
U.S. Agencies	1,263,846				\$1,263,846
Mortgage Pass Throughs	8,679,274	\$6,575,988			2,103,286
Collateralized Mortgage Obligations	17,994,184	3,902,443		\$672,593	13,419,148
Asset-backed Securities	16,127,207	16,127,207			
Debt Mutual Funds	200,169,658		11,535,468	188,634,190	
Money Market Mutual Funds	27,494,134	27,494,134			
Domestic Corporate Bonds	11,259,874		5,401,766	5,507,848	350,260
Foreign Corporate Bonds	23,011,852	1,739,920	10,210,625	9,178,600	1,882,707
Foreign Government Bonds	419,000		202,000	217,000	
Total Debt Securities	309,772,130	\$55,839,692	\$30,702,960	\$204,210,231	\$19,019,247
<i>Other Securities</i>					
Real Estate Investment Trusts	172,571				
Total Temporary Pool Investments	\$309,944,701				

The University has elected to invest \$72.0 million of assets of the UNC Intermediate Fund in the UNC Investment Fund. The disclosures for these investments are not included in the preceding table. Rather, the disclosures for this portion of UNC Intermediate Fund investments are included in those for UNC Investment Fund.

At June 30, 2014, investments in UNC Intermediate Fund 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	\$1,263,846		\$1,263,846				
Collateralized Mortgage Obligations	17,994,184	\$463,867	863,331	\$500,607		\$15,125,637	\$1,040,742
Asset-backed Securities	16,127,207	4,811,958	1,367,414	3,001,765	\$3,937,852	1,745,100	1,263,118
Debt Mutual Funds	200,169,658	71,233,166	117,401,024			11,535,468	
Mortgage Pass Throughs	8,679,274	289,892			\$1,681,709	6,707,673	
Money Market Mutual Funds	27,494,134	27,494,134					
Domestic Corporate Bonds	11,259,874		498,325	1,527,835	3,154,801	6,078,913	
Foreign Corporate Bonds	23,011,852		400,093	1,385,369	8,053,082	13,173,308	
Foreign Government Bonds	419,000				202,000	217,000	
Total	\$306,419,029	\$104,293,017	\$121,794,033	\$6,415,576	\$17,029,444	\$54,583,099	\$2,303,860

Rating Agency: Moody's/Standard & Poor's/Fitch (lowest rating reported above)

UNC Chapel Hill Foundation Investment Fund, Inc. (Chapel Hill Investment Fund)—Chapel Hill Investment Fund 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 providing change in book and market values, 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 approximate 64 percent membership in the UNC Investment Fund categorized below.

UNC Investment Fund, LLC (UNC Investment Fund)—The UNC Investment Fund 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. As previously noted, the Chapel Hill Investment Fund, with an approximate 64 percent membership interest as of June 30, 2014, 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 are 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, 2014.

UNC INVESTMENT FUND INVESTMENTS

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
<i>Debt Securities</i>					
U.S. Treasuries	\$14,729,425		\$7,102,180	\$7,627,245	
U.S. Agencies	7,315,268	\$873,600	1,859,963	1,449,224	\$3,132,481
Mortgage Pass Throughs	1,687,259	1,687,259			
Collateralized Mortgage Obligations	32,567,235	32,536,664			30,571
Asset-backed Securities	13,550,772	13,550,772			
Debt Mutual Funds	78,788,815	1,519,372		77,269,443	
Money Market Mutual Funds	170,575,707	170,575,707			
Domestic Corporate Bonds	4,522,773	1,265,273	2,109,685	505,540	642,275
Total Debt Securities	323,737,254	\$222,008,647	\$11,071,828	\$86,851,452	\$3,805,327
<i>Other Securities</i>					
International Equity Index Funds	39,542,380				
Equity Index Funds	11,583,114				
Real Estate Investment Trust	33,734,977				
Long/Short Hedge Funds	789,695,974				
Diversifying Hedge Funds	376,319,235				
Hedge Funds in Liquidation	18,083,494				
Long Only Equity Funds	1,034,289,312				
Private Equity Limited Partnerships	895,050,209				
Real Assets Limited Partnerships	523,267,641				
Domestic Stocks	168,695,095				
Total UNC Investment Fund Pool Investments	\$4,213,998,685				

At June 30, 2014, investments in the UNC Investment Fund had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	AA Aa	A	BBB Baa	BB, Ba and Below
U.S. Agencies	\$7,315,269		\$7,315,269			
Mortgage Pass Throughs	1,687,258					\$1,687,258
Collateralized Mortgage Obligations	32,567,234	\$11,881				32,555,353
Asset-backed Securities	13,550,772				\$1,888,930	11,661,842
Debt Mutal Funds	78,788,815				78,788,815	
Money Market Mutual Funds	170,575,708	170,575,708				
Domestic Corporate Bonds	4,522,773		500,990	\$3,761,805		259,978
Total	\$309,007,829	\$170,587,589	\$7,816,259	\$3,761,805	\$80,677,745	\$46,164,431

Rating Agency: Moody's/Standard & Poor's/Fitch (lowest rating reported above)

Foreign Currency Risk: At June 30, 2014, the UNC Investment Fund exposure to foreign currency risk is as follows:

Investment	Currency	Fair value (U.S. dollars)
Private equity limited partnerships	Euro	\$97,027,892
Real assets limited partnerships	Euro	21,915,101
Other hedge funds	Euro	30,847,091
Private equity limited partnerships	British Pound Sterling	11,464,104
Real assets limited partnerships	British Pound Sterling	8,607,988
Real assets limited partnerships	Canadian Dollar	9,850,080
Private equity limited partnerships	Australian Dollar	5,790,081
Total		\$185,502,337

Investment Derivatives: At June 30, 2014, the UNC Investment Fund is invested in futures contracts with a fair value of \$80.5 million. Additional information is provided in Note 9 Derivative Instruments.

Non-Pooled Investments - The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2014.

NON-POOLED INVESTMENTS

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
<i>Debt Securities</i>					
U.S. Treasuries	\$125,231	\$125,231			
U.S. Agencies	426	426			
Mortgage Pass Throughs	204	204			
Collateralized Mortgage Obligations	48,630	48,630			
State and Local Government	7,693,565	504,669	\$3,315,380	\$3,485,291	\$388,225
Money Market Mutual Funds	52,443,331	52,443,331			
Domestic Corporate Bonds	577,830	484,325		93,505	
Foreign Corporate Bonds	1,479,386	90,279		1,389,107	
Foreign Government Bonds	33,220	33,220			
Total Debt Securities	62,401,823	\$53,730,315	\$3,315,380	\$4,967,903	\$388,225
<i>Other Securities</i>					
International Mutual Funds	670,890				
Equity Mutual Funds	713,174				
Investments in Real Estate	418,223				
Real Estate Investment Trust	2,720,635				
Private Equity Limited Partnerships	2,769,766				
Real Assets Limited Partnerships	3,237,911				
Domestic Stocks	15,577,796				
Foreign Stocks	4,229,812				
Other	13,455,139				
Total Non-Pooled Investments	\$106,195,169				

At June 30, 2014, 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	\$426		\$426				
Mortgage Pass Throughs	204						\$204
Collateralized Mortgage Obligations	48,630						48,630
Debt Mutual Funds	7,693,565	\$388,225	3,268,142	\$1,074,818	\$2,183,864	\$273,847	504,669
Money Market Mutual Funds	52,443,331	52,381,428		61,903			
Domestic Corporate Bonds	577,830				93,505	484,325	
Foreign Corporate Bonds	1,479,386	1,356,398	32,709	22,046			68,233
Foreign Government Bonds	33,220						33,220
Total	\$62,276,592	\$54,126,051	\$3,301,277	\$1,158,767	\$2,277,369	\$758,172	\$654,956

Rating Agency: Moody's/Standard & Poor's/Fitch (lowest rating reported above)

Foreign Currency Risk: At June 30, 2014, the University had nominal direct exposure to foreign currency risk in Non-Pooled Investments. In terms of indirect exposure, the University had approximately \$5.7 million of Non-Pooled investments in foreign domains where the investments were denominated in U.S. dollars. Additionally, the University has indirect exposure via mutual funds.

Total Investments—The following table presents the fair value of the University's total investments at June 30, 2014.

Investment Type	Fair Value
<i>Debt Securities</i>	
U.S. Treasuries	\$143,360,557
U.S. Agencies	132,859,871
Mortgage Pass Throughs	10,395,970
Collateralized Mortgage Obligations	59,948,022
Asset-backed Securities	30,685,765
Debt Mutual Funds	294,120,169
Money Market Mutual Funds	305,883,096
Domestic Corporate Bonds	47,550,379
Foreign Corporate Bonds	24,491,237
Foreign Government Bonds	452,219
Total Debt Securities	1,049,747,285
<i>Other Securities</i>	
International Equity Index Funds	39,542,380
International Equity Mutual Funds	670,890
Equity Index Funds	11,583,114
Equity Mutual Funds	713,174
Investments in Real Estate	418,223
Real Estate Investment Trust	36,628,183
Long/Short Hedge Funds	737,513,922
Diversifying Hedge Funds	376,319,235
Hedge Funds in Liquidation	94,258,889
Long Only Hedge Funds	1,010,295,969
Private Equity Limited Partnerships	897,819,975
Real Assets Limited Partnerships	526,505,551
Domestic Stocks	184,302,891
Foreign Stocks	4,229,812
Other	13,455,140
Total Investments	\$4,984,004,633

Total investments are reported in the University's financial statements:

University Statement of Net Position	Amount
Short-term investments	\$682,104,783
Restricted short-term investments	201,630,037
Endowment investments	1,701,042,103
Restricted investments	1,846,015,944
Other investments	27,650,514
Subtotal	4,458,443,381
Investments of UNC Investment Fund held for component units that are discretely presented in accompanying financial statements	525,561,252
Total investments	\$4,984,004,633

The University's reporting entity, including the three discretely presented component units, comprises approximately 66 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. A summary of such investments not held by the University as of June 30, 2014:

Investment Type	Carrying Value
International Equity Fund	\$7,991,606
Common Stock	73,043
Mutual Funds—Equity Oriented	29,569,173
Mutual Funds—Credit Oriented	7,831,966
Certificates of Deposit	256,747
Money Market Funds	1,645,976
Total Investments	\$47,368,511

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, 2014, accumulated income and appreciation of \$687,081,349 was available in the University's pooled endowment funds of which \$625,663,203 was restricted to specific purposes including scholarships and fellowships, research, library acquisitions, professorships, departmental and other uses. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

NOTE 4

Receivables

Receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<i>Current Receivables</i>			
Students	\$5,229,681	\$2,522,512	\$2,707,169
Student Sponsors	219,954		219,954
Patients	187,960,113	135,417,693	52,542,420
Accounts	39,806,417		39,806,417
Auxiliary	16,422,269		16,422,269
Intergovernmental	169,732,754		169,732,754
Pledges	10,613,589	241,542	10,372,047
Investment Earnings	831,161		831,161
Interest on Loans	1,060,483		1,060,483
Other	54,824		54,824
Total Current Receivables	\$431,931,245	\$138,181,747	\$293,749,498
<i>Non-current Receivables</i>			
Pledges	\$14,194,538	\$354,864	\$13,839,674
<i>Notes Receivable</i>			
Notes Receivable - Current:			
Institutional Student Loan Programs	\$4,563,185	\$363,094	\$4,200,091
Notes Receivable - Non-current:			
Federal Loan Programs	\$26,109,881	\$1,982,262	\$24,127,619
Institutional Student Loan Programs	7,867,503	493,797	7,373,706
Total Notes Receivable - Non-current	\$33,977,384	\$2,476,059	\$31,501,325

Pledges are receivable over varying time periods ranging from one to 10 years, and have been discounted based on a projected interest rate of 0.036 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
2015	\$10,613,589
2016	4,967,946
2017	1,545,134
2018	1,195,024
2019	863,607
2020-2024	5,648,453
Total Pledge Receipts Expected	24,833,753
Less Discount Amount Representing Interest (0.036% Rate of Interest)	25,626
Present Value of Pledge Receipts Expected	24,808,127
Less Allowance for Doubtful Accounts	596,406
Pledges Receivable	\$24,211,721

NOTE 5

Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2014, is presented as follows:

	Balance 07/01/13	Increases	Decreases	Balance 06/30/14
<i>Capital Assets, Non-depreciable</i>				
Land	\$63,488,953			\$63,488,953
Art, Literature, and Artifacts	86,277,115	\$2,270,044	\$1,396	88,545,763
Construction in Progress	231,972,475	29,590,050	217,305,218	44,257,307
Computer Software in Development	39,164,977	27,530,575	2,837,702	63,857,850
Other Intangible Assets	1,000,000			1,000,000
Total Capital Assets, Non-depreciable	421,903,520	59,390,669	220,144,316	261,149,873
<i>Capital Assets, Depreciable</i>				
Buildings	2,694,714,426	220,414,929		2,915,129,355
Machinery and Equipment	394,295,353	29,759,602	19,300,852	404,754,103
General Infrastructure	904,706,404	49,483,266		954,189,670
Computer Software	49,196,387	2,897,702		52,094,089
Total Capital Assets, Depreciable	4,042,912,570	302,555,499	19,300,852	4,326,167,217
<i>Less Accumulated Depreciation/Amortization for</i>				
Buildings	825,390,668	75,547,082		900,937,750
Machinery and Equipment	202,363,056	24,910,635	12,915,806	214,357,885
General Infrastructure	316,617,251	26,926,252		343,543,503
Computer Software	8,294,115	3,054,476		11,348,591
Total Accumulated Depreciation/Amortization	1,352,665,090	130,438,445	12,915,806	1,470,187,729
Total Capital Assets, Depreciable, Net	2,690,247,480	172,117,054	6,385,046	2,855,979,488
Capital Assets, Net	\$3,112,151,000	\$231,507,723	\$226,529,362	\$3,117,129,361

NOTE 6

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2014, are as follows:

Current Accounts Payable and Accrued Liabilities	Amount
Accounts Payable	\$52,454,443
Accrued Payroll	41,136,623
Contract Retainage	11,912,488
Intergovernmental Payables	7,851,260
Investment Derivatives Liability	3,828,479
Total Accounts Payable and Accrued Liabilities	\$117,183,293

NOTE 7

Short-term Debt

Short-term debt activity for the year ended June 30, 2014, is presented as follows:

	Balance 07/01/13	Draws	Repayments	Balance 06/30/14
Commercial Paper Program	\$18,000,000	\$0	\$0	\$18,000,000

The University manages a commercial paper (“CP”) program under the issuer name of the Board of Governors of the University of North Carolina that provides up to \$500,000,000 in short-term financing for the University’s and North Carolina State University’s (“NCSU”) capital improvement programs. Under this CP program, the University is authorized to issue up to \$400,000,000 and NCSU is authorized to issue up to \$100,000,000. Contingent liquidity needs for the entire CP program are provided by the University of North Carolina at Chapel Hill and 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.

At its June 2012 meeting, the Board of Governors for the University of North Carolina issued a resolution to limit the cumulative amount of outstanding commercial paper for the University of North Carolina at Chapel Hill under this program to \$250,000,000. This resolution does not impact NCSU.

