

THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

CHAPEL HILL,
NORTH CAROLINA

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



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UNIVERSITY OF N.C. AT CHAPEL HILL

First state university
to open its doors, 1795.
Chartered in 1789 under
the Constitution of 1776.

DIVISION OF ARCHIVES AND HISTORY 1873



2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2015

CHAPEL HILL,
NORTH CAROLINA

PREPARED BY THE
CONTROLLER'S OFFICE



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

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UNC







A MESSAGE FROM THE CHANCELLOR

JANUARY 13, 2016

When I became Chancellor two years ago, I felt a sense of optimism and purpose for the future we would build. Today, I am even more certain that Carolina can be the leader in shaping the model for the 21st century's great, global public research university. We continue to build on our excellence and innovation, while increasing Carolina's accessibility and affordability and deepening our commitment to North Carolina and its people.

I have experienced first-hand how our diverse, passionate, forward- and globally-minded community is already changing the world through outreach and research. Most recently, Aziz Sancar, a biochemist who has exquisitely mapped part of the DNA repair system in cancer cells, has been honored with the Nobel Prize in Chemistry. Dr. Sancar is part of a Carolina community of researchers and entrepreneurs that generates an estimated \$7 billion to our state's economy annually.

This fall we welcomed 4,081 first-year students from a record pool of 31,955 applicants. More than 80 percent of the Class of 2019 comes from North Carolina, taking advantage of the opportunity for an outstanding liberal arts education close to home that focuses on hands-on learning, discovery and a global education. We currently have the highest number of active and retired military students on campus since post-World War II and are working to evolve and improve our support for this population. For example, we recently launched UNC Core, an initiative that enables active-duty military in North Carolina to take core college courses online to fulfill their general college requirements.

Through the groundbreaking Carolina Covenant initiative, we are providing a debt-free education to 14 percent of our student body and recently welcomed the largest class of scholars yet. Approximately 45 percent of our students receive need-based aid, and about 20 percent of our total student body is first-generation college students. Our graduates are employed at levels rivaling the country's most

elite private universities – but at a fraction of the cost. We are the least expensive of 14 peer public universities, and debt per student is just over half of the U.S. average.

I met with legislative leaders throughout the 2015 session to listen to their thoughts and ideas of how Carolina could be of service to them – and to share with them many of the great things we are already doing. I am thankful for their continued support, which includes \$1 million for UNC Core and \$8 million in recurring funds to the Mountain Area Health Education Center for surgery and family medicine residencies. Legislators also provided \$1 million in recurring funds to the School of Medicine's Kenan Scholars Program, which supports students who are interested in practicing medicine in rural North Carolina. A priority for 2016 will be the passage of the statewide capital bond referendum, which includes funding for construction of a new medical education building to meet enrollment growth at Carolina. These commitments will have a direct impact on the state by providing more physicians, especially in rural and hard-to-serve areas where residents might otherwise drive lengthy distances to receive medical care.

Today we are creating a Carolina with impact extending to the edges of the world. If we are to continue creating transformational change in North Carolina, we must think globally in everything we do, viewing the entire world as an extension of our state. We must have courage to redefine our role in a rapidly changing world, to be bold and rise above expectations. While we have work ahead, I continue to believe the best is yet to come. Over the coming year, we will undertake work to continue defining our future and make the next big leap. 2015-16 is Carolina's year of looking forward.

Carol L. Folt

LETTER OF TRANSMITTAL

JANUARY 13, 2016



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, 2015, 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, 2015.

PROFILE OF THE UNIVERSITY

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

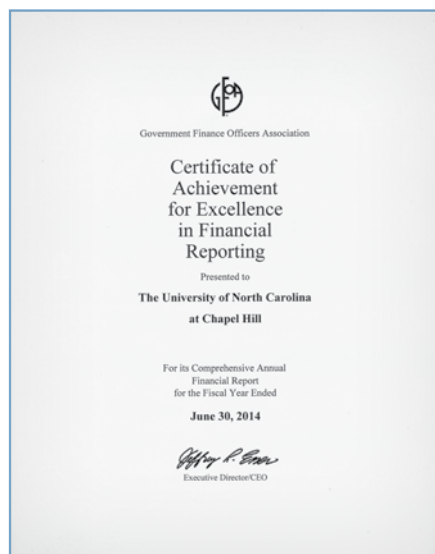
Now in its third century, UNC belongs to the select group of American and Canadian campuses forming the Association of American Universities. UNC's academic offerings span more than 100 fields, including bachelor's, master's and doctoral degrees as well as professional degrees in dentistry, medicine,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

The accompanying financial statements present all funds belonging to the University and its component units. While the multi-campus University of North Carolina System's Board of Governors has ultimate responsibility, the chancellor, the University's Board of Trustees, and the Board

of Trustees of the Endowment Fund have both delegated and statutory responsibilities for financial accountability of the University's funds. For the fiscal year ended June 30, 2015, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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 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



The University of North Carolina at Chapel Hill has received the award for reporting excellence for the past 20 years.

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

North Carolina continued to experience growth in total population, overall economy, and employment during the fiscal year ended June 30, 2015. On December 23, 2014, the Census Bureau released the North Carolina state population estimate of 9,943,964 for July 1, 2014. North Carolina moved up one spot from the tenth-place position it had been in for many years to ninth place, between Georgia and Michigan.

On June 10, 2015, the Bureau of Economic Analysis (BEA) reported the "Advance Estimate" for real gross domestic product (GDP), the total value of all the goods and services produced for final demand within the borders of North Carolina, after adjusting for price changes, was a record \$440.3 billion in 2014. North Carolina placed ninth among the states, below New Jersey (\$504.2 billion) and above Georgia (\$435.5 billion). Real GDP rose by 1.4 percent in 2014 from 2013, well below both the national average of 2.2 percent and the 2.7 percent increase in North Carolina in 2013 from 2012.

On a per capita basis, real GDP in North Carolina was \$44,281 in 2014, 89.5 percent of the US average of \$49,469, ranking 29th among all 50 states, below Kansas and above Indiana.

Nominal GDP in North Carolina was \$483.1 billion in 2014, 2.8 percent of the US total, the same share the state had in real GDP.

In June 2015 total non-farm payroll employment in North Carolina on a seasonally adjusted basis increased 2.4 percent to 4,238,400. The addition of 97,900 such jobs from June 2014 was a record for any June in our history. The total number of people employed, which includes agricultural workers and the self-employed, was 4,493,898 in June 2015, an increase of 151,800 employed people or 3.5 percent from a year earlier.

Total personal income in the state was a record \$398.7 billion for the four quarters ended March 31, 2015. Given record levels of personal incomes, it should be no surprise state revenues hit a record during the fiscal year.

The consensus among the 80 economic forecasters surveyed by Bloomberg between August 7 and August 12, 2015, was for real GDP in the US to grow by 2.8 percent over the four quarters ending June 30, 2016. The Bloomberg forecast is

consistent with the 2.7 percent reported by BEA on August 27, 2015, for real GDP growth during the year ended June 30, 2015.

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, 2014. This was the 20th 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 and Administration*

2015 COMPREHENSIVE
ANNUAL FINANCIAL REPORT

THE UNIVERSITY OF
NORTH CAROLINA AT CHAPEL HILL

PROGRESS AND MAJOR INITIATIVES

FISCAL YEAR 2014-15



RECENT HIGHLIGHTS INCLUDE THE FOLLOWING:

1. Carolina enrolled nearly 4,100 first-year students from 31,955 applicants in Fall Semester 2015. Nearly 20 percent were the first in their families to attend college.
2. For the 14th time in a row, Carolina ranked as the No. 1 value among U.S. public colleges and universities offering students high-quality academics at an affordable price, according to Kiplinger's Personal Finance.
3. Aziz Sancar, the Sarah Graham Kenan Professor of Biochemistry and Biophysics in the UNC School of Medicine, earned the 2015 Nobel Prize in Chemistry for his work on mapping the cellular mechanisms underlying DNA repair, which occurs continually. Sancar's work specifically maps nucleotide excision repair, which is critical to correcting ultraviolet damage to DNA, and is particularly relevant in the world of skin cancer research.
4. UNC-Chapel Hill ranks 5th among national public universities for the 15th consecutive year, as ranked in U.S. News and World Report's 2016 "America's Best Colleges" guidebook.
5. The University received a \$100 million commitment from Fred Eshelman to the Eshelman School of Pharmacy. The gift marks the largest individual commitment in the University's history and will be used to create the Eshelman Institute for Innovation within the Eshelman School of Pharmacy.
6. Continuing the University's commitment to the military, Carolina established UNC Core in May 2015 as a new distance-learning program for service members. A full-time position was developed and committed to helping veterans utilize higher education offerings.
7. Carolina celebrated its largest fundraising year in history, receiving nearly \$447 million in commitments in fiscal year 2015. The total marked a 44 percent increase from last year.
8. Recent studies show that Carolina research and entrepreneurial students and faculty have founded more than 150 businesses in North Carolina providing jobs to nearly 8,000 state residents. These companies employ 38,000 people worldwide and bring more than \$7 billion in revenue back to the state each year.
9. Carolina is meeting the needs of the people in our surrounding community by investing in the Northside Neighborhood Initiative – making a \$3 million, 10-year, no-interest loan to help stabilize the traditionally African-American neighborhood in Chapel Hill.
10. Carolina ranked 39th in the 2015 Academic Ranking of World Universities published by the Center for World-Class Universities and the Institute of Higher Education of Shanghai Jiao Tong University, China. Universities are ranked by several indicators of academic or research performance, including alumni and staff winning Nobel Prizes and Fields Medals, highly cited researchers, papers published in nature and science, papers indexed in major citation indices and the per capita academic performance of an institution. Since 2003, ARWU has been ranking more than 1,200 universities, and publishing the world's top 500 universities online.