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, 2014, is presented as follows:

	Balance 07/01/13 (As Restated)	Additions	Reductions	Balance 06/30/14	Current Portion
Revenue Bonds Payable	\$1,403,975,000		\$30,205,000	\$1,373,770,000	\$119,984,746
Plus: Unamortized Premium	30,061,279		1,297,738	28,763,541	
Less: Unamortized Discount	(15,187,901)		(3,538,675)	(11,649,226)	
Total Revenue Bonds Payable, Net	1,418,848,378		27,964,063	1,390,884,315	119,984,746
Notes Payable	45,256,992	\$4,705,000	5,133,031	44,828,961	986,219
Capital Leases Payable	764,902		280,038	484,864	293,191
Compensated Absences	134,740,072	75,080,233	70,123,901	139,696,404	7,683,222
Annuity and Life Income Payable	13,882,106	1,169,311	2,825,241	12,226,176	1,436,261
Total Long-Term Liabilities	\$1,613,492,450	\$80,954,544	\$106,326,274	\$1,588,120,720	\$130,383,639

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	Principal Paid Through 06/30/14	Accretion on Capital Appreciation Bonds	Principal Outstanding 06/30/14	See Table Below
<i>General Revenue Bonds Payable</i>								
	2001B	4.538%*	12/01/2025	\$54,970,000	\$28,015,000		\$26,955,000	
	2001C	3.270%*	12/01/2025	54,970,000	28,015,000		26,955,000	
	2003	5.000%	12/01/2013	107,960,000	107,960,000		0	
	2005A	4.250 - 5.000%	12/01/2034	404,960,000	16,555,000		388,405,000	
	2007	4.450 - 5.000%	12/01/2036	298,475,000			298,475,000	
	2009A	3.000 - 5.000%	12/01/2028	97,735,000	15,150,000		82,585,000	
	2009B	5.757%**	12/01/2039	112,805,000			112,805,000	
	2012A	4.295%*	12/01/2018	100,000,000			100,000,000	
	2012B	5.125%*	12/01/2020	100,000,000			100,000,000	
	2012C	0.617 - 3.596%	12/01/2033	127,095,000	2,020,000		125,075,000	
	2012D	1.400%*	08/18/2016	41,000,000			41,000,000	
Total General Revenue Bonds				1,499,970,000	197,715,000		1,302,255,000	
Utilities System	1997	5.400 - 5.500%	08/01/2021	30,379,142	16,830,000	\$42,337,382	55,886,524	(1)
U.S. EPA Project	1991	9.050%	02/15/2015	36,678,921	53,915,000	21,215,329	3,979,250	
Total Revenue Bonds Payable (principal only)				\$1,567,028,063	\$268,460,000	\$63,552,711	1,362,120,774	
Less: Unamortized Discount							(92,299)	
Plus: Unamortized Premium							28,855,840	
Total Revenue Bonds Payable, Net							\$1,390,884,315	

* For variable rate debt, interest rates in effect at June 30, 2014 are included. For variable rate debt with interest rate swaps, the synthetic fixed rates 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 32% 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	Interest	
(1)	Utilities Revenues	\$67,305,000	\$43,886,801	\$8,415,000	\$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 \$54.97 million (2001B) and \$54.97 million (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 Securities, Inc. (2001B) and Banc of America Securities, LLC (2001C). Effective September 23, 2008, J.P. Morgan Securities, Inc. replaced Lehman Brothers, Inc.

The University entered into line of credit agreements in the amount of \$200 million with Wells Fargo Bank, N.A. ("the Bank") and \$200 million with J.P. Morgan Chase, N.A. ("the Bank") on September 21, 2011. Under each 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 each line of credit agreement, the University may, at any time and for any reason, reduce the commitment by any amount upon 30 days prior written notice to the Bank.

The University is required to pay a quarterly facility fee for each line of credit in the amount of 0.38% per annum based on the size of the commitment. If a long-term debt rating assigned by Standard & Poor's (S&P), Fitch Ratings (Fitch) or Moody's Investors Service (Moody's) is lowered, the facility fee assigned to the rating in the below table shall apply. In the event of a split rating (i.e., one or more of the rating agency's ratings is at a different level than the rating of either of the other rating agencies), the facility fee rate shall be determined as follows: (i) if two of the three ratings appear in the same level, the facility fee rate shall be based on that level; (ii) if no two ratings appear in the same level, the facility fee rate shall be based on the level which includes the middle of the three ratings.

S&P	Fitch	Moody's	Facility Fee
AA	AA	Aa2	0.48%
AA-	AA-	Aa3	0.58%
A+	A+	A1	0.68%
A	A	A2	0.78%
A- or lower	A- or lower	A3 or lower	1.78%

The University will pay an accrued interest fee equal to the amount of accrued interest, at the time of purchase of the bonds, multiplied by the bank 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 each line of credit agreement, draws to purchase bonds will accrue interest at the bank rate payable on the same interest date as provided in the Series Indenture for the original bonds. The University is required to begin making a series of six fully amortizing semiannual principal payments on bonds held by the Bank six months after the date of funding. Commercial Paper Bonds held by the Bank may be rolled over for a period of 180 days and must be reduced by 1/6th of the

original amount of the Commercial Paper Bonds for a period of up to five rollovers. All outstanding principal and accrued but unpaid interest is due in full at the maturity of the line of credit.

Each 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, 2014, no purchase drawings had been made under the line of credit. On September 19, 2014, the University entered into new line of credit agreements, maintaining an aggregate coverage amount of \$400 million, with \$200 million from Wells Fargo Bank, N.A., \$100 million from Royal Bank of Canada, and \$100 million from U.S. Bank, N.A.

General Revenue, Series 2012D

On December 14, 2012, the University issued a bond to be designated "The University of North Carolina at Chapel Hill General Revenue Bond (Kenan Stadium Improvements Phase II), Series 2012D" to The Educational Foundation, Inc. (the "Owner") in exchange for certain improvements to Kenan Stadium on the University's campus known as "Kenan Stadium Improvements, Phase 2 - Carolina Student Athlete Center for Excellence". The 2012D Bond was issued in the amount of \$41,000,000 and matures on August 18, 2016.

Interest will be payable on the 2012D Bond on the maturity date or, if sooner, the prepayment date of the bond as permitted under the tender option or the prepayment options as referenced below. The unpaid principal balance of the 2012D Bond, together with all accrued and unpaid interest thereon will be due and payable in full on the maturity date in the event that the tender option or prepayment option is not exercised in advance of the maturity date.

The University shall be responsible for calculating the interest due on the 2012D Bond and reporting such amount to the Owner and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"). Payments of principal and interest on the bond shall be made directly by the University to the Owner under the terms of the bond documents and the Trustee shall have no responsibility for making such payments. The University shall promptly notify the Trustee in writing of any such payments. Any payments of principal of and interest on the 2012D Bond made directly by the University to the Owner will be credited against The Board of Governors of the University of North Carolina's (the "Board") obligation to cause payments to be made with respect to the 2012D Bond to the Debt Service Fund under the General Indenture.

The 2012D Bond may be tendered by the Owner for payment by the University, on behalf of the Board, in whole or in part without premium or penalty on any business day on or after 90 days prior written notice to the University and the Trustee.

The 2012D Bond may be prepaid by the University, on behalf of the Board, in whole or in part without premium or penalty on

any business day on or after 90 days prior written notice to the Owner and the Trustee.

When payment is due at maturity or upon exercise of the tender or prepayment options, the University may use proceeds from a long-term bond issue or proceeds from the issuance of Commercial Paper at the time of the payment to fund the obligation under the bond.

The unpaid principal balance of the 2012D Bond outstanding from time to time will bear interest at the Adjusted LIBOR Rate. "Adjusted LIBOR Rate" means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/16 of 1.0%) by adding (1) the One Month LIBOR plus (2) 1.0% per annum, which shall be adjusted monthly on the first day of each LIBOR Interest Period; provided, however, for any particular LIBOR Interest Period, the Adjusted LIBOR Rate will not be less than 1.4% per annum.

With respect to other terms and conditions, this bond is not supported by any other letters of credit or standby liquidity agreements and does not contain any take-out agreements.

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 \$55,886,524 (\$84,135,000 ultimate maturity less \$11,418,476 discount less \$16,830,000 principal paid) and \$3,979,250 (\$25,275,000 ultimate maturity less \$230,750 accreted principal less \$21,065,000 principal paid), respectively, which is the accreted value at June 30, 2014. These bonds mature in the years from 2014 to 2021.

E Annual Requirements

The annual requirements to pay principal and interest on the long-term obligations at June 30, 2014, are as follows:

Fiscal Year	Revenue Bonds Payable			Notes Payable	
	Principal	Interest	Interest Rate Swaps, Net*	Principal	Interest
2015	\$30,840,000	\$48,950,669	\$9,981,083	\$986,219	\$1,803,849
2016	43,881,667	48,470,078	9,498,740	1,244,534	1,901,464
2017	102,293,333	47,325,838	8,385,135	5,836,345	1,831,328
2018	77,645,000	46,484,462	6,488,101	1,182,524	1,764,850
2019	78,360,000	45,694,488	4,381,373	1,236,076	1,711,298
2020-2024	193,295,000	216,354,723	5,473,588	34,343,263	4,206,639
2025-2029	171,205,000	189,821,533	321,951		
2030-2034	378,550,000	136,575,920			
2035-2039	285,850,000	25,478,755			
2040-2044	11,850,000	341,102			
Total Requirements	\$1,373,770,000	\$805,497,568	\$44,529,971	\$44,828,961	\$13,219,428

Interest on the variable rate General Revenue Bonds 2001B is calculated at 0.03% at June 30, 2014.

Interest on the variable rate General Revenue Bonds 2001C is calculated at 0.06% at June 30, 2014.

Interest on the variable rate General Revenue Bonds 2012A is calculated at 0.55% at June 30, 2014.

Interest on the variable rate General Revenue Bonds 2012B is calculated at 0.85% at June 30, 2014.

Interest rates on General Revenue Bonds 2001 Series B and Series C are reset each week by the remarketing agent based upon a combination of the University's credit rating and market conditions.

Interest rates on General Revenue Bonds 2012 Series A and Series B are based on the 1-month LIBOR index rate plus an interest rate spread of 45 and 75 basis points for 2012 Series A and Series B, respectively.

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 Derivative Instruments.

*Computed using (5.240% - 0.060%) x (\$22,000,000 - annual swap reduction); (3.314% - 0.1040%) x \$86,145,000 notional amount; and, (4.375% - 0.1040%) x \$150,000,000 notional amount.

The fiscal year 2015 principal requirements include demand bonds principal payments due for 2015 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.

The 2012AB Bonds have a maturity date of December 1, 2041. However, the bonds are issued initially in the Index Mode extending to the initial index tender dates of December 1, 2015 for Series 2012A and December 1, 2017 for Series 2012B. While in this mode, the bonds will bear interest at the index rate, which will be the rate per annum determined monthly equal to

67.0% of One Month LIBOR plus an applicable spread of 0.45% (45 basis points) for the 2012A Bonds and 0.75% (75 basis points) for the 2012B Bonds.

The 2012AB Bonds of each series in an Index Mode are subject to redemption, at the option of the University, in whole or in part, on any business day during the period beginning six months prior to the index tender date for such 2012AB Bonds, to and including such index tender date, at a redemption price equal to 100% of the principal amount of 2012AB Bonds called for redemption, plus accrued interest, if any, to the date of redemption. In addition, and also at the discretion of the University during the period beginning six months prior to the index tender date for such 2012AB Bonds, the interest rate can be reset which would trigger a redemption requirement and a remarketing.

If the funds available to purchase 2012AB Bonds of a series tendered on an index tender date are not sufficient to pay the purchase price of all such 2012AB Bonds, a Delayed Remarketing Period will commence on such index tender date and the failure to purchase such tendered 2012AB Bonds will not constitute an event of default under the Indentures. The Delayed Remarketing Period will continue to (but not include) the earlier of (a) the date on which all such 2012AB Bonds are successfully remarketed or (b) the date on which all of such 2012AB Bonds have been deemed to have been paid and are no longer outstanding.

During a Delayed Remarketing Period for a Series of 2012AB Bonds, unless the 2012AB Bonds of such Series have been remarketed, the 2012AB Bonds of such Series shall be subject to special mandatory redemption. Beginning with the

first such June 1 or December 1 that occurs not less than six months following the date of commencement of the applicable Delayed Remarketing Period and ending on the sixth June 1 or December 1, the 2012AB Bonds shall be repaid in six equal (or as equal as possible) semiannual installments on the special mandatory redemption date established herein. The final installment will be due and payable no later than the sixth special mandatory redemption date after the commencement of the applicable Delayed Remarketing Period.

The Annual Requirements presents the 2012AB Bonds as amortizing in six semiannual payments as set forth in the Delayed Remarketing Period, to be fully paid off in a period of three years after the respective index tender date established herein. If the bonds are successfully remarketed or refunded into a new bond in the future, and, therefore, not subject to the three-year amortization schedule after the initial index tender date, the total principal payments due in 2016 will reduce by \$16,666,667 to \$27,215,000, total principal payments in 2017 will reduce by \$33,333,333 to \$68,960,000, total principal payments in 2018 will reduce by \$50,000,000 to \$27,645,000, total principal payments in 2019 will reduce by \$50,000,000 to \$28,360,000, total principal payments in 2020 will reduce by \$33,333,333 to \$27,985,000, and total principal payments in 2021 will reduce by \$16,666,667 to \$27,865,000.

F 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	Original Amount of Issue	Principal Paid Through 06/30/14	Principal Outstanding 06/30/14
Real Property Purchase	Bank of America	3.550%	02/14/2024	\$9,250,000	\$4,390,172	\$4,859,828
Real Property Purchase	Bank of America	1.305%	06/30/2015	411,896	249,396	162,500
Real Property Purchase	Aviva	5.000%	01/01/2022	36,500,000	1,398,367	35,101,633
Real Property Purchase	Wells Fargo	0.755%	10/02/2016	4,705,000		4,705,000
Total Notes Payable				\$50,866,896	\$6,037,935	\$44,828,961

The UNC-Chapel Hill Foundation, part of the University's reporting entity, has a line of credit agreement issued by Bank of America with a commitment amount of up to \$3,000,000 to finance the costs of projects benefiting the Foundation and/or the University, subject to the approval of the Board of Directors of the Foundation. Prior to the maturity date of June 30, 2013, the Foundation renewed the line of credit in the same commitment amount and with a new maturity date of June 30, 2015. Under the 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"; individually, the "Foundation", former, or "Real Estate Holdings", the latter), 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.

On December 15, 2011, Real Estate Holdings transferred the condominiumized unit of Granville Towers to a newly established single asset limited liability corporation Granville Towers LLC of which Real Estate Holdings is the sole member. On the same date, Granville Towers LLC obtained a loan from Aviva Life and Annuity Company in the amount of \$36,500,000 (Aviva Loan) for which the proceeds were used to pay down the referenced purchase financing with Bank of America in the original amount of \$45,750,000. This Aviva loan is secured by a first deed of trust on the condominium unit of Granville Towers. In general, the loan is non-recourse to both Real Estate Holdings and the Foundation, except for in the following instances: fraud, misrepresentation; delinquent taxes or other assessments; misapplication of potential condemnation awards or loss between the difference in the loan amount and insurance proceeds; environmental issue on the property; and a bankruptcy filing. Loan payments are based upon a 30-year amortization, but the loan carries an actual maturity date of January 1, 2022. During the committed term of this loan, the interest rate is fixed at 5%, and the monthly payments of principal and interest in the combined amount of \$195,939.89; all outstanding principal and accrued but unpaid interest is due at said maturity.

On December 15, 2011, the Borrowers executed a modification agreement with Bank of America with respect to the above loan in the original amount of \$45,750,000. The original principal balance of \$45,750,000 was paid down by \$36,500,000 with proceeds from the Aviva loan; the original

maturity date of July 1, 2012, was extended to December 15, 2014; and the interest rate was changed to LIBOR plus 1.37 percent. Interest payments were made quarterly, and the principal balance of the loan is due at maturity. The loan is unsecured, but is governed by a loan agreement with financial and other covenants on the Borrowers.

On February 14, 2014, the Borrowers executed another modification agreement with Bank of America with respect to the above loan in the original amount of \$45,750,000. The original principal balance of \$45,750,000 was paid down by \$36,500,000 with proceeds from the Aviva loan; the original maturity date of July 1, 2012, was extended to December 15, 2014; and the interest rate was changed to LIBOR plus 1.37 percent. This loan was then paid down by \$4,250,000. The remaining \$5,000,000 was then refinanced with a fixed interest rate of 3.550% and a final maturity date of February 14, 2024. Interest and principal payments are made monthly.

In addition, on October 3, 2013, the Kenan-Flagler Business School Foundation, part of the University's reporting entity, entered into a line of credit agreement with Wells Fargo Bank, N.A. in the aggregate principal amount up to \$30,000,000 to finance the construction of the Paul J. Rizzo Conference Center Phase III addition. Advances under the line of credit note accrue interest at the variable rate of the LIBOR Market Index Rate plus 0.60 percent. The line of credit note has a maturity date of October 2, 2016. At June 30, 2014, the total amount of draws against the line of credit note was \$4,705,000.

G 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 potentially for a purpose specified by the donor. At the end of each fiscal year, annuities and life income payable to the beneficiaries are estimated based on actuarial considerations such as beneficiary's age using IRS issued Life Table 90CM.

NOTE 9

Derivative Instruments

Derivative instruments held at June 30, 2014, 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	\$100,000,000	Deferred outflow of resources	\$(1,060,537)	Hedging derivative liability	\$ (20,565,757)
Pay-fixed interest rate swap	\$150,000,000	Deferred outflow of resources	(1,702,552)	Hedging derivative liability	(62,624,324)
			(\$2,763,089)		(\$83,190,081)
Investment Derivative Instruments					
Pay fixed interest rate swap 2001B bonds	\$17,765,000	Investment income	\$375,299	Accounts payable	\$ (3,828,479)
Foreign equities futures	(a)	Investment income	487,642	Other investments	21,615,531
U.S dollar equity futures	\$58,474,380	Investment income	19,010,656	Other investments	58,905,483
			\$19,873,597		\$ 76,692,535

(a) 2 billion yen

Hedging derivative instruments held at June 30, 2014, 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 variable rate debt	\$100,000,000	12/01/07	12/01/36	Pay 3.314%, Receive 67% 1 Mo. LIBOR
Pay-Fixed Interest Rate Swap	Hedge changes in cash flows on variable rate debt	\$150,000,000	12/01/11	12/01/41	Pay 4.375%, Receive 67% 1 Mo. LIBOR

The fair values of interest rate swaps at the University of North Carolina at Chapel Hill were provided by its financial advisor. The method used by the financial advisor calculated 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 were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Hedging Derivative Risks

Interest rate risk: The University is exposed to interest rate risk on its interest rate swaps which is largely offset (or expected to be offset) by rates paid on variable-rate debt. In addition, the fair values of these instruments are highly sensitive to changes in interest rates. Because rates have declined significantly since the effective dates of the swaps, both of the swaps have a negative fair value as of June 30, 2014. The fair

values are calculated as of June 30, 2014. As rates rise, the value of the swaps will increase, and as rates fall the fair value of the swaps will decrease.

Basis risk: The University is exposed to basis risk on the swaps to the extent there is a mismatch between variable bond rates paid and swap index rates received.

Termination risk: The swap agreements use the International Swaps and Derivatives Association (ISDA) 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 swaps may mandatorily terminate if the University fails to perform under terms of the contract.

Rollover risk: The University is not exposed to rollover risk on its hedging derivatives since the termination date of the hedging derivatives extends beyond the maturity date of the hedged debt.

Investment Derivative Risks

Interest Rate Risk: The University is exposed to interest rate risk on its interest rate swap. The fair value of this instrument is highly sensitive to interest rate changes. Because rates have changed since the effective date of the swap, the swap has a negative fair value of \$3,828,479 as of June 30, 2014. 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 negative fair value is the calculated value as of June 30, 2014. As the yield curve rises, the value of the swap will increase and as rates fall, the value of the swap decreases. The University pays 5.24% and receives the Securities Industry and Financial Markets Association (SIFMA) Swaps Index rate. On June 30, 2014, SIFMA was 0.06%. The interest rate swap has a notional amount of \$17,765,000 and matures November 1, 2025.

Foreign Currency Risk: Futures contracts based in foreign currency obligate the buyer to purchase an asset (or seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price. See Note 2 Deposits and Investments for further information about the University's exposure to foreign currency risk.

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, 2014:

Fiscal Year	Amount
2015	\$316,229
2016	200,937
Total Minimum Lease Payments	517,166
Amount Representing Interest (4.380% - 4.834% Rate of Interest)	32,302
Present Value of Future Lease Payments	\$484,864

Machinery and equipment acquired under capital lease amounted to \$722,214 at June 30, 2014. Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled \$176,943 at June 30, 2014.

B Operating Lease Obligations

Future minimum lease payments under non-cancelable operating leases for equipment, buildings and land consist of the following at June 30, 2014:

Fiscal Year	Amount
2015	\$7,976,744
2016	5,163,382
2017	3,869,871
2018	2,846,339
2019	1,750,672
2020-2024	3,928,971
Total Minimum Lease Payments	\$25,535,979

Rental expense for all operating leases during the year was \$26,079,719.

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 Allowance for Uncollectibles*	Less Indigent Care and Contractual Adjustments	Net Revenues
<i>Operating Revenues</i>						
Student Tuition and Fees	\$457,408,097		\$96,034,750	(\$397,213)		\$361,770,560
Patient Services	\$821,049,513			\$43,092,419	\$465,902,646	\$312,054,448
<i>Sales and Services</i>						
Professional Income	\$143,703,045	\$5,052,956				\$138,650,089
Residential Life	78,839,069	74,952	\$10,560,647			68,203,470
Athletic	55,116,675	28,782				55,087,893
Dining	34,882,475	500				34,881,975
Utilities	135,215,055	105,201,053				30,014,002
Parking	27,068,406	369,730				26,698,676
Other	61,438,662	36,359,819				25,078,843
Student Stores	25,888,283	4,091,869	1,016,219			20,780,195
Telecommunications	21,148,510	10,476,393				10,672,117
UNC Management Company	9,157,062					9,157,062
Health, Physical Education, and Recreation Services	8,544,926	2,100	200,784			8,342,042
Trademark License Program	7,030,001					7,030,001
School of Government	5,688,358					5,688,358
Rental Property	4,609,131					4,609,131
Gene Therapy Center	3,192,802	297,406				2,895,396
KFBS Center	2,330,784					2,330,784
Printing/Carolina Copy	3,050,269	1,312,513				1,737,756
Performing Arts Series	1,651,091					1,651,091
Doubletree Carolina Inn	1,640,400					1,640,400
Repairs and Maintenance	30,255,475	28,686,370				1,569,105
ERP Student Fees	1,416,481					1,416,481
Student Union Services	502,185	234,843				267,342
Materials Management and Distribution	20,362,928	20,306,743				56,185
Total Sales and Services	\$682,732,073	\$212,496,029	\$11,777,650	\$0	\$0	\$458,458,394
Non-operating - Non-capital Gifts	\$97,442,914			\$26,766		\$97,416,148

*Note: The Allowance for Uncollectibles is equivalent to the change in the Allowance for Doubtful Accounts, excluding items such as direct write-offs.

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	\$535,722,605	\$23,293,360	\$116,650,268		\$156,227		\$675,822,460
Research	301,616,103	46,163,724	198,955,564		16,863		546,752,254
Public Service	64,717,636	6,409,031	63,541,804		248,563		134,917,034
Academic Support	76,317,132	11,299,240	30,928,380		135,765		118,680,517
Student Services	17,589,377	1,070,914	14,146,236		545		32,807,072
Institutional Support	66,078,406	7,733,448	26,383,208		42,611		100,237,673
Operations and Maintenance of Plant	44,897,626	11,554,574	19,955,303		73,605,231		150,012,734
Student Financial Aid				\$112,449,587			112,449,587
Auxiliary Enterprises	360,817,609	52,382,291	245,271,946		10,951,094		669,422,940
Depreciation and Amortization						\$130,438,445	130,438,445
Total Operating Expenses	\$1,467,756,494	\$159,906,582	\$715,832,709	\$112,449,587	\$85,156,899	\$130,438,445	\$2,671,540,716

NOTE 13

Pension Plans

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 (TSERS) 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 TSERS is administered by a 14-member Board of Trustees, with the State Treasurer serving as Chair of the Board.

Benefit and contribution provisions for the TSERS 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, 2014, these rates were set at 8.69 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 \$1,214,902,099, of which \$457,366,996 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$39,745,192 and \$27,442,020, respectively.

Required employer contribution rates for the years ended June 30, 2013, and 2012, were 8.33 percent and 7.44 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, 2014, 2013, and 2012, which were \$39,745,192, \$38,341,452, and \$33,975,672, 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) 707-0500.

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 TSERS. 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, 2014, 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 \$1,214,902,099, of which \$528,702,624 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were \$36,163,259 and \$31,722,157, respectively.

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 the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. 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 established by the General Assembly.

For the current fiscal year, the University contributed 5.4% 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, 2013, and 2012, were 5.3% and 5.0%, respectively. The University made 100% of its annual required contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, which were \$53,247,759, \$51,582,373, and \$47,027,478, 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) 707-0500.

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, 2014, the University made a statutory contribution of 0.44% 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, 2013, and 2012, were 0.44% and 0.52%, respectively. The University made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2014, 2013, and 2012, which were \$4,338,706, \$4,282,310, and \$4,890,858, 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*.

Risk Management

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

Public Officers and Employees Liability Insurance—The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the state provides excess public officers' and employees' liability insurance up to \$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. Examples of this additional coverage include special form (all-risk) and business interruption insurance for certain property exposures. 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% 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 Faculty Physicians (UNC Faculty Physicians), 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 Faculty Physicians 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 Insurance Commissioner, the Director of the Office of State Budget and Management, the State Treasurer (each serving at the pleasure of the appointer); and nine members appointed 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, 2013 through June 30, 2014, 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, 2014, 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, 2014, University assets in the Trust Fund totaled \$28,053,080 while University liabilities totaled \$21,595,850 resulting in net assets of \$6,457,230.

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% 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 \$85,016,077 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, 2014, the UNC Investment Fund had approximately \$705,910,512 unfunded committed capital.

B Pending Litigation and Claims

The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University

management 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. Contingent pledges to permanent endowments were \$32.8 million at June 30, 2014.

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, UNC Eshelman School of Pharmacy Foundation, 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 position, or operational transactions of these organizations, except for support from each organization to the University. This support totaled \$30,526,004 for the year ended June 30, 2014.

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 4.2-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.

Blended Component Units

Condensed combining information for the University's blended component units for the year ended June 30, 2014, is presented as follows:

CONDENSED STATEMENT OF NET POSITION

June 30, 2014

	University of North Carolina at Chapel Hill**	UNC Investment Fund, LLC	The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc.	The University of North Carolina at Chapel Hill Foundation, Inc.	UNC Intermediate Pool, LLC	Other Blended Component Units*	Eliminations	Total
<i>Assets</i>								
Current Assets	\$1,528,609,909	\$14,055,731		\$29,639,962	\$95,797,759	\$29,211,055		\$1,697,314,416
Capital Assets	3,060,872,144			48,271,125		7,986,092		3,117,129,361
Other Non-current Assets	(846,008,728)	4,213,998,685	\$2,641,333,871	329,641,289	381,957,410	135,008,567	(\$2,999,185,957)	3,856,745,137
Total Assets	3,743,473,325	4,228,054,416	2,641,333,871	407,552,376	477,755,169	172,205,714	(2,999,185,957)	8,671,188,914
Deferred Outflows of Resources	84,866,413							84,866,413
<i>Liabilities</i>								
Current Liabilities	414,281,604	5,464,410	1,299,382	7,513,933	7,989,464	2,612,008	(1,299,382)	437,861,419
Non-current Liabilities	2,017,174,064			82,124,563		10,612,378	1,435,436,054	3,545,347,059
Total Liabilities	2,431,455,668	5,464,410	1,299,382	89,638,496	7,989,464	13,224,386	1,434,136,672	3,983,208,478
Deferred Inflows of Resources								
<i>Net Position</i>								
Net Investment in Capital Assets	1,637,669,699			23,641,117		1,620,406		1,662,931,222
Restricted - Non-expendable	(2,413,056,761)	4,222,590,006	2,640,034,489	134,826,154	469,765,705	103,767,588	(4,433,322,629)	724,604,552
Restricted - Expendable	1,317,383,799			113,010,633		34,083,146		1,464,477,578
Unrestricted	854,887,333			46,435,976		19,510,188		920,833,497
Total Net Position	\$1,396,884,070	\$4,222,590,006	\$2,640,034,489	\$317,913,880	\$469,765,705	\$158,981,328	(\$4,433,322,629)	\$4,772,846,849

*Other Blended Component Units include UNC Management Company, Inc., The Kenan-Flagler Business School Foundation, U.N.C. Law Foundation, Inc., and The University of North Carolina at Chapel Hill School of Education Foundation, Inc.

**Negative balances for the University reflect net inter-entity receivables for blended entities where such balances are not separately tracked and reported on.

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

For the Fiscal Year Ended June 30, 2014

	University of North Carolina at Chapel Hill**	UNC Investment Fund, LLC	The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc.	The University of North Carolina at Chapel Hill Foundation, Inc.	UNC Intermediate Pool, LLC	Other Blended Component Units*	Eliminations	Total
<i>Operating Revenues</i>								
Sales and Services	\$1,098,796,809			\$12,026,924		\$21,459,669		\$1,132,283,402
Other Operating Revenues	819,412,154			3,994,605		442,036		823,848,795
Total Operating Revenues	1,918,208,963			16,021,529		21,901,705		1,956,132,197
<i>Operating Expenses</i>								
Operating Expenses	2,488,627,020			25,176,824		27,298,427		2,541,102,271
Depreciation	130,438,445							130,438,445
Total Operating Expenses	2,619,065,465			25,176,824		27,298,427		2,671,540,716
Operating Income (Loss)	(700,856,502)			(9,155,295)		(5,396,722)		(715,408,519)
<i>Non-Operating Revenues (Expenses)</i>								
Investment Income, Net	(128,476,980)	\$659,559,258	\$374,578,140	40,756,370	\$9,875,630	18,807,146	(\$716,727,327)	258,372,237
Other, Net	235,774,400	19,259,853	(72,438,022)	(6,025,715)	459,890,075	(6,073,228)	72,438,022	702,825,385
Net Non-operating Revenues	107,297,420	678,819,111	302,140,118	34,730,655	469,765,705	12,733,918	(644,289,305)	961,197,622
Additions to Endowments	13,423,888			10,183,768		2,000,848		25,608,504
Increase in Net Position	(580,135,194)	678,819,111	302,140,118	35,759,128	469,765,705	9,338,044	(644,289,305)	271,397,607
<i>Net Position</i>								
Net Position, July 1, 2013	1,977,019,264	3,543,770,895	2,337,894,371	282,154,752	0	149,643,284	(3,789,033,324)	4,501,449,242
Net Position, June 30, 2014	\$1,396,884,070	\$4,222,590,006	\$2,640,034,489	\$317,913,880	\$469,765,705	\$158,981,328	(\$4,433,322,629)	\$4,772,846,849

*Other Blended Component Units include UNC Management Company, Inc., The Kenan-Flagler Business School Foundation, U.N.C. Law Foundation, Inc., and The University of North Carolina at Chapel Hill School of Education Foundation, Inc.

**Negative balances for the University reflect net inter-entity receivables for blended entities where such balances are not separately tracked and reported on.

CONDENSED STATEMENT OF CASH FLOWS

June 30, 2014

	The University of North Carolina at Chapel Hill	The University of North Carolina at Chapel Hill Foundation, Inc.	Other Blended Component Units*	Total
Net Cash Provided by Operating Activities	(\$643,753,114)	(\$7,472,834)	(\$3,064,605)	(\$654,290,553)
Net Cash Used by Non-capital Financing Activities	1,031,686,056	9,332,805	(1,991,966)	1,039,026,895
Net Cash Used by Capital and Related Financing Activities	(158,608,786)	(7,971,195)	(1,372,992)	(167,952,973)
Net Cash Provided by Investing Activities	(601,645,800)	5,581,390	5,203,775	(590,860,635)
Net Increase (Decrease) in Cash and Cash Equivalents	(372,321,644)	(529,834)	(1,225,788)	(374,077,266)
Cash and Cash Equivalents, July 1, 2013	1,018,714,444	29,923,296	23,072,808	1,071,710,548
Cash and Cash Equivalents, June 30, 2014	\$646,392,800	\$29,393,462	\$21,847,020	\$697,633,282

*Other Blended Component Units include UNC Management Company, Inc., The Kenan-Flagler Business School Foundation, U.N.C. Law Foundation, Inc., and The University of North Carolina at Chapel Hill School of Education Foundation, Inc.

Subsequent Events

On October 9, 2014, the Board of Governors of the University of North Carolina System issued \$265,600,000 in Series 2014 taxable, fixed-rate bonds. These bonds will bear interest from that date. Interest on the bonds will be payable semiannually on each December 1 and June 1, commencing on December 1, 2014. The structure contains serial bonds that will mature from December 1, 2016 to December 1, 2020 issued with coupon rates ranging from 0.759 percent to 2.355 percent, and term bonds that with a final maturity of December 1, 2034 issued at a coupon rate of 3.847 percent. The bonds were issued to provide for the advance refunding of \$250,000,000 in par value of the General Revenue Bonds, Series 2005A. The all-in true interest cost of the refunding bonds is 3.87 percent, representing a net present value savings to the University of \$21,900,783, or 8.76 percent savings on the refunded bonds.