ACCESSIBILITY/ AFFORDABILITY

Meet the Class of 2019: From Around the Corner and Around the Globe

The Class of 2019 is comprised of nearly 4,100 first-year students from 31,955 applicants. Almost 20 percent were the first in their families to attend college. Fourteen percent of first-year students graduated as valedictorian or salutatorian of their high schools, and 42 percent graduated in the top 10 students of their class. This year's first-year students hail from 97 North Carolina counties, 43 other states and 24 countries. Some traveled thousands of miles to make their Carolina dream a reality, as with 126 international first-year students.

Carolina Covenant: Twelve Years of Carolina's Commitment to Affordability

Carolina Covenant enrolled its 12th class in fall 2015 and now serves one in 10 undergraduate students. The program provides a debt-free education to students who earn admission and who come from families with median family incomes of \$27,000 or less. The program is not only a financial support program of grants and scholarships, but also includes

academic and personal support for Covenant Scholars that incorporates work-study opportunities, mentoring and campus and community engagement. Covenant Scholars are a diverse group of capable students who might not otherwise be able to attend college.



Roy Dawson (left) holds a photograph of himself and his acceptance letter from 2011, in front of the School of Law. Dawson is a real C-STEP success story. He dropped out of high school to work, but finished his diploma at night at Alamance Community College in Burlington. Later, he moved back in with his mom, who was sick, to take care of her and also enrolled in classes at ACC. While there, he was recruited for C-STEP. He graduated at age 30 (the first in his family to graduate) and was accepted to UNC School of Law. He's now getting his law degree.

First-year students (above) are welcomed to campus for Carolina Kickoff, a Campus Y-sponsored event, at the University of North Carolina at Chapel Hill.



Service members attend the announcement of two new Carolina programs that support active duty military personnel and veterans.

The Class of 2019 is comprised of nearly 4,100 first-year students from 31,955 applicants. Almost 20 percent were the first in their families to attend college.

Transfer Program Prepares and Engages Students

Since 2006, the Carolina Student Transfer Excellence Program (C-STEP) has guaranteed admission to qualified low- and moderate-income high school and community college students in North Carolina. Through a partnership with nine community colleges, student participants earn appropriate associate degrees and participate in the C-STEP program, which includes advising and special events. The payoff comes in the form of a smooth transition and support after they enroll at Carolina to earn their bachelor degrees – such engagement is key to student success. Almost 500 students are currently enrolled or have been admitted to the program, and there are plans to expand statewide.

New Program for Military Service Members of the Carolina Community

The North Carolina General Assembly this year added \$1 million in recurring funding to develop courses for UNC Core. This Carolina program was established in May 2015 as a new distance-learning program for military service members. The program promises improved accessibility so those who serve can earn core college credits online from anywhere they are stationed. A full-time position was developed and committed to this program helping veterans utilize higher education offerings.

SERVICE TO THE STATE OF NORTH CAROLINA



Lisa Gregory and Nicholas Graham copy pages from an 1850 hotel registry from Stanley County in the N.C. Digital Heritage Center at Carolina.



Second-year law student Kristi Nickodem, left, confers with cancer patient Chanda Holst at UNC Hospitals' N.C. Cancer Hospital.

Digital Heritage Center Preserves N.C. History

Nearly every day, boxes of items from libraries and museums across North Carolina arrive at the North Carolina Collection, located in the basement of Wilson Library, to be preserved in digital form by the Digital Heritage Center (Digital NC). Digital NC, now in its fifth year, is a program created by the State Library of North Carolina and the University Library to provide free digitization services to the state's cultural heritage centers. In December 2014, it received a \$75,000 grant from the Digital Public Library of America (DPLA) and the John S. and James L. Knight Foundation.

Digital NC scans, posts and shares tens of thousands of objects from 170 North Carolina institutions that otherwise would remain in the state's dispersed collections, since the costs of labor and equipment is prohibitive to small institutions and public libraries. Adding the digitized objects to DPLA and Digital NC allows them to be searched by anyone with Internet access, narrowing the gap of the public's access to special collections that can be used by companies, individuals and researchers.

UNC Cancer Pro Bono Project Brings Legal Help to Clinic

Since 2013, more than 100 School of Law students have worked with cancer patients at UNC's Lineberger Comprehensive Cancer Center to draft advance directives, including powers of attorney and living wills – all for free. The UNC Cancer Pro Bono Project, as it is known, is a win-win for student volunteers, who are supervised by volunteer lawyers, and for the patients who otherwise might not have the time or money to take care of legal matters.

During a typical meeting, the patient provides instructions, the law student drafts the legal documents, and the volunteer lawyer reviews the work before the documents are notarized on-site and sent home with the patients.

For current and former cancer patients and their families, it's one less thing to worry about. With legal issues under control, patients can focus on their health and the future.

The program, which operates with the help of Legal Aid of North Carolina Inc. and about 35 volunteer attorneys, received the 2014 Law Student Group Pro Bono Award from the North Carolina Bar Association.

RESEARCH/ INNOVATION

Carolina faculty brought in \$796.2 million in research contracts and grants in fiscal 2015, up \$3.5 million from a total of \$792.7 million in fiscal 2014.

The largest sources of funding for Carolina's research enterprise in 2015 came from the federal government, business and industry and foundations.

The federal government awarded UNC-Chapel Hill researchers more than \$570 million, or almost 72 percent of the fiscal 2015 total. The National Institutes of Health was the largest of those federal funders, awarding more than \$390 million. The National Science Foundation awarded about \$38.2 million, the Department of Health and Human Services awarded about \$36.2 million and the U.S. Agency for International Development awarded about \$53.1 million. Other federal entities awarded about \$53.8 million. Awards from private industry totaled \$39.8 million.

Multidisciplinary research centers and institutes played a critical role in bringing together scientific teams to win about \$168 million, or 21 percent, of the total \$796.2 million.

EXAMPLES OF MAJOR RESEARCH HIGHLIGHTS FROM FISCAL 2015

A Nobel Win

Aziz Sancar, the Sarah Graham Kenan Professor of Biochemistry and Biophysics in the UNC School of Medicine, earned the Nobel Prize in Chemistry for his work on mapping the cellular mechanisms underlying DNA repair, which occurs every single minute of the day due to environmental factors. In particular, Sancar mapped nucleotide excision repair, which is vital to fixing UV damage to DNA. When this repair system is defective, people exposed to sunlight develop skin cancer.

Sancar also showed other substances can damage the nucleotide excision repair system. His work provides the crucial basic knowledge necessary to develop better treatments protecting against DNA damage, which can result in cancer.

Nobel Laureate Aziz Sancar, Sarah Graham Kenan Professor of Biochemistry and Biophysics at the UNC School of Medicine, speaks with Chancellor Carol L. Folt during a news conference celebrating his being awarded Nobel Prize in Chemistry at the University of North Carolina at Chapel Hill.



Sancar, Carolina's second Nobel laureate, shares the prize with two others: Tomas Lindahl of the Francis Crick Institute and Clare Hall Laboratory in Great Britain, and Paul Modrich of Duke University School of Medicine and the Howard Hughes Medical Institute.

UNC Pharmacy School Launches Eshelman Institute for Innovation

The Eshelman Institute for Innovation, created by a historic \$100 million gift to the UNC Eshelman School of Pharmacy, launched in June.