Statistical Section

Table of Contents:

Narrative to the Statistical Section

June 30, 2014

81 FINANCIAL TRENDS

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

Net Position by Component

Changes in Net Position

Changes in Net Position Adjusted for Inflation

Operating Expenses by Function

88 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

90 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

100 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

105 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 (Number of Facilities)

NET POSITION BY COMPONENT

Last ten fiscal years

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
Net Investment in Capital Assets	\$1,662,931	\$1,632,515	\$1,645,959	\$1,587,446	\$1,420,104	\$1,338,833	\$1,290,034	\$1,211,805	\$1,119,040	\$1,017,383
Restricted, Non-expendable	724,605	702,225	700,687	656,723	621,873	586,175	548,151	493,305	430,316	378,234
Restricted, Expendable	1,464,478	1,193,821	990,908	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133	736,631
Unrestricted	920,833	972,888	896,092	851,254	778,439	700,280	671,970	617,573	525,513	475,631
Total Net Position	\$4,772,847	\$4,501,449	\$4,233,646	\$4,102,959	\$3,711,598	\$3,462,442	\$3,709,435	\$3,409,036	\$2,928,002	\$2,607,879

expressed as a percent of the total

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	%	%	%	%	%	%	%	%	%	%
Net Investment in Capital Assets	34.8	36.3	38.9	38.7	38.3	38.7	34.8	35.5	38.2	39.0
Restricted, Non-expendable	15.2	15.6	16.5	16.0	16.7	16.9	14.8	14.5	14.7	14.5
Restricted, Expendable	30.7	26.5	23.4	24.6	24.0	24.2	32.3	31.9	29.2	28.2
Unrestricted	19.3	21.6	21.2	20.7	21.0	20.2	18.1	18.1	17.9	18.3
Total Net Position	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,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	%	%	%	%	%	%	%	%	%	%
	<i>(as restated)</i>									
Net Investment in Capital Assets	1.9	(0.8)	3.7	11.8	6.1	3.8	6.5	8.3	10.0	n/a
Restricted, Non-expendable	3.2	0.2	6.7	5.6	6.1	6.9	11.1	14.6	13.8	n/a
Restricted, Expendable	22.7	20.5	(1.7)	13.1	6.5	(30.2)	10.4	27.3	15.8	n/a
Unrestricted	(5.4)	8.6	5.3	9.4	11.2	4.2	8.8	17.5	10.5	n/a
Total Net Position	6.0	6.3	3.2	10.5	7.2	(6.7)	8.8	16.4	12.3	n/a

CHANGES IN NET POSITION

Last ten fiscal years

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	\$361,771	\$348,049	\$320,535	\$289,897	\$249,083	\$236,960	\$218,763	\$210,651	\$195,882	\$164,457
Patient services, net	312,054	291,277	280,671	280,035	242,757	237,966	214,706	197,221	184,324	172,063
Federal grants and contracts	641,519	587,220	578,702	571,288	530,368	471,680	447,793	429,059	422,229	403,100
State and local grants and contracts	35,071	41,471	41,953	38,251	37,679	29,091	51,207	45,256	41,842	39,816
Non-governmental grants and contracts	143,564	132,506	105,191	146,081	120,674	123,649	115,513	92,572	89,976	81,560
Sales and services, net	458,458	429,243	400,480	373,706	354,439	321,505	349,372	324,432	301,303	290,397
Interest earnings on loans	823	730	849	842	790	801	666	679	672	1,441
Other operating revenues	2,872	8,198	8,148	4,836	6,485	7,835	6,232	4,574	5,283	4,167
Total operating revenues	1,956,132	1,838,694	1,736,529	1,704,936	1,542,275	1,429,487	1,404,252	1,304,444	1,241,511	1,157,001
Expenses										
<i>Operating Expenses</i>										
Salaries and benefits	1,467,756	1,435,472	1,375,758	1,379,178	1,340,749	1,309,862	1,210,757	1,122,269	1,042,452	966,629
Supplies and materials	159,907	160,698	164,899	162,999	156,404	174,501	161,219	165,704	152,911	148,440
Services	715,833	650,516	617,589	614,928	538,784	533,023	526,646	462,093	432,212	407,690
Scholarships and fellowships	112,450	104,557	96,871	91,140	69,083	58,557	58,058	56,662	54,105	51,170
Utilities	85,157	83,265	80,832	81,471	81,210	77,636	66,197	60,727	56,277	47,870
Depreciation and amortization	130,438	117,968	113,530	102,724	90,861	70,747	66,413	80,827	64,475	60,102
Total operating expenses	2,671,541	2,552,476	2,449,479	2,432,440	2,277,091	2,224,326	2,089,290	1,948,282	1,802,432	1,681,901
Operating loss	(715,409)	(713,782)	(712,950)	(727,504)	(734,816)	(794,839)	(685,038)	(643,838)	(560,921)	(524,900)
Non-Operating Revenues (Expenses)										
State appropriations	482,728	515,121	486,492	520,198	509,691	518,276	543,292	492,471	440,070	406,673
State aid - federal recovery funds	0	0	0	14,480	32,062	20,051	0	0	0	0
Non-capital grants -- federal student financial aid	18,622	18,011	17,899	18,946	17,099	10,170	0	0	0	0
Non-capital grants	122,611	164,790	163,440	175,600	155,014	143,846	102,932	62,669	67,388	62,544
Non-capital gifts, net	97,416	67,641	99,446	93,166	75,881	87,226	113,094	73,637	68,824	73,693
Investment income (loss), net	258,372	191,969	33,134	208,184	103,605	(296,904)	146,650	317,767	207,423	154,900
Interest and fees on debt	(66,217)	(70,118)	(64,321)	(56,765)	(64,261)	(52,465)	(53,311)	(42,926)	(39,921)	(21,823)
Federal interest subsidy on debt	2,109	2,174	2,274	2,273	1,130	0	0	0	0	0
Other non-operating revenues (expenses)	(6,162)	(1,600)	(6,053)	(2,670)	(14,219)	2,359	851	146	(230)	8,374
Net non-operating revenues	909,479	887,988	732,311	973,412	816,002	432,559	853,508	903,764	743,554	684,361
Income before other revenues	194,070	174,206	19,361	245,908	81,186	(362,280)	168,470	259,926	182,633	159,461
Capital appropriations	4,313	2,285	0	0	0	12,539	47,206	52,888	15,776	5,166
Refund of prior years capital appropriations	0	0	0	(81)	(444)	(3,317)	0	0	0	0
Capital grants	41,507	44,177	78,133	91,864	86,117	27,124	12,885	118,850	52,277	152,844
Capital gifts	5,899	23,182	5,630	9,149	50,688	34,686	11,596	15,662	13,368	11,521
Additions to endowments	25,609	23,953	27,563	44,521	31,609	44,255	60,242	39,442	56,069	37,688
Increase (Decrease) in Net Position	\$271,398	\$267,803	\$130,687	\$391,361	\$249,156	(\$246,993)	\$300,399	\$486,768	\$320,123	\$366,680

CHANGES IN NET POSITION (CONTINUED)

Last ten fiscal years

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Revenues	\$3,015,318	\$2,891,998	\$2,650,540	\$2,883,317	\$2,605,171	\$2,330,019	\$2,443,000	\$2,477,976	\$2,162,706	\$2,070,404
Total Expenses	2,743,920	2,624,195	2,519,853	2,491,956	2,356,015	2,577,012	2,142,601	1,991,208	1,842,583	1,703,724
Increase (Decrease) in Net Assets	\$271,398	\$267,803	\$130,687	\$391,361	\$249,156	(\$246,993)	\$300,399	\$486,768	\$320,123	\$366,680

Expressed as a percent of total revenues/total expenses

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	%	%	%	%	%	%	%	%	%	%

Revenues

Operating Revenues

Student tuition and fees, net	12.0	12.0	12.1	10.1	9.6	10.2	9.0	8.5	9.1	7.9
Patient services, net	10.3	10.1	10.6	9.7	9.3	10.2	8.8	8.0	8.5	8.3
Federal grants and contracts	21.3	20.4	21.8	19.8	20.5	20.4	18.3	17.3	19.6	19.6
State and local grants and contracts	1.2	1.4	1.6	1.3	1.4	1.2	2.1	1.8	1.9	1.9
Non-governmental grants and contracts	4.8	4.6	4.0	5.1	4.6	5.3	4.7	3.7	4.2	3.9
Sales and services, net	15.2	14.8	15.1	13.0	13.6	13.8	14.3	13.1	13.9	14.0
Interest earnings on loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Other operating revenues	0.1	0.3	0.3	0.2	0.2	0.3	0.3	0.2	0.2	0.2
Total operating revenues	64.9	63.6	65.5	59.1	59.2	61.4	57.5	52.6	57.4	55.9

Expenses

Operating Expenses

Salaries and benefits	53.5	54.7	54.6	55.3	56.9	50.8	56.5	56.4	56.6	56.7
Supplies and materials	5.8	6.1	6.5	6.5	6.6	6.8	7.5	8.3	8.3	8.7
Services	26.1	24.8	24.5	24.7	22.9	20.7	24.6	23.2	23.5	23.9
Scholarships and fellowships	4.1	4.0	3.8	3.7	2.9	2.3	2.7	2.8	2.9	3.0
Utilities	3.1	3.2	3.2	3.3	3.4	3.0	3.1	3.0	3.1	2.8
Depreciation and amortization	4.8	4.5	4.5	4.1	3.9	2.7	3.1	4.1	3.5	3.5
Total operating expenses	88.6	88.3	92.4	84.4	87.4	95.5	85.5	78.6	83.3	81.3
Operating loss	(23.7)	(24.7)	(26.9)	(25.3)	(28.2)	(34.1)	(28.0)	(26.0)	(25.9)	(25.4)

Non-Operating Revenues (Expenses)

State appropriations	16.0	17.8	18.4	18.0	19.6	22.2	22.4	19.9	20.3	19.6
State aid - federal recovery funds	0.0	0.0	0.0	0.5	1.2	0.9	0.0	0.0	0.0	0.0
Non-capital grants -- federal student financial aid	0.6	0.6	0.7	0.7	0.7	0.4	0.0	0.0	0.0	0.0
Non-capital grants	4.1	5.7	6.2	6.1	6.0	6.2	4.2	2.5	3.1	3.0
Non-capital gifts, net	3.2	2.3	3.8	3.2	2.9	3.7	4.6	3.0	3.2	3.6
Investment income (loss), net	8.6	6.6	1.3	7.2	4.0	(11.5)	6.0	12.8	9.6	7.5
Interest and fees on debt	(2.4)	(2.7)	(2.6)	(2.3)	(2.7)	(2.0)	(2.5)	(2.2)	(2.2)	(1.3)
Federal interest subsidy on debt	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other non-operating revenues (expenses)	(0.2)	(0.1)	(0.2)	(0.1)	(0.6)	0.1	0.0	0.0	0.0	0.4
Net non-operating revenues	30.1	30.7	27.6	33.9	31.3	18.6	34.9	36.5	34.3	33.1
Income before other revenues	6.4	6.0	0.7	8.6	3.1	(15.5)	6.9	10.5	8.4	7.7
Capital appropriations	0.1	0.1	0.0	0.0	0.0	0.5	1.9	2.1	0.7	0.2
Refund of prior years capital appropriations	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0
Capital grants	1.5	1.6	3.0	3.2	3.3	0.9	0.4	4.8	2.5	7.4
Capital gifts	0.2	0.8	0.2	0.3	1.9	1.5	0.5	0.6	0.6	0.6
Additions to endowments	0.8	0.8	1.0	1.5	1.2	1.9	2.5	1.6	2.6	1.8
Increase (Decrease) in Net Position	9.0	9.3	4.9	13.6	9.6	(10.6)	12.3	19.6	14.8	17.7

CHANGES IN NET POSITION (CONTINUED)

Last ten fiscal years

percentage increase (decrease) from prior year

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	%	%	%	%	%	%	%	%	%	%
<i>(as restated)</i>										
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	3.9	8.6	10.6	16.4	5.1	8.3	3.9	7.5	19.1	n/a
Patient services, net	7.1	3.8	0.2	15.4	2.0	10.8	8.9	7.0	7.1	n/a
Federal grants and contracts	9.2	1.5	1.3	7.7	12.4	5.3	4.4	1.6	4.7	n/a
State and local grants and contracts	(15.4)	(1.1)	9.7	1.5	29.5	(43.2)	13.1	8.2	5.1	n/a
Non-governmental grants and contracts	8.3	26.0	(28.0)	21.1	(2.4)	7.0	24.8	2.9	10.3	n/a
Sales and services, net	6.8	7.2	7.2	5.4	10.2	(8.0)	7.7	7.7	3.8	n/a
Interest earnings on loans	12.7	(14.0)	0.8	6.6	(1.4)	20.3	(1.9)	1.0	(53.4)	n/a
Other operating revenues	(65.0)	0.6	68.5	(25.4)	(17.2)	25.7	36.2	(13.4)	26.8	n/a
Total operating revenues	6.4	5.9	1.9	10.5	7.9	1.8	7.7	5.1	7.3	n/a
Expenses										
<i>Operating Expenses</i>										
Salaries and benefits	2.2	4.3	(0.2)	2.9	2.4	8.2	7.9	7.7	7.8	n/a
Supplies and materials	(0.5)	(2.5)	1.2	4.2	(10.4)	8.2	(2.7)	8.4	3.0	n/a
Services	10.0	5.3	0.4	14.1	1.1	1.2	14.0	6.9	6.0	n/a
Scholarships and fellowships	7.5	7.9	6.3	31.9	18.0	0.9	2.5	4.7	5.7	n/a
Utilities	2.3	3.0	(0.8)	0.3	4.6	17.3	9.0	7.9	17.6	n/a
Depreciation and amortization	10.6	3.9	10.5	13.1	28.4	6.5	(17.8)	25.4	7.3	n/a
Total operating expenses	4.7	4.2	0.7	6.8	2.4	6.5	7.2	8.1	7.2	n/a
Operating loss	0.2	0.1	(2.0)	(1.0)	(7.6)	16.0	6.4	14.8	6.9	n/a
Non-Operating Revenues (Expenses)										
State appropriations	(6.3)	5.9	(6.5)	2.1	(1.7)	(4.6)	10.3	11.9	8.2	n/a
State aid - federal recovery funds	0.0	0.0	(100.0)	(54.8)	59.9	n/a	n/a	n/a	n/a	n/a
Non-capital grants -- federal student financial aid	3.4	0.6	(5.5)	10.8	68.1	n/a	n/a	n/a	n/a	n/a
Non-capital grants	(25.6)	0.8	(6.9)	13.3	7.8	39.7	64.2	(7.0)	7.7	n/a
Non-capital gifts, net	44.0	(32.0)	6.7	22.8	(13.0)	(22.9)	53.6	7.0	(6.6)	n/a
Investment income (loss), net	34.6	479.4	(84.1)	100.9	134.9	(302.5)	(53.8)	53.2	33.9	n/a
Interest and fees on debt	(5.6)	9.0	13.3	(11.7)	22.5	(1.6)	24.2	7.5	82.9	n/a
Federal interest subsidy on debt	(3.0)	(4.4)	0.0	101.2	n/a	n/a	n/a	n/a	n/a	n/a
Other non-operating revenues (expenses)	285.1	(73.6)	126.7	(81.2)	(702.8)	177.2	482.9	163.5	(102.7)	n/a
Net non-operating revenues	2.4	21.3	(24.8)	19.3	88.6	(49.3)	(5.6)	21.5	8.6	n/a
Income before other revenues	11.4	799.8	(92.1)	202.9	122.4	(315.0)	(35.2)	42.3	14.5	n/a
Capital appropriations	88.8	0.0	0.0	0.0	(100.0)	(73.4)	(10.7)	235.2	205.4	n/a
Refund of prior years capital appropriations	0.0	0.0	(100.0)	(81.8)	(86.6)	n/a	n/a	n/a	n/a	n/a
Capital grants	(6.0)	(43.5)	(14.9)	6.7	217.5	110.5	(89.2)	127.3	(65.8)	n/a
Capital gifts	(74.6)	311.8	(38.5)	(82.0)	46.1	199.1	(26.0)	17.2	16.1	n/a
Additions to endowments	6.9	(13.1)	(38.1)	40.8	(28.6)	(26.5)	52.7	(29.7)	48.8	n/a
Increase (Decrease) in Net Position	1.3	104.9	(66.6)	57.1	200.9	(182.2)	(38.3)	52.1	(12.7)	n/a

CHANGES IN NET POSITION ADJUSTED FOR INFLATION (CONTINUED)

Last ten fiscal years (2005 dollars)