The Institute provides a mechanism for faculty, staff and students to seek funding for bold ideas and also provides opportunities to educate and train students and postdoctoral fellows. The Institute aims to fund big ideas and innovations that have measurable impact and lead to transformative change in:

- Basic and applied research in the pharmaceutical sciences
- Health-care quality, practice and policy
- Health-sciences education and educational research
- Business processes and practices

Donor Fred Eshelman, the namesake of the Institute and School of Pharmacy, is a 1972 graduate of the school, founder and former CEO of Pharmaceutical Product Development and founding chairman of Furiex Pharmaceuticals. The school was named for Eshelman in 2008.

The Institute provides a mechanism for faculty, staff and students to seek funding for bold ideas and also provides opportunities to educate and train students and postdoctoral fellows.



From left, Dean Robert A. Blouin, Chancellor Carol L. Folt, Dr. Fred Eshelman, UNC President Tom Ross, and NC Governor Pat McCrory celebrate Eshelman's \$100 million commitment to the Eshelman School of Pharmacy at the University of North Carolina at Chapel Hill as they prepare to cut a cake in the image of the Old Well following the formal ceremony.



Governor Pat McCrory makes remarks during the University of North Carolina at Chapel Hill and GlaxoSmithKline announcement of the creation of the dedicated HIV Cure center and the jointly owned Qura Therapeutics.

Carolina Supports Startups, Bringing Revenue to State

In January, Carolina Research Venture Fund was formed to help University startup companies overcome funding gaps, accelerate growth and more quickly bring Carolina's best-in-class research to real-world application. Carolina ranks among the top 10 research universities in the country and has sought ways to transform ideas from its labs into the marketplace to create new companies, products and services, and jobs.

Startups are a booming business at Carolina: more than 150 North Carolina companies have spun out of the University. They generate more than \$7 billion in revenue in the state each year, providing nearly 8,000 jobs to residents and 38,000 jobs worldwide.

The University of North Carolina Board of Trustees approved the Fund's concept in 2013, following an earlier board directive to the University for a plan that would successfully translate its research into the marketplace. A committee of trustees, administrators and faculty has worked to develop a separate organizational structure through which Carolina can help fund promising new technologies.

Carolina, GSK partner to accelerate search for HIV cure

In May 2015, the University announced formation of a jointly-owned company with GlaxoSmithKline (GSK) that will be dedicated to finding a cure for HIV/AIDS. In a first-of-its-kind, public-private partnership, the two organizations will combine resources to launch the HIV Cure center and Qura Therapeutics. GSK, a research-based pharmaceutical and healthcare company, will invest \$4 million into the partnership each year during the five-year research agreement. UNC-Chapel Hill will provide more than 19,000 square feet of laboratory space on its medical campus to house the HIV Cure center and Qura. The University will also fund the customization of the space, including equipment and infrastructure costs.

With UNC-Chapel Hill consistently ranked in the top 10 AIDS specialty programs by U.S. News & World Report, Carolina scientists are already working toward an HIV cure; 12 cure-related clinical studies have been done at Carolina over the last five years. The partnership with GSK will give scientists even greater access to new research and development capabilities to test for a cure.

Sullivan, Tufekci Named Andrew Carnegie Fellows



Two professors at Carolina were honored as inaugural 2015 Andrew Carnegie Fellows by the Carnegie Corporation of New York. Patricia Sullivan, an associate professor in the department of public policy and the curriculum in peace, war and defense in the College of Arts and Sciences, and Zeynep Tufekci, an assistant professor in the School of Information and Library Science and an adjunct professor in the department of sociology in the College of Arts and Sciences, are two of 32 scholars selected for the honor.

Patricia Sullivan, left; Zeynep Tufekci, right.

Carolina Leads Efforts in Clean Tech Job Creation

For two days, the University united a diverse group of 500 academics, professionals and students to discuss issues and ideas surrounding North Carolina's clean technology sector, which ranks fifth in the country in new clean energy job creation. The second annual NC Clean Tech Summit was hosted at the Friday Center on Feb. 19-20, 2015. The summit was hosted by the Institute for the Environment and the Kenan-Flagler Center for Sustainable Enterprise, with support from a variety of campus organizations and clean energy businesses.

University Collaborates with Duke

Carolina and Duke researchers are teaming up in science labs and have their eyes set on making key medical advancements. Eight researchers from the two universities are currently working together on projects through collaborative grants from the North Carolina Translational and Clinical Sciences Institute and the Duke University Translational Medical Institute. The scientists will combine resources and expertise to tackle problems impacting human health. Year-long grants of \$50,000 include work on heart disease, genome editing, the human intestinal lining and premature infants.

Graduate Programs Receive Top Ranks

Published in March 2015, U.S. News and World Report's 2016 edition of "America's Best Graduate Schools" included several University schools:

School of Medicine

OVERALL

- Primary care (2nd)
- Research (22nd)

SPECIALTY AREAS

- Family medicine (2nd)
- Rural medicine (5th)
- AIDS (6th)
- Women's medicine (14th)

HEALTH DISCIPLINES

- Rehabilitation counseling (T-21st)

Gillings School of Global Public Health

- Tied for 2nd (master's and doctorate degree programs)
- Health-care management, tied for 5th (master's degree)

School of Nursing

OVERALL

- Tied for 17th (master's degree)

SPECIALTY AREAS

- Administration (T-5th)
- Nurse Practitioner: Family (13th)

Kenan-Flagler Business School

OVERALL

- 18th (master of business administration degree programs)

SPECIALTY AREAS

- Executive MBA (10th)
- Accounting (T-10th)
- Marketing (13th)
- Management (T-15th)
- Production/Operations (17th)
- Finance (21st)
- Entrepreneurship (T-22nd)

BEST ONLINE PROGRAMS

- Master in business administration degree programs (T-1st)

In January 2015, U.S. News and World Report also ranked UNC's online programs as among the best:

School of Law

OVERALL

- Tied for 34th

SPECIALTY AREAS

- Legal writing, tied for 14th
- Environmental law, tied for 25th
- Clinical training, tied for 35th

School of Education

OVERALL

- Tied for 33rd

SPECIALTY AREAS

- Educational Administration and Supervision, 15th
- Curriculum and Instruction, tied for 16th

“

WHAT IS IT THAT
BINDS US
TO THIS PLACE

...

IT IS AS IT WAS
MEANT TO BE,
THE UNIVERSITY OF
THE PEOPLE.

”

CHARLES KURALT

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JUNE 30, 2015

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AFFAIRS AND DEAN, SCHOOL
OF MEDICINE

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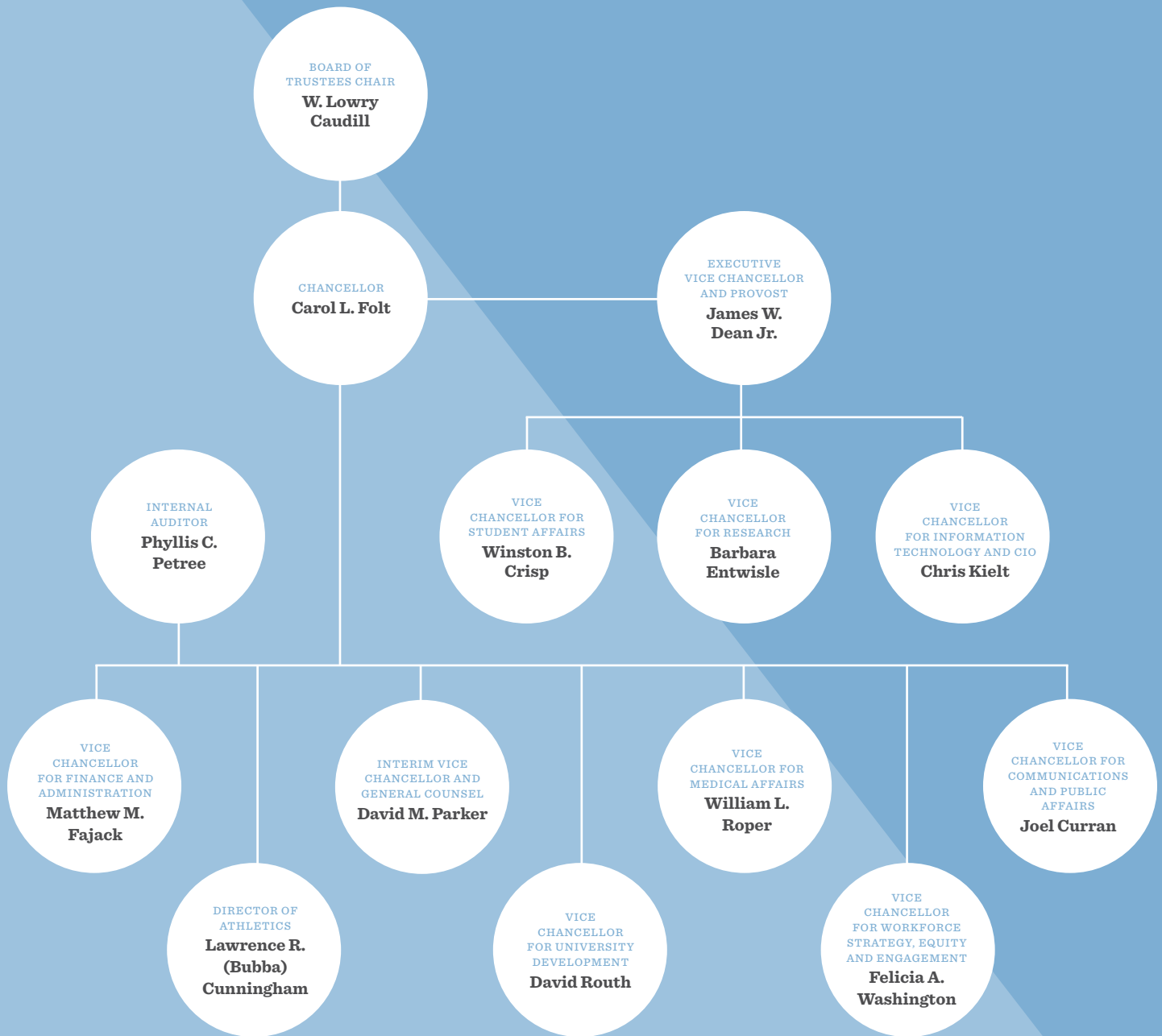
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SPECIAL ASSISTANT TO
THE CHANCELLOR
VENABLE PROFESSOR OF CHEMISTRY