Percentage increase (decrease) from prior year

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	%	%	%	%	%	%	%	%	%	%
<i>(as restated)</i>										
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	1.2	6.1	8.4	13.9	4.0	5.8	(1.5)	4.1	13.0	n/a
Patient services, net	4.3	1.4	(1.7)	12.9	1.0	8.3	3.2	3.6	1.7	n/a
Federal grants and contracts	6.4	(0.9)	(0.7)	5.4	11.3	2.9	(1.0)	(1.6)	(0.6)	n/a
State and local grants and contracts	(17.7)	(3.4)	7.5	(0.6)	28.2	(44.5)	7.3	4.7	(0.3)	n/a
Non-governmental grants and contracts	5.5	23.1	(29.4)	18.5	(3.4)	4.6	18.3	(0.4)	4.7	n/a
Sales and services, net	4.0	4.7	5.1	3.2	9.1	(10.1)	2.1	4.2	(1.5)	n/a
Interest earnings on loans	9.8	(16.0)	(1.1)	4.2	(2.3)	17.4	(7.0)	(2.1)	(55.8)	n/a
Other operating revenues	(65.9)	(1.7)	65.2	(27.0)	(18.1)	22.8	29.2	(16.2)	20.3	n/a
Total operating revenues	3.6	3.4	(0.1)	8.2	6.8	(0.5)	2.1	1.7	1.8	n/a
Expenses										
<i>Operating Expenses</i>										
Salaries and benefits	(0.4)	1.9	(2.2)	0.7	1.3	5.7	2.3	4.2	2.4	n/a
Supplies and materials	(3.1)	(4.8)	(0.8)	2.0	(11.3)	5.8	(7.7)	4.9	(2.2)	n/a
Services	7.1	2.9	(1.5)	11.7	0.1	(1.1)	8.1	3.5	0.6	n/a
Scholarships and fellowships	4.7	5.4	4.2	29.1	16.8	(1.4)	(2.8)	1.4	0.4	n/a
Utilities	(0.4)	0.6	(2.7)	(1.8)	3.5	14.6	3.4	4.4	11.6	n/a
Depreciation and amortization	7.7	1.5	8.4	10.7	27.1	4.1	(22.1)	21.3	1.8	n/a
Total operating expenses	1.9	1.8	(1.3)	4.6	1.3	4.0	1.7	4.6	1.7	n/a
Operating loss	(2.4)	(2.2)	(3.9)	(3.1)	(8.5)	13.4	0.9	11.1	1.4	n/a
Non-Operating Revenues (Expenses)										
State appropriations	(8.8)	3.4	(8.3)	(0.1)	(2.7)	(6.8)	4.6	8.3	2.7	n/a
State aid - federal recovery funds	0.0	0.0	(100.0)	(55.8)	58.3	100.0	n/a	n/a	n/a	n/a
Non-capital grants -- federal student financial aid	0.7	(1.7)	(7.4)	8.5	66.4	100.0	n/a	n/a	n/a	n/a
Non-capital grants	(27.6)	(1.5)	(8.7)	10.9	6.7	36.6	55.7	(10.0)	2.3	n/a
Non-capital gifts, net	40.2	(33.5)	4.7	20.2	(13.9)	(24.6)	45.6	3.6	(11.4)	n/a
Investment income (loss), net	31.0	466.0	(84.4)	96.7	(134.5)	(297.8)	(56.2)	48.3	27.1	n/a
Interest and fees on debt	(8.1)	6.5	11.1	(13.5)	21.2	(3.8)	17.8	4.1	73.6	n/a
Federal interest subsidy on debt	(5.6)	(6.6)	(1.9)	96.9	n/a	n/a	n/a	n/a	n/a	n/a
Other non-operating revenues (expenses)	275.1	(74.2)	122.3	(81.6)	(696.7)	171.0	450.4	(161.7)	(102.6)	n/a
Net non-operating revenues	(0.3)	18.5	(26.2)	16.7	86.7	(50.5)	(10.5)	17.6	3.1	n/a
Income before other revenues	8.5	779.1	(92.3)	196.5	122.2	(310.1)	(38.5)	37.7	8.7	n/a
Capital appropriations	83.8	0.0	0.0	0.0	(100.0)	(74.0)	(15.4)	224.5	189.8	n/a
Refund of prior years capital appropriations	0.0	0.0	(100.0)	(82.1)	(86.8)	(100.0)	n/a	n/a	n/a	n/a
Capital grants	(8.5)	(44.8)	(16.6)	4.4	214.3	105.7	(89.7)	120.0	(67.5)	n/a
Capital gifts	(75.2)	302.3	(39.7)	(82.3)	44.6	192.3	(29.8)	13.4	10.1	n/a
Additions to endowments	4.1	(15.1)	(39.3)	37.9	(29.3)	(28.2)	44.8	(31.9)	41.2	n/a
Increase (Decrease) in Net Position	(1.3)	100.2	(67.3)	53.7	199.9	(180.3)	(41.5)	47.2	(17.1)	n/a

OPERATING EXPENSES BY FUNCTION

Last ten fiscal years

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>Operating Expenses by Function</i>										
Instruction	\$675,822	\$694,692	\$682,857	\$698,770	\$684,836	\$674,942	\$662,228	\$624,128	\$595,319	\$575,951
Research	546,752	529,102	472,102	468,685	431,317	398,754	358,199	312,160	285,646	271,208
Public Service	134,917	133,059	122,989	137,279	138,044	126,427	95,618	90,025	85,330	83,005
Academic Support	118,680	114,371	111,719	105,883	107,806	107,371	106,613	97,776	86,229	75,384
Student Services	32,807	27,565	25,992	28,320	26,961	27,967	28,434	25,865	23,957	21,653
Institutional Support	100,238	93,852	84,400	91,558	83,962	89,954	86,549	76,188	71,609	67,426
Operations and Maintenance of Plant	150,013	135,314	140,417	145,270	136,008	145,550	133,031	124,991	111,720	92,860
Student Financial Aid	112,450	104,557	96,871	91,140	69,083	58,557	58,058	56,662	54,105	51,170
Auxiliary Enterprises	669,423	601,996	598,602	562,811	508,213	524,057	494,147	459,660	424,042	383,142
Depreciation and amortization	130,439	117,968	113,530	102,724	90,861	70,747	66,413	80,827	64,475	60,102
Total Operating Expenses by Function	\$2,671,541	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432	\$1,681,901

expressed as a percent of the total

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	%	%	%	%	%	%	%	%	%	%
Instruction	25.3	27.2	27.9	28.7	30.1	30.4	31.7	32.2	33.1	34.3
Research	20.5	20.7	19.3	19.3	18.9	17.9	17.2	16.0	15.8	16.1
Public Service	5.1	5.2	5.0	5.6	6.1	5.7	4.6	4.6	4.7	4.9
Academic Support	4.4	4.5	4.6	4.4	4.7	4.8	5.1	5.0	4.8	4.5
Student Services	1.2	1.1	1.1	1.2	1.2	1.3	1.3	1.3	1.3	1.3
Institutional Support	3.8	3.7	3.4	3.8	3.7	4.0	4.1	3.9	4.0	4.0
Operations and Maintenance of Plant	5.6	5.3	5.7	6.0	6.0	6.5	6.4	6.4	6.2	5.5
Student Financial Aid	4.2	4.1	4.0	3.7	3.0	2.6	2.8	2.9	3.0	3.0
Auxiliary Enterprises	25.1	23.6	24.4	23.1	22.3	23.6	23.6	23.6	23.5	22.8
Depreciation and amortization	4.8	4.6	4.6	4.2	4.0	3.2	3.2	4.1	3.6	3.6
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

percentage increase (decrease) from prior year

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	%	%	%	%	%	%	%	%	%	%
Instruction	(2.7)	1.7	(2.3)	2.0	1.5	1.9	6.1	4.8	3.4	n/a
Research	3.3	12.1	0.7	8.7	8.2	11.3	14.7	9.3	5.3	n/a
Public Service	1.4	8.2	(10.4)	(0.6)	9.2	32.2	6.2	5.5	2.8	n/a
Academic Support	3.8	2.4	5.5	(1.8)	0.4	0.7	9.0	13.4	14.4	n/a
Student Services	19.0	6.1	(8.2)	5.0	(3.6)	(1.6)	9.9	8.0	10.6	n/a
Institutional Support	6.8	11.2	(7.8)	9.0	(6.7)	3.9	13.6	6.4	6.2	n/a
Operations and Maintenance of Plant	10.9	(3.6)	(3.3)	6.8	(6.6)	9.4	6.4	11.9	20.3	n/a
Student Financial Aid	7.5	7.9	6.3	31.9	18.0	0.9	2.5	4.7	5.7	n/a
Auxiliary Enterprises	11.2	0.6	6.4	10.7	(3.0)	6.1	7.5	8.4	10.7	n/a
Depreciation and amortization	10.6	3.9	10.5	13.1	28.4	6.5	(17.8)	25.4	7.3	n/a
Total Operating Expenses by Function	4.7	4.2	0.7	6.8	2.4	6.5	7.2	8.1	7.2	n/a

REVENUE BASE

Last ten fiscal years

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>National Institutes of Health</i>										
Total Appropriations (000's)	\$30,075,730	\$29,151,462	\$30,689,990	\$30,986,200	\$31,246,200	\$30,553,298	\$29,465,000	\$28,626,000	\$28,586,617	\$28,495,157
percent increase from prior year	3.17%	(5.01%)	(0.96%)	(0.83%)	2.27%	3.69%	2.93%	0.14%	0.32%	2.18%
<i>National Science Foundation</i>										
Total Appropriations (000's)	\$7,171,920	\$6,884,110	\$7,033,000	\$6,859,870	\$6,926,400	\$6,490,400	\$6,064,900	\$5,917,160	\$5,580,000	\$5,472,820
percent increase from prior year	4.18%	(2.12%)	2.52%	(0.96%)	6.72%	7.02%	2.50%	6.04%	1.96%	(1.88%)

Sources: National Institutes of Health, National Science Foundation.

ACADEMIC YEAR TUITION AND REQUIRED FEES

Last ten fiscal years

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>UNC-Chapel Hill vs Association Of American Universities (AAU)</i>										
Resident Undergraduate - UNC-CH	\$8,340	\$7,693	\$7,009	\$6,665	\$5,625	\$5,397	\$5,340	\$5,033	\$4,613	\$4,451
percent increase from prior year	8.41%	9.76%	5.15%	18.50%	4.23%	1.07%	6.10%	9.11%	3.64%	9.31%
AAU Public Universities (mean)	\$11,318	\$11,142	\$10,642	\$9,786	\$8,806	\$8,283	\$7,771	\$7,321	\$6,906	\$6,458
percent increase from prior year	1.58%	4.70%	8.75%	11.13%	6.31%	6.59%	6.15%	6.01%	6.94%	7.99%
Non-Resident Undergraduate - UNC-CH	\$30,122	\$28,445	\$26,834	\$25,280	\$23,513	\$22,295	\$20,988	\$19,681	\$18,411	\$17,549
percent increase from prior year	5.90%	6.00%	6.14%	7.52%	5.46%	6.23%	6.64%	6.90%	4.91%	10.23%
AAU Public Universities (mean)	\$29,668	\$28,991	\$28,031	\$26,577	\$24,775	\$23,104	\$21,821	\$20,652	\$19,579	\$18,471
percent increase from prior year	2.34%	3.42%	5.47%	7.27%	7.23%	5.88%	5.66%	5.48%	6.00%	9.63%
Resident Graduate - UNC-CH	\$10,248	\$9,692	\$8,646	\$8,202	\$7,162	\$6,693	\$6,236	\$5,680	\$5,014	\$4,651
percent increase from prior year	5.74%	12.10%	5.42%	14.52%	7.01%	7.33%	9.79%	13.27%	7.80%	8.95%
AAU Public Universities (mean)	\$13,189	\$12,849	\$12,364	\$11,367	\$10,795	\$10,133	\$9,432	\$8,913	\$8,379	\$7,812
percent increase from prior year	2.65%	3.92%	8.77%	5.30%	6.53%	7.43%	5.82%	6.37%	7.26%	7.60%
Non-Resident Graduate - UNC-CH	\$27,459	\$25,782	\$24,333	\$22,932	\$21,560	\$21,091	\$20,234	\$19,678	\$19,012	\$17,899
percent increase from prior year	6.49%	5.95%	6.11%	6.36%	2.22%	4.23%	2.83%	3.50%	6.22%	10.03%
AAU Public Universities (mean)	\$26,793	\$26,145	\$25,381	\$24,085	\$23,002	\$21,912	\$20,618	\$20,067	\$19,295	\$18,367
percent increase from prior year	2.48%	3.01%	5.38%	4.71%	4.97%	6.28%	2.75%	4.00%	5.05%	11.40%

Sources: "Academic Year Tuition and Required Fees, AAU Public Universities," Univ. of Missouri System, Sept. 2011; The University of North Carolina at Chapel Hill Fact Book; Office of Institutional Research and Assessment.

PRINCIPAL REVENUE PAYERS

Last ten fiscal years

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
State and local grants and contracts	\$35,071	\$41,471	\$41,953	\$38,251	\$37,679	\$29,091	\$51,207	\$45,256	\$41,842	\$39,816
State appropriations and state aid	482,728	515,121	486,492	534,678	541,753	538,327	543,292	492,471	440,070	406,673
Capital appropriations	4,313	2,285	0	0	0	12,539	47,206	52,888	15,776	5,166
Capital grants	41,507	44,177	78,133	91,864	86,117	27,124	12,885	118,850	52,277	152,844
NC State Government	\$563,619	\$603,054	\$606,578	\$664,793	\$665,549	\$607,081	\$654,590	\$709,465	\$549,965	\$604,499
percent increase (decrease) from prior year	(6.54%)	(0.58%)	(8.76%)	(0.11%)	9.63%	(7.26%)	(7.73%)	29.00%	(9.02%)	n/a
Federal grants and contracts	\$641,519	\$587,220	\$578,702	\$571,288	\$530,368	\$471,680	\$447,793	\$429,059	\$422,229	\$403,100
Non-capital grants	141,233	182,801	181,339	194,546	172,113	154,016	102,932	62,669	67,388	62,544
Federal Government	\$782,752	\$770,021	\$760,041	\$765,834	\$702,481	\$625,696	\$550,725	\$491,728	\$489,617	\$465,644
percent increase (decrease) from prior year	1.65%	1.31%	(0.76%)	9.02%	12.27%	13.61%	12.00%	0.43%	5.15%	n/a

LONG TERM DEBT

Last ten fiscal years

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Revenue Debt	\$1,302,255	\$1,319,835	\$1,088,320	\$1,112,480	\$1,135,545	\$943,585	\$961,280	\$678,980	\$694,575	\$338,210
Plus Unamortized Discount/ Premium	28,855	30,189	34,312	36,068	37,824	30,438	31,898	26,821	28,050	8,098
Less Unamortized Loss on Refunding	0	(3,234)	(1,829)	(2,231)	(2,633)	(3,034)	(3,436)	(3,838)	(4,240)	(2,280)
Net General Revenue Debt	1,331,110	1,346,790	1,120,803	1,146,317	1,170,736	970,989	989,742	701,963	718,385	344,028
Revenue Bonds	59,866	68,952	77,449	77,903	82,944	79,734	81,480	83,502	85,642	112,395
Plus Unamortized Discount/ Premium	(92)	(128)	(164)	(200)	(243)	(287)	(333)	(158)	(181)	(330)
Net Revenue Bonds	59,774	68,824	77,285	77,703	82,701	79,447	81,147	83,344	85,461	112,065
Total Bonds Payable	1,390,884	1,415,614	1,198,088	1,224,020	1,253,437	1,050,436	1,070,889	785,307	803,846	456,093
Notes Payable	44,829	45,257	45,941	45,750	46,100	675	1,037	1,362	21,054	33,519
Capital Leases Payable	485	765	54	814	3,462	1,710	2,804	2,404	379	970
Total	\$1,436,198	\$1,461,636	\$1,244,083	\$1,270,584	\$1,302,999	\$1,052,821	\$1,074,730	\$789,073	\$825,279	\$490,582

Long Term Debt (whole dollars)

per Student FTE	\$53,214	\$53,997	\$46,357	\$47,022	\$48,789	\$39,946	\$41,503	\$30,966	\$32,954	\$19,835
per Dollar of Total Grants and Contracts	\$1.49	\$1.55	\$1.37	\$1.34	\$1.51	\$1.35	\$1.50	\$1.25	\$1.33	\$0.84
per Dollar of State Appropriations and State Aid	\$2.98	\$2.84	\$2.56	\$2.38	\$2.41	\$1.96	\$1.98	\$1.60	\$1.88	\$1.21