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

Jennifer Willis
DIRECTOR OF PUBLIC AFFAIRS

ORGANIZATION CHART

JUNE 30, 2015







STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20600 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
<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, 2015, 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 46.14 percent, 45.10 percent, and 6.66 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 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 respective financial position of The University of North Carolina at Chapel Hill, and its discretely presented component units, as of June 30, 2015, and the respective 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.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2015, The University of North Carolina at Chapel Hill adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68. – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 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 haven't 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 January 13, 2016 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

January 13, 2016



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 that ended June 30, 2015, with comparative information for the fiscal year ended June 30, 2014. 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.

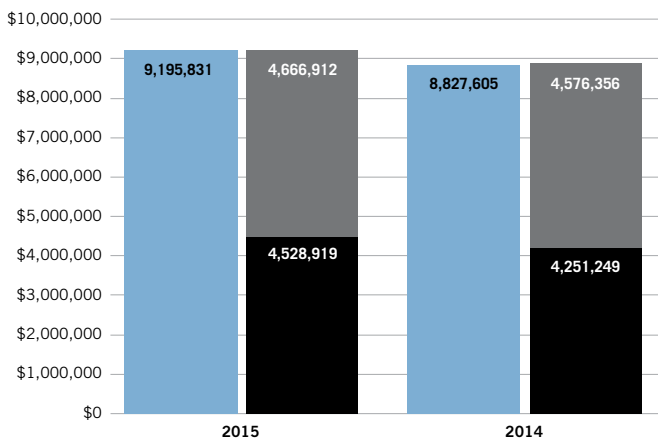
FINANCIAL HIGHLIGHTS

The University maintained its solid financial position at June 30, 2015 with net position increasing \$91 million for the fiscal year as a result of operating, non-operating, and other changes in net position. Net position, which represents the residual interest in the University's assets and deferred outflows after deducting liabilities and deferred inflows, was \$4.7 billion at June 30, 2015. Net position as of June 30, 2014 of \$4.6 billion, as restated in the current year financial statements, declined \$196 million compared to the amount originally reported in the prior year, primarily due to an accounting change related to pension obligations.

The University's total assets and deferred outflows were \$9.2 billion at June 30, 2015. A comparison of the total assets and deferred outflows, liabilities and deferred inflows, and net position at June 30, 2015 and June 30, 2014 (as restated), along with the major components of the changes in net position for the two fiscal years are presented below:

STATEMENT OF NET POSITION

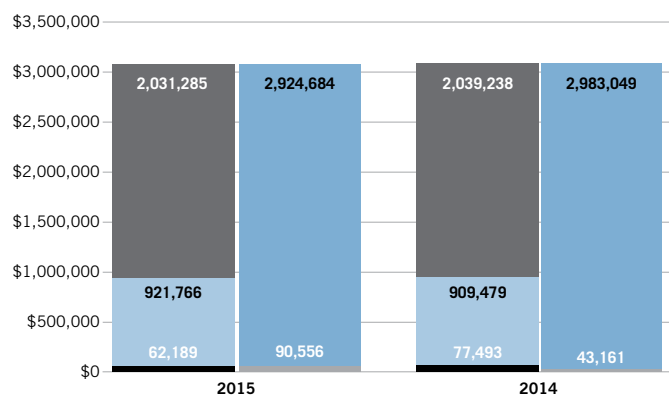
(dollars in thousands)



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

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 2 percent at June 30, 2015 over the prior year balance, as restated. Total assets along with deferred outflows of resources increased 4.2 percent from the prior year and total liabilities along with deferred inflows of resources rose 6.5 percent for the same period. The percentage decrease of total operating revenues for fiscal year 2014-2015 as compared with the prior year was lesser than the corresponding decrease in operating expenses: 0.4 percent and 2.0 percent, respectively. Net non-operating revenues and expenses increased 1.4 percent in fiscal year 2014-2015 over the prior year, reflecting higher non-capital gifts and grants, mitigated by slightly lower state appropriations. 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 following table summarizes the University's assets and deferred outflows, liabilities and deferred inflows, and net position on June 30, 2015 and June 30, 2014.

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, 2015, and at June 30, 2014, as restated.

ASSETS, LIABILITIES, DEFERRED RESOURCES, AND NET POSITION

(dollars in thousands)

	2015	2014 as restated	Percent Change
<i>Assets:</i>			
Current assets	\$1,807,887	\$1,697,314	6.5
<i>Non-current assets:</i>			
Endowment, restricted, and other investments	3,773,408	3,574,709	5.6
Capital assets, net	3,126,511	3,149,040	(0.7)
Other non-current assets	343,666	282,036	21.9
Total Assets	9,051,472	8,703,099	4.0
Deferred Outflows of Resources	144,359	124,506	15.9
<i>Liabilities:</i>			
Current liabilities	587,615	511,623	14.9
<i>Non-current liabilities:</i>			
Funds held in trust for pool participants	2,191,756	1,973,240	11.1
Long-term liabilities	1,484,804	1,652,016	(10.1)
Other non-current liabilities	128,215	114,370	12.1
Total Liabilities	4,392,390	4,251,249	3.3
Deferred Inflows of Resources	136,529	0	
<i>Net Position:</i>			
Invested in capital assets, net of related debt	1,686,949	1,694,842	(0.5)
Restricted	2,226,556	2,115,320	5.3
Unrestricted	753,407	766,194	(1.7)
Total Net Position	\$4,666,912	\$4,576,356	2.0

A factor contributing to a substantial working capital margin is that many operating funds are invested in the State Treasurer's 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 7.6 percent during 2014-2015 and were \$1.8 billion at June 30, 2015 and \$1.7 billion at June 30, 2014, 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 9.3 percent return for fiscal year 2014-2015, exceeding both the Strategic Investment Policy Portfolio (SIPP) return of 3.2 percent and the primary objective of earning a real rate of return exceeding 5.5 percent. Six of the seven major asset classes used in managing the portfolio produced positive returns for the fiscal year 2014-2015 with five out of seven exceeding their benchmark.

Over the long term, UNCIF's 10-year annualized performance of 8.6 percent has surpassed its primary objective of providing a real rate of return exceeding 5.5 percent. UNCIF's ten year return exceeds the SIPP benchmark which returned 7.6 percent. Compared to its peers, UNCIF's three and ten year annualized returns rank in the top quartile of the BNY Mellon Endowment and Foundation Funds Universe with the five year return firmly in the second quartile.

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 2014-2015 and 2013-2014 provided for a full distribution without reduction to principal value.

Non-current restricted investments of \$1.9 billion at June 30, 2015 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

Construction of Marsico Hall, the imaging research building and the University's largest capital project to date, was substantially done by March 2014, though finalization of basement shell space and open space improvements is expected to extend ultimate full project completion to December 2015. A significant portion of funding for this 343,000 square foot building came from state debt in the form of COPs, Certificates of Participation. Current projects in construction include a renovation to the original Hill Hall for the Department of Music and Carolina Performing Arts and a comprehensive renovation to Howell Hall for the Department of Psychology.

Current projects in design include: a comprehensive renovation to Mary Ellen Jones Research Building; an addition to the Manning Plant for generators and a chilled water plant to meet capacity needs; a comprehensive renovation to Wilson Hall Annex for the Department of Biology; fire safety project for Davis Library; small repair and renovation projects; and two pedestrian safety and open space renewal projects. All these projects are funded by the University through cash and debt financing.