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net General Revenue Debt	\$1,331,110	\$1,346,790	\$1,120,803	\$1,146,317	\$1,170,736	\$970,989	\$989,742	\$701,963	\$718,385	\$344,028
Commercial Paper Program	18,000	18,000	132,650	73,650	59,784	148,291	101,157	192,414	117,414	141,141
Total General Revenue Debt	\$1,349,110	\$1,364,790	\$1,253,453	\$1,219,967	\$1,230,520	\$1,119,280	\$1,090,899	\$894,377	\$835,799	\$485,169

General Revenue Debt (whole dollars)

per Student FTE	\$49,987	\$50,419	\$46,706	\$45,149	\$46,075	\$42,468	\$42,128	\$35,098	\$33,375	\$19,616
per Dollar of Total Grants and Contracts	\$1.40	\$1.45	\$1.38	\$1.28	\$1.43	\$1.44	\$1.52	\$1.42	\$1.34	\$0.83
per Dollar of State Appropriations and State Aid	\$2.79	\$2.65	\$2.58	\$2.28	\$2.27	\$2.08	\$2.01	\$1.82	\$1.90	\$1.19

Data Used in the Above Calculations

Total Student FTE	26,989	27,069	26,837	27,021	26,707	26,356	25,895	25,482	25,043	24,733
State appropriations and State aid	\$482,728	\$515,121	\$486,492	\$534,678	\$541,753	\$538,327	\$543,292	\$492,471	\$440,070	\$406,673
Federal grants and contracts	\$641,519	\$587,220	\$578,702	\$571,288	\$530,368	\$471,680	\$447,793	\$429,059	\$422,229	\$403,100
State and local grants and contracts	35,071	41,471	41,953	38,251	37,679	29,091	51,207	45,256	41,842	39,816
Non-governmental grants and contracts	143,564	132,506	105,191	146,081	120,674	123,649	115,513	92,572	89,976	81,560
Non-capital grants	141,233	182,801	181,339	194,546	172,113	154,016	102,932	62,669	67,388	62,544
Total Grants and Contracts	\$961,387	\$943,998	\$907,185	\$950,166	\$860,834	\$778,436	\$717,445	\$629,556	\$621,435	\$587,020

SUMMARY OF RATIOS

Last ten fiscal years

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
<i>Composite Financial Index</i>										
+ Primary Reserve Ratio	1.02 x	0.96 x	0.87 x	0.87 x	0.83 x	0.79 x	1.06 x	1.05 x	0.92 x	0.86 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	7.65	7.20	6.51	6.54	6.24	5.94	7.97	7.89	6.92	6.47
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	2.68	2.53	2.29	2.29	2.18	2.08	2.79	2.76	2.42	2.26
= Ratio 10.00 Cap Subtotal	2.68	2.53	2.29	2.29	2.18	2.08	2.79	2.76	2.42	2.26
+ Return on Net Position Ratio	6.0%	6.3%	3.2%	10.5%	7.2%	(6.7%)	8.8%	16.7%	12.3%	16.4%
/ 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	3.00	3.15	1.60	5.25	3.60	(3.35)	4.40	8.35	6.15	8.20
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.60	0.63	0.32	1.05	0.72	(0.67)	0.88	1.67	1.23	1.64
= Ratio 10.00 Cap Subtotal	0.60	0.63	0.32	1.05	0.72	(0.67)	0.88	1.67	1.23	1.64
+ Net Operating Revenues Ratio	6.6%	6.2%	0.8%	9.0%	3.3%	(18.9%)	7.3%	11.5%	9.0%	8.6%
/ 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	9.43	8.86	1.14	12.86	4.71	(27.00)	10.43	16.43	12.86	12.29
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.94	0.89	0.11	1.29	0.47	(2.70)	1.04	1.64	1.29	1.23
= Ratio 10.00 Cap Subtotal	0.94	0.89	0.11	1.00	0.47	(2.70)	1.00	1.00	1.00	1.00
+ Viability Ratio	1.9 x	1.7 x	1.6 x	1.6 x	1.4 x	1.5 x	1.9 x	2.1 x	1.8 x	2.3 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	4.56	4.07	3.84	3.84	3.36	3.60	4.56	5.04	4.32	5.52
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	1.60	1.43	1.34	1.34	1.18	1.26	1.60	1.76	1.51	1.93
= Ratio 10.00 Cap Subtotal	1.60	1.43	1.34	1.34	1.18	1.26	1.60	1.76	1.51	1.93
Composite Financial Index	5.82	5.48	4.05	5.97	4.55	(0.03)	6.31	7.83	6.45	7.06
Composite Financial Index with 10.00 Cap	5.82	5.48	4.05	5.68	4.55	(0.03)	6.27	7.19	6.16	6.83

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,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
<i>Primary Reserve Ratio</i>										
Unrestricted Net Position	\$920,833	\$972,888	\$896,092	\$851,254	\$778,439	\$700,280	\$671,970	\$617,573	\$525,513	\$475,631
Unrestricted Net Assets - Component Units *	46,701	40,075	35,651	37,848	26,543	23,334	28,897	28,627	23,709	20,653
Expendable Restricted Net Position	1,464,478	1,193,821	990,908	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133	736,632
Temporarily Restricted Net Assets - Component Units *	362,695	307,147	269,856	278,740	245,187	237,867	363,803	361,559	284,351	238,745
Expendable Net Position and Net Assets	\$2,794,707	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706	\$1,471,661
Operating Expenses	\$2,671,541	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432	\$1,681,901
Interest and Fees on Debt	66,218	70,119	64,321	56,765	64,261	52,465	53,311	42,926	39,921	21,823
Total Expenses	\$2,737,759	\$2,622,595	\$2,513,800	\$2,489,205	\$2,341,352	\$2,276,791	\$2,142,601	\$1,991,208	\$1,842,353	\$1,703,724
Expendable Net Position and Net Assets	\$2,794,707	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706	\$1,471,661
Total Expenses	\$2,737,759	\$2,622,595	\$2,513,800	\$2,489,205	\$2,341,352	\$2,276,791	\$2,142,601	\$1,991,208	\$1,842,353	\$1,703,724
Ratio	1.02 x	0.96 x	0.87 x	0.87 x	0.83 x	0.79 x	1.06 x	1.05 x	0.92 x	0.86 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.

In thousands

For the Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
<i>Return On Net Assets Ratio</i>										
Change in Net Position	\$271,398	\$267,803	\$130,687	\$391,361	\$249,156	(\$246,993)	\$300,399	\$486,768	\$320,123	\$366,680
Total Net Position (Beginning of Year)	\$4,501,449	\$4,233,646	\$4,102,959	\$3,711,598	\$3,462,442	\$3,709,435	\$3,409,036	\$2,922,268	\$2,607,879	\$2,241,199
Ratio	6.0%	6.3%	3.2%	10.5%	7.2%	(6.7%)	8.8%	16.7%	12.3%	16.4%

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.

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
<i>Net Operating Revenues Ratio</i>										
Total Operating Revenues	\$1,956,132	\$1,838,694	\$1,736,529	\$1,704,936	\$1,542,275	\$1,429,487	\$1,404,252	\$1,304,444	\$1,241,511	\$1,157,001
State Appropriations and State Aid	482,728	515,121	486,492	534,678	541,753	538,327	543,292	492,471	440,070	406,673
Non-capital Gifts and Grants, net	238,649	250,442	280,785	287,712	247,994	241,242	216,026	136,306	136,212	136,237
Investment Income (Loss), net	258,372	191,969	33,134	208,184	103,605	(296,904)	146,650	317,767	207,423	154,900
Adjusted Net Operating Revenues	\$2,935,881	\$2,796,226	\$2,536,940	\$2,735,510	\$2,435,627	\$1,912,152	\$2,310,220	\$2,250,988	\$2,025,216	\$1,854,811
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$194,070	\$174,205	\$19,361	\$245,908	\$81,186	(\$362,280)	\$168,470	\$259,926	\$182,633	\$159,462
Adjusted Net Operating Revenues	\$2,935,881	\$2,796,226	\$2,536,940	\$2,735,510	\$2,435,627	\$1,912,152	\$2,310,220	\$2,250,988	\$2,025,216	\$1,854,811
Ratio	6.6%	6.2%	0.8%	9.0%	3.3%	(18.9%)	7.3%	11.5%	9.0%	8.6%

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

SUMMARY OF RATIOS (CONTINUED)

Last ten fiscal years

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>(as restated)</i>										
<i>Viability Ratio</i>										
Unrestricted Net Position	\$920,833	\$972,888	\$896,092	\$851,254	\$778,439	\$700,280	\$671,970	\$617,573	\$525,513	\$475,631
Unrestricted Net Assets - Component Units *	46,701	40,075	35,651	37,848	26,543	23,334	28,897	28,627	23,709	20,653
Expendable Restricted Net Position	1,464,478	1,193,821	990,908	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133	736,632
Temporarily Restricted Net Assets - Component Units *	362,695	307,147	269,856	278,740	245,187	237,867	363,803	361,559	284,351	238,745
Expendable Net Position and Net Assets	\$2,794,707	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706	\$1,471,661
Bonds	\$1,390,884	\$1,415,614	\$1,198,088	\$1,224,020	\$1,253,437	\$1,050,436	\$1,070,889	\$785,307	\$803,846	\$456,093
Commercial Paper	18,000	18,000	132,650	73,650	59,784	148,291	101,157	192,414	117,414	141,141
Capital Leases	485	765	54	814	3,462	1,710	2,804	2,404	379	970
Notes	44,829	45,257	45,941	45,750	46,100	675	1,037	1,362	21,054	33,519
Notes - Component Units *	-	420	625	850	850	1,400	1,500	2,100	3,000	263
Total Adjusted University Debt	\$1,454,198	\$1,480,056	\$1,377,358	\$1,345,084	\$1,363,633	\$1,202,512	\$1,177,387	\$983,587	\$945,693	\$631,986
Expendable Net Position and Net Assets	\$2,794,707	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706	\$1,471,661
Total Adjusted University Debt	\$1,454,198	\$1,480,056	\$1,377,358	\$1,345,084	\$1,363,633	\$1,202,512	\$1,177,387	\$983,587	\$945,693	\$631,986
Ratio	1.9 x	1.7 x	1.6 x	1.6 x	1.4 x	1.5 x	1.9 x	2.1 x	1.8 x	2.3 x

Measures the ability of the institution to cover its debt as of the statement of net position 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.

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>(as restated)</i>										
<i>Operating Margin Excluding Gifts</i>										
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$194,070	\$174,205	\$19,361	\$245,908	\$81,186	(\$362,280)	\$168,470	\$259,926	\$182,632	\$159,462
Less: Non-capital Gifts and Grants, net	(238,649)	(250,442)	(280,785)	(287,712)	(247,994)	(241,242)	(216,026)	(136,306)	(136,212)	(136,237)
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(\$44,579)	(\$76,237)	(\$261,424)	(\$41,804)	(\$166,808)	(\$603,522)	(\$47,556)	\$123,620	\$46,420	\$23,225
Total Operating Revenues	\$1,956,132	\$1,838,694	\$1,736,529	\$1,704,936	\$1,542,275	\$1,429,487	\$1,404,252	\$1,304,444	\$1,241,511	\$1,157,001
State Appropriations and State Aid	482,728	515,121	486,492	534,678	541,753	538,327	543,292	492,471	440,070	406,673
Investment Income (Loss), net	258,372	191,969	33,134	208,184	103,605	(296,904)	146,650	317,767	207,423	154,900
Adjusted Net Operating Revenues less Gifts	\$2,697,232	\$2,545,784	\$2,256,155	\$2,447,798	\$2,187,633	\$1,670,910	\$2,094,194	\$2,114,682	\$1,889,004	\$1,718,574
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(\$44,579)	(\$76,237)	(\$261,424)	(\$41,804)	(\$166,808)	(\$603,522)	(\$47,556)	\$124,719	\$46,420	\$23,225
Adjusted Net Operating Revenues less Gifts	\$2,697,232	\$2,545,784	\$2,256,155	\$2,447,798	\$2,187,633	\$1,670,910	\$2,094,194	\$2,114,682	\$1,889,004	\$1,718,574
Ratio	(1.7%)	(3.0%)	(11.6%)	(1.7%)	(7.6%)	(36.1%)	(2.3%)	5.8%	2.5%	1.4%

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.

SUMMARY OF RATIOS (CONTINUED)

Last ten fiscal years

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
<i>Expendable Resources To Debt</i>										
Unrestricted Net Position	\$920,833	\$972,888	\$896,092	\$851,254	\$778,439	\$700,280	\$671,970	\$617,573	\$525,513	\$475,631
Unrestricted Net Assets - Component Units *	46,701	40,075	35,651	37,848	26,543	23,334	28,897	28,627	23,709	20,653
Expendable Restricted Net Position	1,464,478	1,193,821	990,908	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133	736,632
Temporarily Restricted Net Assets - Component Units *	362,695	307,147	269,856	278,740	245,187	237,867	363,803	361,559	284,351	238,745
Expendable Net Position and Net Assets	\$2,794,707	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706	\$1,471,661
Total Notes, Bonds, Capital Leases and Commercial Paper	\$1,454,198	\$1,479,636	\$1,376,733	\$1,344,233	\$1,362,783	\$1,201,112	\$1,175,887	\$981,487	\$942,693	\$631,723
Long-Term Debt - Component Units *	-	420	625	850	850	1,400	1,500	2,100	3,000	263
Less: U.S. EPA Project Bonds **	(3,979)	(7,614)	(10,935)	(13,974)	(21,060)	(19,286)	(21,478)	(23,495)	(25,349)	(27,317)
Total Adjusted University Debt	\$1,450,219	\$1,472,442	\$1,366,423	\$1,331,109	\$1,342,573	\$1,183,226	\$1,155,909	\$960,092	\$920,344	\$604,669
Expendable Net Position and Net Assets	\$2,794,707	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706	\$1,471,661
Total Adjusted University Debt	\$1,450,219	\$1,472,442	\$1,366,423	\$1,331,109	\$1,342,573	\$1,183,226	\$1,155,909	\$960,092	\$920,344	\$604,669
Ratio	1.9 x	1.7 x	1.6 x	1.6 x	1.4 x	1.5 x	2.0 x	2.2 x	1.8 x	2.4 x

A broader measure of the ability of the institution to cover its debt as of the statement of net position date.

* 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.

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
<i>Total Financial Resources To Direct Debt</i>										
Unrestricted Net Position	\$920,833	\$972,888	\$896,092	\$851,254	\$778,439	\$700,280	\$671,970	\$617,573	\$525,513	\$475,631
Non-expendable Restricted Net Position	724,605	702,225	700,687	656,723	621,873	586,175	548,151	493,305	430,316	378,234
Expendable Restricted Net Position	1,464,478	1,193,821	990,908	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133	736,632
Total Financial Resources	\$3,109,916	\$2,868,934	\$2,587,687	\$2,515,513	\$2,291,494	\$2,123,609	\$2,419,401	\$2,197,231	\$1,808,962	\$1,590,497
Total Financial Resources	\$3,109,916	\$2,868,934	\$2,587,687	\$2,515,513	\$2,291,494	\$2,123,609	\$2,419,401	\$2,197,231	\$1,808,962	\$1,590,497
Total Notes, Bonds, Capital Leases and Commercial Paper	\$1,454,198	\$1,479,636	\$1,376,733	\$1,344,233	\$1,362,783	\$1,201,112	\$1,175,887	\$981,487	\$942,693	\$631,723
Ratio	2.1 x	1.9 x	1.9 x	1.9 x	1.7 x	1.8 x	2.1 x	2.2 x	1.9 x	2.5 x

A broader measure of the ability of the institution to cover its debt as of the statement of net position date.