Looking forward through 2019, the University six-year capital plan includes \$210 million worth of projects for possible state funding subject to the financial climate. State funding is critical relative to continuing capital renewal needs. 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.

The University has initiated a comprehensive University Master Plan process anticipated to conclude at the end of 2016. An assessment currently is underway to identify the key drivers and strategic priorities that reflect the campus' strategic plan for sustainability and will guide future development of University and Endowment properties. The plan will develop land use principles 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, 2015 and June 30, 2014, were as follows:

CAPITAL ASSETS

(dollars in thousands)

	2015	2014 as restated	Percent Change
<i>Capital Assets:</i>			
Construction in progress	\$99,526	\$44,257	124.9
Land and other non-depreciable assets	187,037	248,803	(24.8)
Buildings	1,959,075	2,014,192	(2.7)
General infrastructure	585,114	610,646	(4.2)
Machinery, equipment, and computer software	295,759	231,142	28.0
Total	\$3,126,511	\$3,149,040	(0.7)

Other nondepreciable assets decreased 24.8% and computer software increased 28.0% mainly due to capitalizing the \$64.0 million Connect Carolina Financial module that was activated in October 2014.

During fiscal year 2014-2015, 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 were exhausted, the University continued to use its commercial paper program to provide low-cost bridge financing for capital projects until gifts are received, or in anticipation of a long-term bond issue. Commercial paper debt was \$28.0 million at June 30, 2015 and \$18.0 million at June 30, 2014.

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 on October 9, 2014, to advance refund a portion of its General Revenue Bonds Series 2005A. In addition, on June 1, 2015, the University modified the terms of its General Revenue Bonds Series 2012D, "The University of North Carolina at Chapel Hill General Revenue Bond (Kenan Stadium Improvements Phase II), Series 2012D," changing the original principal amount of \$41.0 million to \$30.0 million and extending the maturity date to June 1, 2042. All other terms remained the same.

On October 3, 2013, a blended component unit of the University closed on a bank note that provides up to \$30.0 million in funding for the construction of a capital project. Outstanding draws against the note were \$19.150 million at June 30, 2015 and \$4.705 million at June 30, 2014. The note matures on October 2, 2016. The UNC-Chapel Hill Foundation, part of the University's reporting entity, has a line of credit agreement issued by Bank of America to finance the costs of projects benefiting the Foundation and/or University, subject to the approval of the Board of Directors of the Foundation. On May 20, 2015, the Foundation renewed the line of credit, modifying the commitment amount up to \$4.0 million with a new maturity date of April 30, 2018. As of June 30, 2015, there were no outstanding draws on the line.

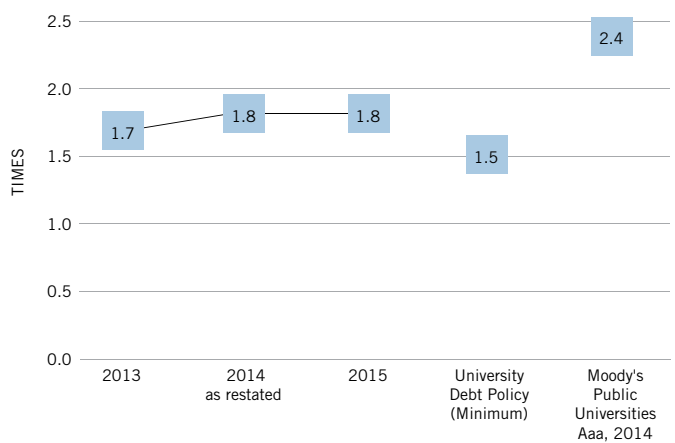
The University maintains a combination of variable and fixed-rate debt, consistent with its debt management policy. The interest rate on the commercial paper program for fiscal year 2014-2015 ranged from 0.04 to 0.14 percent and for 2013-2014 ranged from 0.07 to 0.20 percent. Interest rates on the University's variable-rate, long-term bonds ranged from 0.01 to 0.87 percent for fiscal year 2014-2015 and ranged from 0.02 to 0.88 percent for fiscal year 2013-2014. 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

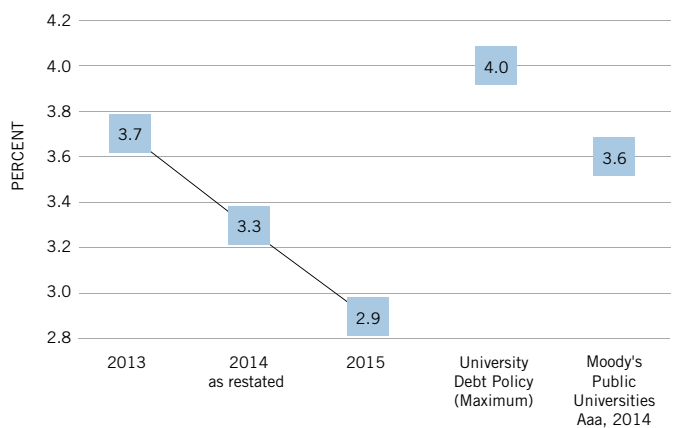
interest relative to its overall operating expenses. Each ratio is evaluated relative to the University's debt policy standard and the appropriate peer group comparison for fiscal year 2013-2014 (the latest available numbers). At June 30, 2015, the *expendable resources to debt ratio* was 1.8 times, and the *debt service to operations ratio* was 2.9 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

Other non-current assets were \$343.7 million at June 30, 2015 and \$282.0 million at June 30, 2014, a 21.9 percent increase. Non-current receivables increased principally due to a \$37 million pledge to the UNC Eshelman School of Pharmacy Foundation for the Eshelman Institute for Innovation, with \$28M classified as non-current. Also, there was an \$11 million note receivable from UNC Health Care system.

The deferred outflow of resources increase resulted from implementing GASB 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*, that recognizes employer’s contributions.

Non-current liabilities were \$3.8 billion at June 30, 2015 and \$3.7 billion at June 30, 2014, and include funds held in trust for the University’s affiliated foundations and other campuses in the UNC System and their affiliates of \$2.2 billion and \$2.0 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 over the prior year resulted from additional participant contributions and net investment gains.

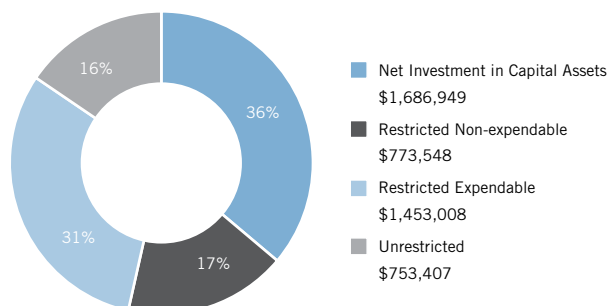
The deferred inflow of resources resulted from implementing GASB 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*, that recognized the collective resources arising from differences between projected and actual pension plan investment earnings related to pensions.

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 \$4.7 billion at June 30, 2015, an increase of \$91 million over the prior year (after restatement). Net position invested in capital assets, net of related debt, represents the University’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included. Non-expendable restricted net 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.

2015 NET POSITION: \$4,666,912

(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. The statements for the fiscal year ended June 30, 2015 and the prior year are summarized as follows:

UNIVERSITY OPERATIONS

(dollars in thousands)

	2015	2014 as restated	Percent Change
<i>Operating Revenues:</i>			
Student tuition and fees, net	\$395,005	\$361,771	9.2
Grants and contracts	840,553	903,260	(6.9)
Sales and services, net	785,280	770,512	1.9
Other	10,447	3,695	182.7
Total Operating Revenues	2,031,285	2,039,238	(0.4)
Operating Expenses	2,924,684	2,983,049	(2.0)
Operating Loss	(893,399)	(943,811)	(5.3)
<i>Non-operating Revenues (Expenses):</i>			
State appropriations	479,186	482,728	(0.7)
Non-capital gifts and grants	279,894	238,649	17.3
Investment income	195,407	258,372	(24.4)
Interest and fees on debt	(67,459)	(66,218)	1.9
Federal interest subsidy on debt	2,107	2,109	(0.1)
Other net non-operating revenues	32,631	(6,161)	629.6
Net Non-operating	921,766	909,479	1.4
Income Before Other Changes	28,367	(34,332)	(182.6)
Capital appropriations	1,600	4,313	(62.9)
Capital grants	29,631	41,507	(28.6)
Capital gifts	11,261	6,064	85.7
Additions to permanent endowments	19,697	25,609	(23.1)
Increase in Net Position	90,556	43,161	109.8
Net Position – July 1 (as restated)	4,576,356	4,533,195	1.0
Net Position – June 30	\$4,666,912	\$4,576,356	2.0

Fiscal year 2014-2015 revenues and other changes total \$3,082,699 and expenses total \$2,992,143.