SUMMARY OF RATIOS (CONTINUED)

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
<i>Direct Debt To Adjusted Cash Flow</i>										
Net Cash Used by Operating Activities	(\$654,291)	(\$658,048)	(\$608,177)	(\$598,111)	(\$626,420)	(\$679,012)	(\$641,134)	(\$570,342)	(\$492,016)	(\$460,046)
State Appropriations and State Aid	482,728	515,121	486,492	534,678	541,753	538,327	543,292	492,471	440,070	406,673
Grants for Other than Capital Purposes	141,233	182,801	181,339	194,546	172,113	154,016	102,932	62,669	67,388	62,544
Non-capital Gifts	97,416	67,641	99,446	93,166	75,881	87,226	113,094	73,637	68,824	73,693
Adjusted Cash Flow from Operations	\$67,086	\$107,515	\$159,100	\$224,279	\$163,327	\$100,557	\$118,184	\$58,435	\$84,266	\$82,864
Total Notes, Bonds, Capital Leases and Commercial Paper	\$1,454,198	\$1,479,636	\$1,376,733	\$1,344,233	\$1,362,783	\$1,201,112	\$1,175,887	\$981,487	\$942,693	\$631,723
Adjusted Cash Flow from Operations	\$67,086	\$107,515	\$159,100	\$224,279	\$163,327	\$100,557	\$118,184	\$58,435	\$84,266	\$82,864
Ratio	21.7 x	13.8 x	8.7 x	6.0 x	8.3 x	11.9 x	9.9 x	16.8 x	11.2 x	7.6 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.

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
<i>Debt Burden Ratio</i>										
Interest and Fees Paid on Debt and Leases	\$72,031	\$67,685	\$58,903	\$55,699	\$53,180	\$53,010	\$52,779	\$43,676	\$40,390	\$22,644
Principal Paid on Debt and Leases	35,618	273,155	66,730	47,647	148,637	46,462	238,672	43,344	228,037	39,608
Less: Principal Paid from Gifts and Excess Funds	(5,133)	(684)	(221)	(16,484)	(17,639)	(20,866)	(15,732)	0	0	0
Less: Principal Paid from Refinancing Activities	0	(241,645)	(36,500)	0	(104,858)	0	(198,244)	(19,719)	(206,539)	(19,910)
Debt Service	\$102,516	\$98,511	\$88,912	\$86,862	\$79,320	\$78,606	\$77,475	\$67,301	\$61,888	\$42,342
Operating Expenses	\$2,671,541	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432	\$1,681,901
Interest and Fees on Debt	66,218	70,119	64,321	56,765	64,261	52,465	53,311	42,926	39,921	21,823
Fixed Asset Writedowns (if not included in Operating Expenses)	0	0	0	0	0	0	0	0	0	2,635
Less: Depreciation and Amortization Expense	(130,439)	(117,968)	(113,530)	(102,724)	(90,861)	(70,747)	(66,413)	(80,827)	(64,475)	(60,102)
Plus: Principal Paid on Debt and Leases	35,618	273,155	66,730	47,647	148,637	46,462	238,672	43,344	228,037	39,608
Less: Principal Paid from Gifts and Excess Funds	(5,133)	(684)	(221)	(16,484)	(17,639)	(20,866)	(15,732)	0	0	0
Less: Principal Paid from Refinancing Activities	0	(241,645)	(36,500)	0	(104,858)	0	(198,244)	(19,719)	(206,539)	(19,910)
Total Expenditures	\$2,637,805	\$2,535,453	\$2,430,279	\$2,417,644	\$2,276,631	\$2,231,640	\$2,100,884	\$1,934,006	\$1,799,376	\$1,665,955
Debt Service	\$102,516	\$98,511	\$88,912	\$86,862	\$79,320	\$78,606	\$77,475	\$67,301	\$61,888	\$42,342
Total Expenditures	\$2,637,805	\$2,535,453	\$2,430,279	\$2,417,644	\$2,276,631	\$2,231,640	\$2,100,884	\$1,934,006	\$1,799,376	\$1,665,955
Ratio	3.9%	3.9%	3.7%	3.6%	3.5%	3.5%	3.7%	3.5%	3.4%	2.5%

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

SUMMARY OF RATIOS (CONTINUED)

Last ten fiscal years

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
<i>Debt Service To Operations</i>										
Interest and Fees Paid on Debt and Leases	\$72,031	\$67,685	\$58,903	\$55,699	\$53,180	\$53,010	\$52,779	\$43,676	\$40,390	\$22,644
Less: Interest and Fees Paid - U.S. EPA Project Bonds *	(5)	(5)	(5)	(5)	(6)	(360)	(683)	(977)	(1,264)	(1,534)
Principal Paid on Debt and Leases	35,618	273,155	66,730	47,647	148,637	46,462	238,672	43,344	228,037	39,608
Less: Non-contractual Principal Paid from Gifts and Excess Funds	(5,133)	(684)	(221)	(16,484)	(17,639)	(20,866)	(15,732)	0	0	0
Less: Principal Paid from Refinancing Activities	0	(241,645)	(36,500)	0	(104,858)	0	(198,244)	(19,719)	(206,539)	(19,910)
Less: Principal Paid - U.S. EPA Project Bonds *	(4,210)	(4,210)	(4,215)	(4,215)	(4,215)	(3,860)	(3,540)	(3,245)	(3,240)	(3,065)
Debt Service	\$98,301	\$94,296	\$84,692	\$82,642	\$75,099	\$74,386	\$73,252	\$63,079	\$57,384	\$37,743
Operating Expenses	\$2,671,541	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432	\$1,681,901
Debt Service	\$98,301	\$94,296	\$84,692	\$82,642	\$75,099	\$74,386	\$73,252	\$63,079	\$57,384	\$37,743
Operating Expenses	\$2,671,541	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432	\$1,681,901
Ratio	3.7%	3.7%	3.5%	3.4%	3.3%	3.3%	3.5%	3.2%	3.2%	2.2%

Measures the financial strength of the institution.

*U.S. E.P.A. 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.

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
<i>Research Expenses To Total Operating Expenses</i>										
Operating Expenses	\$2,671,541	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432	\$1,681,901
Interest and Fees on Debt	66,218	70,119	64,321	56,765	64,261	52,465	53,311	42,926	39,921	21,823
Fixed Asset Writedowns (if not included in Operating Expenses)	0	0	0	0	0	0	0	0	0	2,635
Total Adjusted Operating Expenses	\$2,737,759	\$2,622,595	\$2,513,800	\$2,489,205	\$2,341,352	\$2,276,791	\$2,142,601	\$1,991,208	\$1,842,353	\$1,706,359
Research Expenses	\$546,752	\$529,102	\$472,102	\$468,685	\$431,317	\$398,753	\$358,199	\$312,160	\$285,646	\$271,208
Total Adjusted Operating Expenses	\$2,737,759	\$2,622,595	\$2,513,800	\$2,489,205	\$2,341,352	\$2,276,791	\$2,142,601	\$1,991,208	\$1,842,353	\$1,706,359
Ratio	20.0%	20.2%	18.8%	18.8%	18.4%	17.5%	16.7%	15.7%	15.5%	15.9%

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

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
<i>Net Tuition Per Student</i>										
Student Tuition and Fees, net	\$361,771	\$348,049	\$320,535	\$289,897	\$249,083	\$236,960	\$218,763	\$210,651	\$195,882	\$164,457
Less: Scholarships and Fellowships	(112,449)	(104,556)	(96,871)	(91,140)	(69,083)	(58,557)	(58,059)	(56,662)	(54,105)	(51,170)
Net Tuition and Fees	\$249,322	\$243,493	\$223,664	\$198,757	\$180,000	\$178,403	\$160,703	\$153,989	\$141,777	\$113,287
Net Tuition and Fees	\$249,322	\$243,493	\$223,664	\$198,757	\$180,000	\$178,403	\$160,703	\$153,989	\$141,777	\$113,287
Undergraduate, Graduate and Professional FTE	26,989	27,069	26,837	27,021	26,707	26,356	25,895	25,482	25,043	24,733
Net Tuition per Student (whole dollars)	\$9,238	\$8,995	\$8,334	\$7,356	\$6,740	\$6,769	\$6,206	\$6,043	\$5,661	\$4,580

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

SUMMARY OF RATIOS (CONTINUED)

Last ten fiscal years

In thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	<i>(as restated)</i>									
<i>State Appropriations And State Aid Per Student</i>										
State Appropriations and State Aid	\$482,728	\$515,121	\$486,492	\$534,678	\$541,753	\$538,327	\$543,292	\$492,471	\$440,070	\$406,673
Undergraduate, Graduate and Professional FTE	26,989	27,069	26,837	27,021	26,707	26,356	25,895	25,482	25,043	24,733
State Appropriation per Student (whole dollars)	\$17,886	\$19,030	\$18,128	\$19,787	\$20,285	\$20,425	\$20,981	\$19,326	\$17,573	\$16,443

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 Position 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

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
<i>Specific Revenue Bond Coverage</i>					
Gross Operating Revenues	\$134,421	\$131,607	\$186,052	\$213,554	\$204,725
Direct Operating Expenses	90,534	91,321	121,734	132,525	129,049
Net Revenue Available for Debt Service	\$43,887	\$40,286	\$64,318	\$81,029	\$75,676
<i>Available Funds General Revenue Bonds</i>					
Principal	\$12,625	\$12,625	\$5,090	\$5,450	\$5,890
Interest	0	0	22	84	168
Specific Revenue Debt Service Requirements	\$12,625	\$12,625	\$5,112	\$5,534	\$6,058
Coverage	3.48	3.19	12.58	14.64	12.49
<i>Available Funds General Revenue Bonds</i>					
Total Unrestricted Revenue	\$1,830,170	\$1,796,035	\$1,708,396	\$1,670,027	\$1,572,416
Less:					
State Appropriations and State Aid	(\$482,728)	(\$515,121)	(\$486,492)	(534,678)	(541,753)
Tuition and Fees	(\$361,771)	(\$348,049)	(\$320,535)	(289,897)	(249,083)
Specific Revenue Debt Service Requirements	(\$12,625)	(\$12,625)	(\$5,112)	(5,534)	(6,058)
Plus:					
Adjusted Beginning Unrestricted Net Position	972,888	896,092	851,254	778,439	699,458
Total Available Funds	\$1,945,934	\$1,816,332	\$1,747,511	\$1,618,357	\$1,474,980
Annual Increase	\$129,602	\$68,821	\$129,154	\$143,377	\$100,793
% Increase	7.1%	3.9%	8.0%	9.7%	7.3%
<i>General Revenue Bond Coverage</i>					
Total Available Funds	\$1,945,934	\$1,816,332	\$1,747,511	\$1,618,357	\$1,474,980
Principal	\$17,580	\$49,265	\$24,160	\$23,065	\$18,580
Interest	48,764	49,204	52,385	53,310	48,596
General Revenue Debt Service Requirements	\$66,344	\$98,469	\$76,545	\$76,375	\$67,176
Coverage	29.33	18.45	22.83	21.19	21.96

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,	2009	2008	2007	2006	2005
------------------------------------	------	------	------	------	------

Specific Revenue Bond Coverage

Gross Operating Revenues	\$195,265	\$177,705	\$160,112	\$143,900	\$125,968
Direct Operating Expenses	144,364	114,352	115,450	105,885	90,218
Net Revenue Available for Debt Service	\$50,901	\$63,353	\$44,662	\$38,015	\$35,750
Principal	\$5,515	\$6,340	\$6,180	\$5,635	\$5,700
Interest	588	1,090	1,527	2,325	3,669
Specific Revenue Debt Service Requirements	\$6,103	\$7,430	\$7,707	\$7,960	\$9,369
Coverage	8.34	8.53	5.79	4.78	3.82

Available Funds General Revenue Bonds

Total Unrestricted Revenue	\$1,483,607	\$1,539,517	\$1,447,939	\$1,316,160	\$1,191,976
Less:					
State Appropriations and State Aid	(538,327)	(543,292)	(492,471)	(440,070)	(406,673)
Tuition and Fees	(236,960)	(218,763)	(210,652)	(195,882)	(164,457)
Specific Revenue Debt Service Requirements	(6,103)	(7,430)	(7,707)	(7,960)	(9,369)
Plus:					
Adjusted Beginning Unrestricted Net Position	671,970	617,573	525,513	475,631	410,110
Total Available Funds	\$1,374,187	\$1,387,605	\$1,262,622	\$1,147,879	\$1,021,587
Annual Increase	(\$13,418)	\$124,983	\$114,743	\$126,292	\$46,232
% Increase	(1.0%)	9.9%	10.0%	12.4%	4.7%

General Revenue Bond Coverage

Total Available Funds	\$1,374,187	\$1,387,605	\$1,262,622	\$1,147,879	\$1,021,587
Principal	\$17,695	\$16,175	\$15,595	\$15,285	\$13,220
Interest	44,876	38,970	32,814	28,373	14,459
General Revenue Debt Service Requirements	\$62,571	\$55,145	\$48,409	\$43,658	\$27,679
Coverage	21.96	25.16	26.08	26.29	36.91

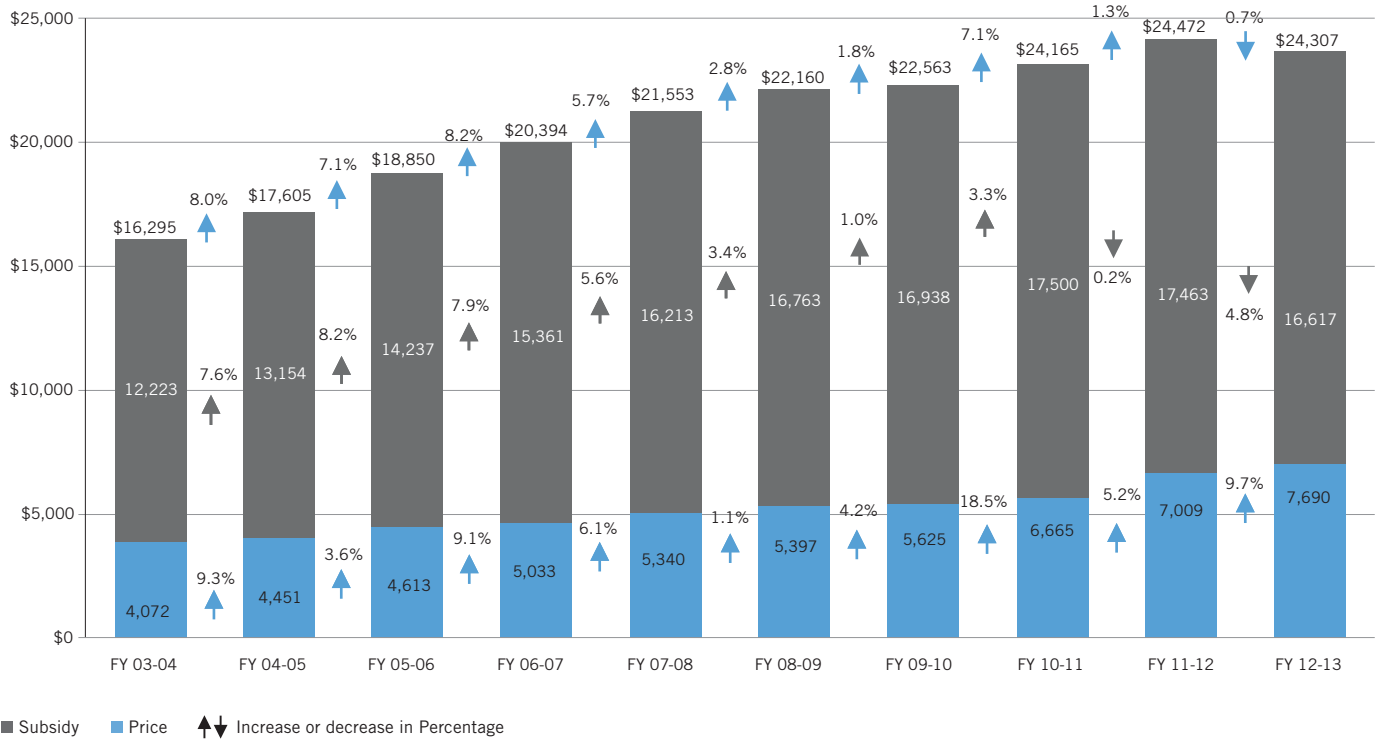
General Revenue Bond Debt Service includes debt service for specific revenue bonds refunded or defeased by issuance of general revenue debt during the year of refunding.