Fiscal year 2013-2014 revenues and other changes total \$3,098,589 and expenses total \$3,055,428.

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 2014-2015 increased 9.2 percent over the prior year total. Student tuition and fees are reported net of scholarship discounts, which totaled \$97.4 million for fiscal year 2014-2015 and \$96.0 million for the prior year. Tuition rates for fiscal year 2014-2015 remained stable for undergraduate residents and increased 10.9 percent for undergraduate non-residents, 3.4 percent for graduate residents, and 1.3 percent for graduate non-residents.

Revenues from operating grants and contracts decreased 6.9 percent over the prior year due to downward trend in awards during the year related to non-federal grants and contracts. Discussion of grants and contracts in terms of awards provides another useful perspective. Faculty secured \$796.2 million in research funding during fiscal year 2014-2015, as compared to \$792.7 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 \$390 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 \$38.2 million; the Department of Health and Human Services (excluding NIH), \$36.2 million; and U.S. Agency for International Development, \$53.1 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 \$168 million of total awards in fiscal year 2014-2015, over 21 percent of the total.

New, innovative research facilities and infrastructure have made possible ground-breaking interdisciplinary scientific research, which contributes to obtaining research awards. Noteworthy among such endeavors for 2014-15 was the MEASURE Evaluation, led by the Carolina Population Center, which won the university's second largest research grant ever of approximately \$180 million, to be awarded over five years, from the United States Agency for International Development. This award will be used to continue the research required to optimally target U.S. spending on global health threats such as malaria and HIV.

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 of \$15.6 million received from the Chapel Hill Investment Fund to support University administrative services.

Operating Expenses

The University's operating expenses were \$2.9 billion for the fiscal year ended June 30, 2015, a decrease of 2 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)

	2015	2014 as restated	Percent Change
Salaries and benefits	\$1,488,512	\$1,467,756	1.4
Supplies and materials	188,308	159,907	17.8
Services	886,631	872,702	1.6
Scholarships and fellowships	119,453	112,450	6.2
Utilities	88,373	85,157	3.8
Depreciation and amortization	136,493	130,438	4.6
GASB 68 pension standard implementation	16,914	154,639	(89.1)
Total Operating Expenses	\$2,924,684	\$2,983,049	(2.0)

OPERATING EXPENSES BY FUNCTION

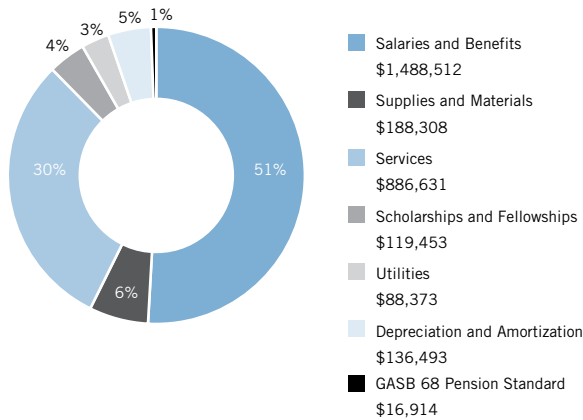
(dollars in thousands)

	2015	2014 as restated	Percent Change
Instruction	\$683,793	\$675,822	1.2
Research	714,093	703,621	1.5
Public service	152,661	134,917	13.2
Academic support	110,417	118,680	(7.0)
Student services	35,845	32,807	9.3
Institutional support	130,905	100,238	30.6
Operations and maintenance of plant	162,016	150,013	8.0
Student financial aid	119,453	112,450	6.2
Auxiliary enterprises	662,094	669,423	(1.1)
Depreciation and amortization	136,493	130,439	4.6
GASB 68 pension standard implementation	16,914	154,639	(89.1)
Total Operating Expenses	\$2,924,684	\$2,983,049	(2.0)

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

2015 OPERATING EXPENSES BY NATURE: \$2,924,684

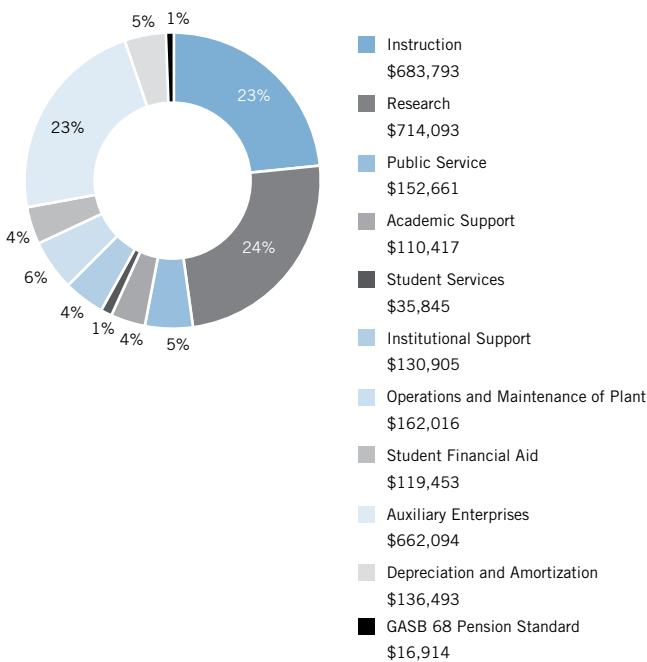
(dollars in thousands)



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

2015 OPERATING EXPENSES BY FUNCTION: \$2,924,684

(dollars in thousands)



Operating expense categories changed at varying rates, although the overall rate of decrease was 2.0 percent as previously noted. Expenses for supplies and materials incurred the highest increase of 17.8 percent, which was due to improvement in accounting classification for cost of goods sold in auxiliary services, followed by scholarships and fellowships at 6.2 percent. 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, institutional support recorded the highest increase of 30.6 percent over the prior year due to an increase in contracted and other services. Note that implementing GASB 68 pension standard resulted in an 89.1 percent decrease in fiscal year 2015 as compared with fiscal year 2014 as all prior years are recognized in fiscal year 2014.

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 revenue totaled \$479.2 million for fiscal year 2014-2015, a net decrease of 0.7 percent, or \$3.5 million, from the \$482.7 million in state appropriations received during the prior year. Appropriations revenue for fiscal 2014-15, compared to the highest appropriations revenue during the past 10 years (\$543.3 million in 2007-2008), reflects a decline of almost 12 percent –highlighting the challenges in recent years of ensuring the University's core mission has not been negatively impacted.

Non-capital gifts and grants increased 17.3 percent to \$279.9 million and include expendable gifts and federal and other awards that are not considered to be operating revenues. Increase due to silent phase of fund raising campaign. Investment income for fiscal year 2014-2015 was \$195.4 million, a decrease of 24.4 percent from the prior year due to unrealized losses from investment performance. Investment income includes income and realized and unrealized gains, net of investment management fees. Other net non-operating revenues increased due to a consolidation external participant adjustment.

Total Operating and Non-operating Revenues

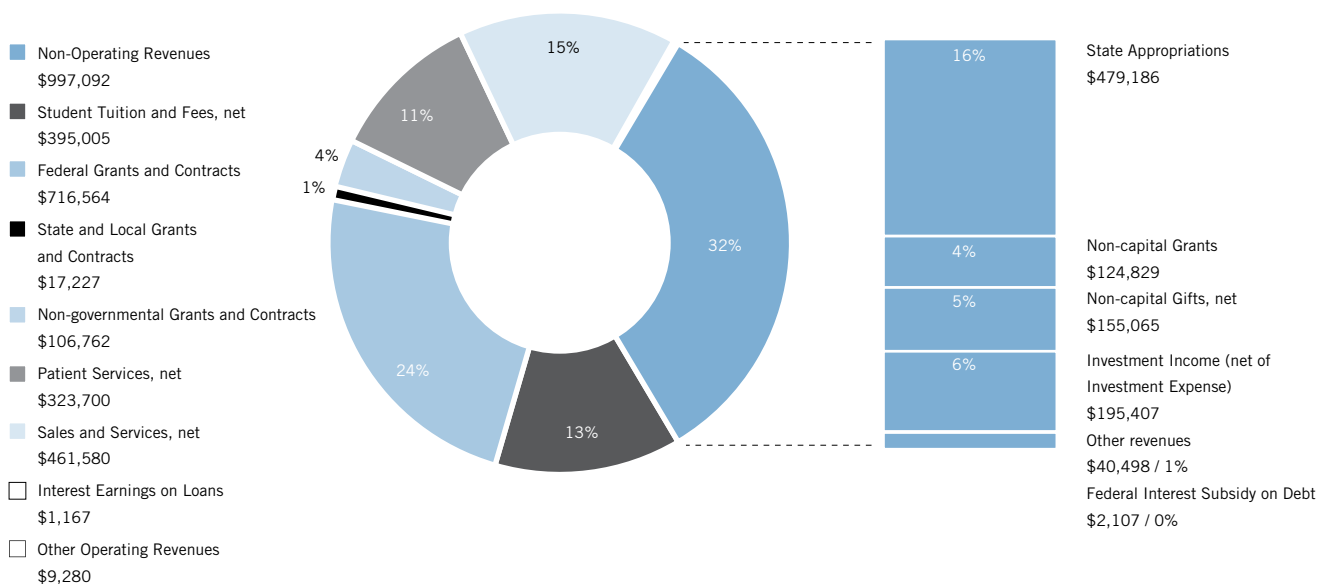
Operating and non-operating revenues such as state appropriations, non-capital grants, non-capital gifts, and investment income are used to fund University operations. The chart on the next page illustrates the University's operating and non-operating revenues, which total \$3 billion for fiscal year 2014-15.