Annual Undergraduate Educational Costs Per Student

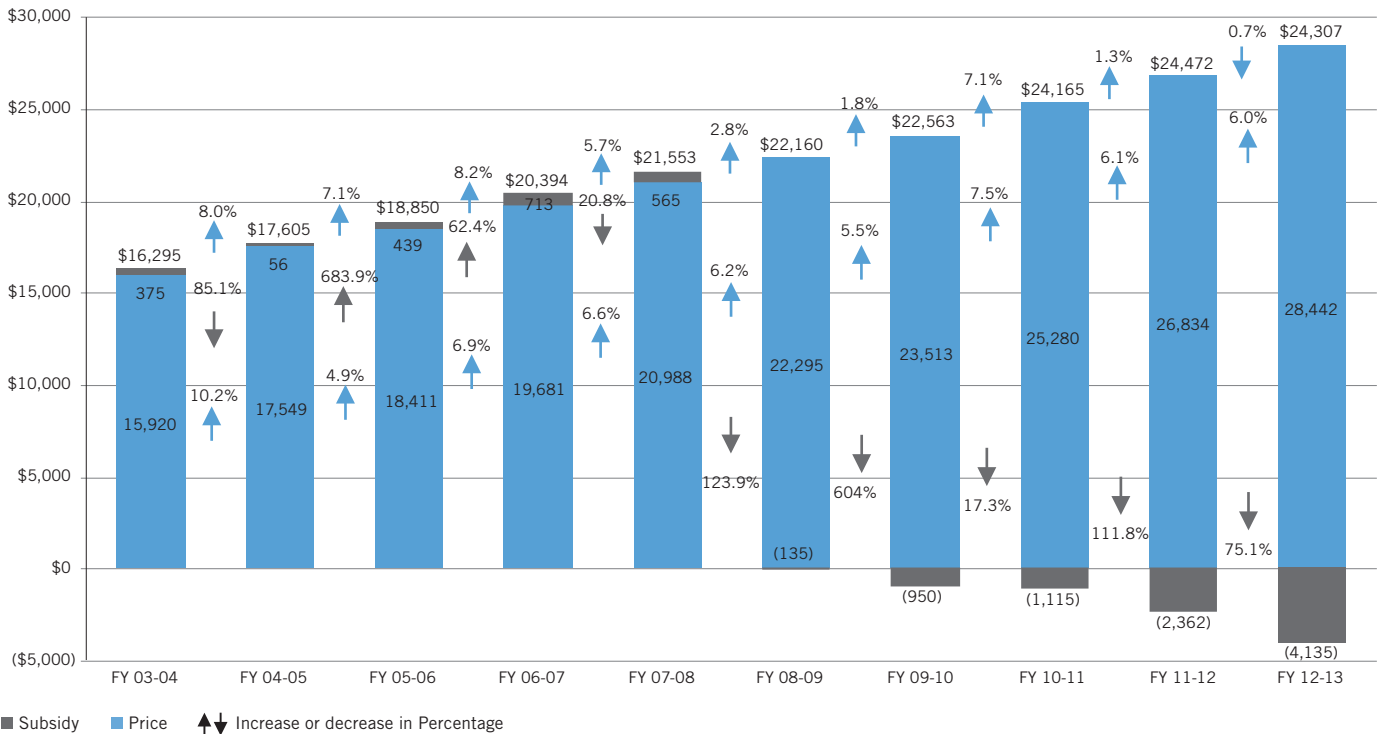
Public concern over tuition prices at colleges and universities led in 1997 to the establishment by Congress of the National Commission on the Cost of Higher Education. The task of the commission was to investigate the college cost-price conundrum and recommend ways to address it. In response, the National 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/university 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

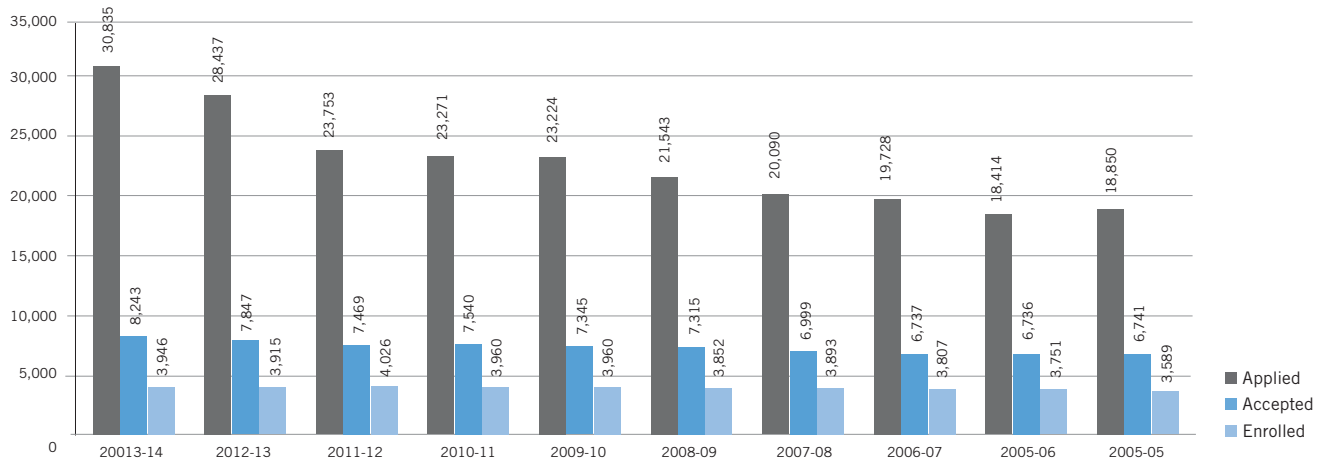


ADMISSIONS, ENROLLMENT, AND DEGREES EARNED

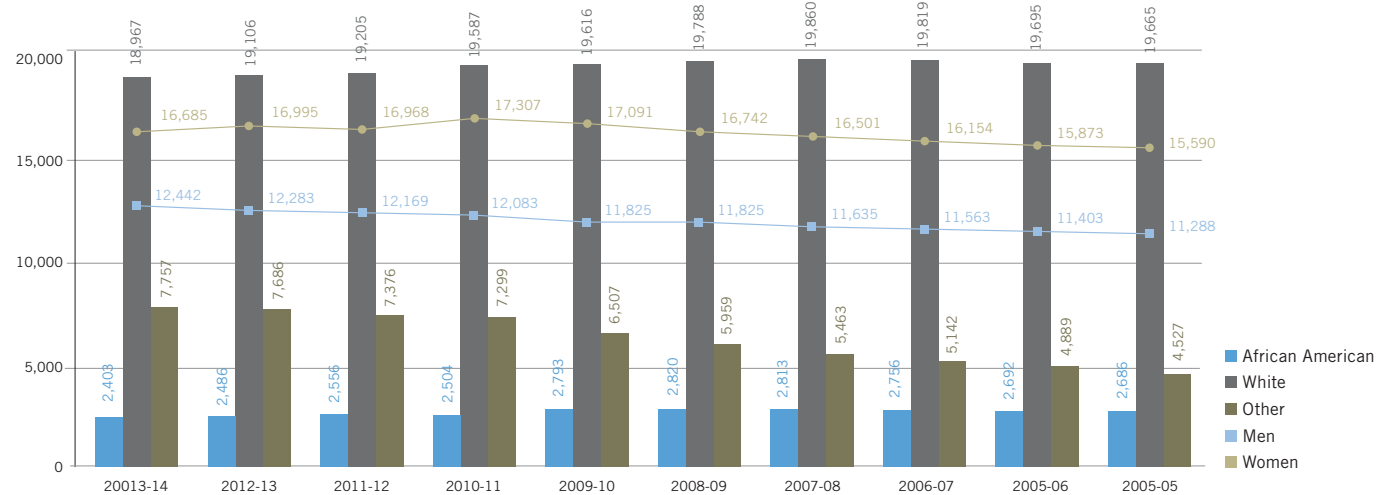
	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
<i>Admissions - Freshmen</i>										
Applications	30,835	28,437	23,753	23,271	23,224	21,543	20,090	19,728	18,414	18,850
Accepted	8,243	7,847	7,469	7,540	7,345	7,315	6,999	6,737	6,736	6,741
Enrolled	3,946	3,915	4,026	3,960	3,960	3,852	3,893	3,807	3,751	3,589
Accepted as a Percentage of Applications	26.7%	27.6%	31.4%	32.4%	31.6%	34.0%	34.8%	34.1%	36.6%	35.8%
Enrolled as a Percentage of Accepted	47.9%	49.9%	53.9%	52.5%	53.9%	52.7%	55.6%	56.5%	55.7%	53.2%
Average SAT Scores - Total	1,301	1,300	1,300	1,304	1,302	1,301	1,302	1,292	1,299	1,287
Critical Reading	644	642	642	644	642	643	646	638	643	638
Math	657	658	658	660	660	658	656	654	656	649
<i>Enrollment</i>										
Undergraduate, Graduate and Professional FTE	26,989	27,069	26,837	27,021	26,707	26,356	25,895	25,482	25,043	24,733
Undergraduate, Graduate and Professional Headcount	29,127	29,278	29,137	29,390	28,916	28,567	28,136	27,717	27,276	26,878
Men (Headcount)	12,442	12,283	12,169	12,083	11,825	11,825	11,635	11,563	11,403	11,288
Percentage of Total	42.7%	42.0%	41.8%	41.1%	40.9%	41.4%	41.4%	41.7%	41.8%	42.0%
Women (Headcount)	16,685	16,995	16,968	17,307	17,091	16,742	16,501	16,154	15,873	15,590
Percentage of Total	57.3%	58.0%	58.2%	58.9%	59.1%	58.6%	58.6%	58.3%	58.2%	58.0%
African American (Headcount)	2,403	2,486	2,556	2,504	2,793	2,820	2,813	2,756	2,692	2,686
Percentage of Total	8.3%	8.5%	8.8%	8.6%	9.8%	9.9%	10.0%	9.9%	9.9%	10.0%
White (Headcount)	18,967	19,106	19,205	19,587	19,616	19,788	19,860	19,819	19,695	19,665
Percentage of Total	65.1%	65.3%	65.9%	66.6%	67.8%	69.3%	70.6%	71.5%	72.2%	73.2%
Other (Headcount)	7,757	7,686	7,376	7,299	6,507	5,959	5,463	5,142	4,889	4,527
Percentage of Total	26.6%	26.2%	25.3%	24.8%	22.4%	20.8%	19.4%	18.6%	17.9%	16.8%
<i>Degrees Earned</i>										
Bachelor's	4,625	4,426	4,622	4,595	4,444	4,302	4,131	3,787	3,773	3,888
Master's	1,961	1,930	1,981	1,918	1,840	1,832	1,836	1,871	1,914	1,847
Doctoral	563	499	479	495	513	485	600	512	490	459
Professional	671	686	668	668	643	618	604	601	608	610

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

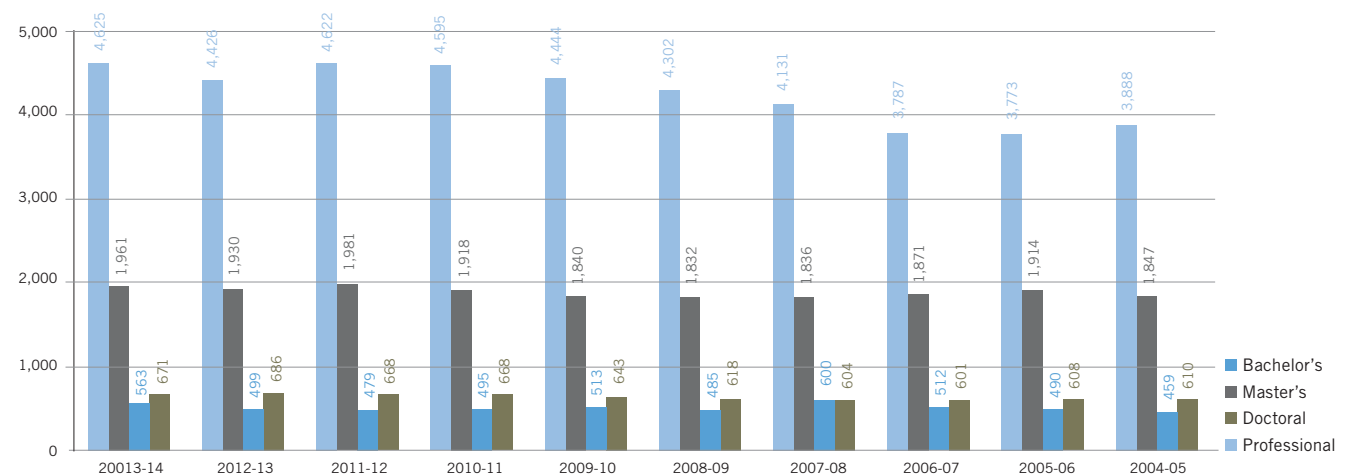
FRESHMAN APPLIED, ACCEPTED, AND ENROLLED



HEADCOUNT TOTAL



DEGREES EARNED



DEMOGRAPHIC DATA

Last ten fiscal years

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
North Carolina Population	9,944,571	9,854,470	9,779,037	9,692,818	9,535,483	9,380,884	9,222,414	9,061,032	8,856,505	8,683,242
North Carolina Population - 18 year olds	137,652	138,538	139,387	136,156	134,940	142,644	131,240	126,722	122,281	120,352
North Carolina Personal Income (in millions)	\$389,509	\$375,051	\$368,934	\$348,602	\$333,523	\$319,963	\$317,611	\$305,022	\$286,402	\$265,299
North Carolina Per Capita Income	\$39,168	\$38,059	\$37,727	\$35,965	\$34,977	\$34,108	\$34,439	\$33,663	\$32,338	\$30,553
North Carolina Unemployment Rate	6.40%	8.80%	9.40%	10.50%	10.00%	11.02%	5.95%	4.94%	4.56%	5.33%

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

PRINCIPAL EMPLOYERS

Employer	2014			2005		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of North Carolina	180,000-184,999	1	4.16%	165,000-170,000	1	4.11%
Federal Government	65,000-69,999	2	1.54%	60,000-64,999	2	1.53%
Wal-Mart Associates, Inc.	45,000-59,999	3	1.20%	45,000-49,999	3	1.16%
Charlotte Mecklenburg Hospital	30,000-34,999	4	0.74%	15,000-19,999	9	0.43%
Duke University	30,000-34,999	5	0.74%	25,000-29,999	4	0.67%
Food Lion, LLC	25,000-29,999	6	0.63%	20,000-24,999	5	0.55%
Wells Fargo Bank NA	25,000-29,999	7	0.63%	20,000-24,999	6	0.55%
Charlotte-Mecklenburg Board of Education	20,000-24,999	8	0.51%	15,000-19,999	7	0.43%
Bank of America NA	20,000-24,999	9	0.51%	—	—	—
Wake County Public schools	20,000-24,999	10	0.51%	15,000-19,999	8	0.43%
IBM Corporation	—	—	—	15,000-19,999	10	0.43%
Total	460,000-519,990		11.17%	395,000-444,991		10.29%

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	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
<i>Faculty</i>										
Full-time	3,406	3,318	3,291	3,234	3,221	3,147	3,000	2,919	2,885	2,844
Part-time	290	290	293	284	285	303	295	303	323	330
Total Faculty	3,696	3,608	3,584	3,518	3,506	3,450	3,295	3,222	3,208	3,174
Percentage Tenured	38.3%	39.8%	40.2%	41.4%	41.2%	41.1%	42.0%	42.5%	43.2%	43.7%
<i>Staff and EPA Non-Faculty</i>										
Full-time	1,815	1,780	1,725	1,738	1,771	1,710	1,610	1,501	1,374	1,307
Part-time	126	131	132	138	139	146	146	155	131	132
EPA Non-Faculty	1,941	1,911	1,857	1,876	1,910	1,856	1,756	1,656	1,505	1,439
Full-time	6,099	6,133	6,197	6,385	6,484	6,453	6,174	6,104	6,005	6,004
Part-time	247	248	271	273	303	323	308	317	318	321
SPA	6,346	6,381	6,468	6,658	6,787	6,776	6,482	6,421	6,323	6,325
Total Full-time	7,914	7,913	7,922	8,123	8,255	8,163	7,784	7,605	7,379	7,311
Total Part-time	373	379	403	411	442	469	454	472	449	453
Total Staff and EPA Non-Faculty	8,287	8,292	8,325	8,534	8,697	8,632	8,238	8,077	7,828	7,764
Total Faculty, Staff, and EPA Non-Faculty	11,983	11,900	11,909	12,052	12,203	12,082	11,533	11,299	11,036	10,938

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 (NUMBER OF FACILITIES)

Last ten fiscal years

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Academic/Administrative buildings	135	134	135	133	131	129	127	125	122	122
Dormitories/Auxiliary buildings	91	91	91	90	90	90	90	90	88	83
Art/Library collections	6	6	6	6	6	6	6	6	6	6



SOUTH BUILDING





THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

2014 Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2014 • CHAPEL HILL, NORTH CAROLINA