Other Changes in Net Position

Capital grants of \$29.6 million for fiscal year 2014-2015 and \$41.5 million for fiscal year 2013-2014 are for capital construction projects. Capital gifts of \$11.3 million for fiscal year 2014-2015 and \$6.1 million for the prior year

2015 TOTAL REVENUES BY SOURCE: \$3,028,377

(dollars in thousands)



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 \$19.7 million during fiscal year 2014-2015 and \$25.6 million during fiscal year 2013-14.

ECONOMIC OUTLOOK

The University's state appropriations budget for fiscal year 2015-2016 is \$489.3 million, a net decrease of \$1.2 million from the prior year budget of \$490.5 million, essentially stabilizing after significant reductions in recent years.

Tuition rates for the ensuing fiscal year of 2015-2016 increased for undergraduate students a modest 3.5 percent and for undergraduate non-residents remained relatively stable with a 0.7 percent increase. For graduate residents, rates increased 5.2 percent and for graduate non-residents there was an increase of 1.7 percent. 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.

Faculty secured \$796.2 million in research awards during fiscal year 2014-2015 through contracts and grants awarded

by federal and state agencies, foundations, nonprofit organizations, corporations and associations. In an era of stagnant federal funding, Carolina has accomplished what many US research universities have struggled to do – grow. The dollar volume of its research has quadrupled since 1997, boosting its national ranking from 32nd to 9th in the nation. Strong financial support from North Carolina's elected officials has helped build the infrastructure that enabled this growth, as have strong collaborative ties to Duke and NC State in the Research Triangle Park region.

Fund-raising has been a cornerstone resource for the University. Fiscal year 2014-2015 marked another strong fund-raising year—the best in University history—with a total of \$447 million in private commitments, over a 44 percent increase compared to the prior fiscal year. This achievement includes yet another record: the \$100 million commitment from pharmaceutical entrepreneur Fred Eshelman to the pharmacy school for the new Eshelman Institute for Innovation. This represents the largest gift from an individual in the University's history and the largest ever made to a pharmacy school in the United States.

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, 2015, the Management Company managed invested assets of \$4.7 billion in the UNC Investment Fund.

STATEMENT OF NET POSITION

June 30, 2015

Assets	
<i>Current Assets:</i>	
Cash and cash equivalents	\$11,660,535
Restricted cash and cash equivalents	181,920,082
Short-term investments	905,413,058
Restricted short-term investments	306,852,471
Receivables, net (Note 4)	337,844,721
Due from primary government	1,299,478
Due from State of North Carolina component units	37,302,154
Inventories	19,745,609
Notes receivable, net (Note 4)	5,258,240
Other assets	590,291
Total current assets	1,807,886,639
<i>Non-Current Assets:</i>	
Restricted cash and cash equivalents	246,456,589
Receivables, net (Note 4)	43,681,052
Restricted due from primary government	327,656
Endowment investments	1,830,850,393
Restricted investments	1,919,852,148
Other investments	22,705,763
Notes receivable, net (Note 4)	43,499,635
Investment in joint venture (Note 18)	9,700,635
Capital assets - non-depreciable (Note 5)	286,563,061
Capital assets - depreciable, net (Note 5)	2,839,948,136
Total non-current assets	7,243,585,068
Total assets	\$9,051,471,707

Deferred Outflows of Resources	
Deferred loss on refunding	\$3,483,617
Accumulated decrease in fair value of hedging derivatives	96,806,001
Deferred outflows related to pensions	44,069,279
Total deferred outflows of resources	\$144,358,897

Liabilities	
<i>Current Liabilities:</i>	
Accounts payable and accrued liabilities (Note 6)	\$266,858,773
Due to primary government	3,091,794
Due to State of North Carolina component units	22,952,906
Deposits payable	10,933,348
Funds held for others	81,697,687
Unearned revenue	17,876,326
Interest payable	13,998,694
Obligations under reverse repurchase agreements	12,376,000
Short-term debt (Note 7)	28,000,000
Long-term liabilities - current portion (Note 8)	129,829,258
Total current liabilities	587,614,786
<i>Non-Current Liabilities:</i>	
U. S. Government grants refundable	31,410,098
Funds held in trust for pool participants	2,191,755,737
Hedging derivative liability (Note 9)	96,806,001
Long-term liabilities (Note 8)	1,484,803,912
Total non-current liabilities	3,804,775,748
Total liabilities	\$4,392,390,534

Deferred Inflows of Resources	
Deferred outflows related to pensions	\$136,528,532
Total deferred inflows of resources	\$136,528,532

Net Position	
Net investment in capital assets	\$1,686,948,575

<i>Restricted for:</i>	
<i>Non-expendable:</i>	
Scholarships and fellowships	164,810,230
Research	20,283,737
Library acquisitions	40,327,566
Endowed professorships	351,278,080
Departmental uses	145,714,679
Loans	22,038,077
Other	29,096,125
Total non-expendable	773,548,494

<i>Expendable:</i>	
Scholarships and fellowships	203,927,152
Research	16,119,333
Library acquisitions	55,087,571
Endowed professorships	470,151,967
Departmental uses	470,830,427
Instruction and educational agreements	3,775
Plant improvements	1,982,212
Capital projects	149,572,848
Debt service	85,332,306
Total expendable	1,453,007,591
Unrestricted	753,406,878
Total net position	\$4,666,911,538

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, 2015

Revenues	
<i>Operating Revenues:</i>	
Student tuition and fees, net (Note 11)	\$395,005,215
Patient services, net (Note 11)	323,700,133
Federal grants and contracts	716,563,873
State and local grants and contracts	17,226,880
Non-governmental grants and contracts	106,761,998
Sales and services, net (Note 11)	461,579,399
Interest earnings on loans	1,167,156
Other operating revenues	9,280,125
Total operating revenues	2,031,284,779
Expenses	
<i>Operating Expenses:</i>	
Salaries and benefits	1,505,426,030
Supplies and materials	188,308,238
Services	886,631,027
Scholarships and fellowships	119,452,838
Utilities	88,372,804
Depreciation and amortization	136,492,665
Total operating expenses	2,924,683,602
Operating loss	(893,398,823)
Non-Operating Revenues (Expenses)	
State appropriations	479,186,534
Non-capital grants -- student financial aid	36,232,220
Other non-capital grants	88,596,395
Non-capital gifts, net (Note 11)	155,065,095
Investment income (net of investment expense of \$8,215,727)	195,406,736
Interest and fees on debt	(67,458,622)
Federal interest subsidy on debt	2,107,038
Other non-operating revenues	32,630,791
Net non-operating revenues	921,766,187
Income before other revenues, expenses, gains, or losses	28,367,363
Capital appropriations	1,600,000
Capital grants	29,630,524
Capital gifts	11,260,732
Additions to endowments	19,697,293
Increase in net position	90,555,912
Net Position	
Net position - July 1, 2014, as restated	4,576,355,626
Net position - June 30, 2015	\$4,666,911,538

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, 2015

Cash Flows From Operating Activities	
Received from customers	\$1,998,151,004
Payments to employees and fringe benefits	(1,518,873,534)
Payments to vendors and suppliers	(1,043,639,938)
Payments for scholarships and fellowships	(119,452,838)
Loans issued	(6,448,919)
Collection of loans	5,515,668
Interest earned on loans	1,079,786
Other payments	(29,010,638)
Net cash used by operating activities	(712,679,409)

Cash Flows From Non-Capital Financing Activities	
State appropriations	479,186,534
Non-capital grants - student financial aid	36,232,220
Other non-capital grants	88,596,395
Non-capital gifts	112,637,671
Additions to endowments	19,697,292
William D. Ford direct lending receipts	174,258,609
William D. Ford direct lending disbursements	(176,414,375)
Related activity agency receipts	1,448,902,936
Related activity agency disbursements	(1,249,326,880)
Receipts from UNC Health Care System for School of Medicine	7,391,615
Net cash provided by non-capital financing activities	941,162,017

Cash Flows From Capital Financing And Related Financing Activities	
Proceeds from capital debt	290,045,000
Capital grants	28,331,046
Capital appropriations	1,600,000
Capital gifts	9,806,478
Acquisition and construction of capital assets	(130,606,638)
Principal paid on capital debt and leases	(326,688,890)
Interest and fees paid on capital debt and leases	(58,235,398)
Federal interest subsidy on debt received	2,107,038
Net cash used by capital financing and related financing activities	(183,641,364)

Cash Flows From Investing Activities	
Proceeds from sales and maturities of investments	3,857,815,245
Investment income	148,917,276
Purchase of investments and related fees	(4,321,545,841)
Change in obligations under reverse repurchase agreements	12,376,000
Net cash used by investing activities	(302,437,320)
Net decrease in cash and cash equivalents	(257,596,076)
Cash and cash equivalents - July 1, 2014	697,633,282
Cash and cash equivalents - June 30, 2015	\$440,037,206

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	(\$893,398,823)
<i>Adjustments to Reconcile Loss to Net Cash Used by Operating Activities:</i>	
Depreciation and amortization expense	136,492,665
Allowances and write-offs	16,500,729
Pension expense	16,913,662
<i>Changes in assets and liabilities:</i>	
Receivables, net	(31,195,700)
Inventories	4,037,608
Notes receivable, net	(12,841,886)
Other assets	(337,763)
Accounts payable and accrued liabilities	97,118,207
Due to primary government	3,087,385
U.S. government grants refundable	229,982
Unearned revenue	(18,190,274)
Compensated absences	10,197,072
Deferred outflows for contributions subsequent to the measurement date	(41,292,273)
Net cash used by operating activities	(\$712,679,409)

Non-Cash Investing, Capital, And Financing Activities	
Amortization of Bond Premiums/Discounts	\$7,900,087
Assets acquired through a gift	\$1,454,254
Change in fair value of investments	\$45,826,928
Loss on disposal of capital assets	(\$16,715,302)

Reconciliation Of Cash And Cash Equivalents	
<i>Current assets:</i>	
Cash and cash equivalents	\$11,660,535
Restricted cash and cash equivalents	181,920,082
<i>Non-current assets:</i>	
Restricted cash and cash equivalents	246,456,589
Total cash and cash equivalents - June 30, 2015	\$440,037,206

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

STATEMENT OF FINANCIAL POSITION

June 30, 2015

	UNC-CH Arts and Sciences Foundation, Inc.	The Educational Foundation Scholarship Endowment Trust	The Medical Foundation of North Carolina, Inc.
Assets			
<i>Current assets</i>			
Cash and cash equivalents	\$25,697,346	\$11,853,137	\$16,363,625
Promises to give, net	8,388,158	2,010,209	6,230,606
Contributions receivable from split-interest agreements		3,744,569	
Accounts receivable	422,290		
Funds held in trust	2,016,499		
Other current assets			303,136
Total current assets	36,524,293	17,607,915	22,897,367
<i>Property and equipment</i>			
Capital assets	1,826,981		924,975
Leasehold interest - building	3,750,483		
Furniture and equipment	561,860		
Allowance for depreciation	(1,511,502)		(597,972)
Total property and equipment	4,627,822		327,003
<i>Other assets</i>			
Investments	201,332,663	213,374,259	243,368,466
Promises to give, net	12,119,802		10,658,990
Split-interest agreements	2,133,900		
Cash surrender value of life insurance		1,743,309	
Other assets			3,792,804
Total other assets	215,586,365	215,117,568	257,820,260
Total non-current assets	220,214,187	215,117,568	258,147,263
Total assets	\$256,738,480	\$232,725,483	\$281,044,630
Liabilities and Net Assets			
<i>Current liabilities</i>			
Accounts payable and accrued expenses	\$217,984		\$586,922
Annuities payable		\$56,089	
Total current liabilities	217,984	56,089	586,922
<i>Long-term liabilities</i>			
Deferred revenue			257,425
Loan payable	2,000,000		
Charitable remainder trusts			46,229
Total long-term liabilities	2,000,000		303,654
Total liabilities	2,217,984	56,089	890,576
<i>Net assets</i>			
Unrestricted	41,002,514		9,781,380
Temporarily restricted	106,627,994	118,207,875	176,341,310
Permanently restricted	106,889,988	114,461,519	94,031,364
Total net assets	254,520,496	232,669,394	280,154,054
Total liabilities and net assets	\$256,738,480	\$232,725,483	\$281,044,630

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2015

	UNC-CH Arts and Sciences Foundation, Inc.	The Educational Foundation Scholarship Endowment Trust	The Medical Foundation of North Carolina, Inc.
Support and Revenue			
<i>Support</i>			
Contributions	\$25,745,886	\$3,279,447	\$26,741,606
Development assessment fee	2,766,635		
Change in value of split-interest agreements	302,700		(8,662)
Contributed services			1,638,050
Donated facilities	82,675		
Actuarial adjustment of annuities payable		3,934	
Endowment investment return designated for current operations		9,858,904	
Total support	28,897,896	13,142,285	28,370,994
<i>Revenue</i>			
Interest and dividends			3,034,732
Net unrealized and realized gains on investments	16,371,660		11,522,280
Investment income	1,688,725		
Loss on sale of capital assets	(58,889)		
Other income (expense)			896,318
Total revenue	18,001,496		15,453,330
Total support and revenue	46,899,392	13,142,285	43,824,324
Expenses			
<i>Program services</i>			
Program services	9,644,010		14,217,348
Scholarship expense distribution		9,853,034	
Annuity payments		5,870	
Other expense		350,985	
Total program services	9,644,010	10,209,889	14,217,348
<i>Supporting services</i>			
Fundraising expenses	3,442,297		3,606,609
Management, administrative, and general	1,162,557		2,090,788
Total supporting services	4,604,854		5,697,397
Total expenses	14,248,864	10,209,889	19,914,745
Bad debt expense	301,511		
Total expenses and bad debt expense	14,550,375	10,209,889	19,914,745
Changes in Nets Assets from Operations	32,349,017	2,932,396	23,909,579
Other Changes			
Endowment investment return in excess of amounts designated for current operations		8,584,978	
Changes in Net Assets			
Unrestricted	4,114,963		(32,269)
Temporarily restricted	17,202,733	8,588,912	12,748,499
Permanently restricted	11,031,321	2,928,462	11,193,349
Total changes in net assets	32,349,017	11,517,374	23,909,579
Net Assets - Beginning of Year	222,171,479	221,152,020	256,244,475
Net Assets - End of Year	\$254,520,496	\$232,669,394	\$280,154,054

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

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE PROPORTIONATE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM**

Last Two Fiscal Years

	2014	2013
Proportionate share percentage of collective net pension liability	3.22%	3.20%
Proportionate Share of TSERS collective net pension liability	\$37,801,432	\$194,278,679
Covered-employee payroll	\$457,366,996	\$460,281,538
Net pension liability as a percentage of covered-employee payroll	8.27%	42.21%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

**SCHEDULE OF UNIVERSITY CONTRIBUTIONS TEACHERS'
AND STATE EMPLOYEES' RETIREMENT SYSTEM**

Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Contractually required contribution	\$41,292,272	\$39,745,192	\$38,341,452	\$33,975,672	\$23,308,729
Contributions in relation to the contractually determined contribution	41,292,272	39,745,192	38,341,452	33,975,672	23,308,729
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Covered-employee payroll	\$451,281,663	\$457,366,996	\$460,281,538	\$456,662,258	\$472,793,699
Contributions as a percentage of covered-employee payroll	9.15%	8.69%	8.33%	7.44%	4.93%

	2010	2009	2008	2007	2006
Contractually required contribution	\$16,632,618	\$15,756,451	\$13,032,159	\$10,668,088	\$8,587,084
Contributions in relation to the contractually determined contribution	16,632,618	15,756,451	13,032,159	10,668,088	8,587,084
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0
Covered-employee payroll	\$465,899,657	\$468,941,991	\$427,283,896	\$401,055,925	\$366,969,405
Contributions as a percentage of covered-employee payroll	3.57%	3.36%	3.05%	2.66%	2.34%

**SCHEDULE OF UNIVERSITY CONTRIBUTIONS TEACHERS'
AND STATE EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30, 2015

Changes of Benefit Terms:

Cost of Living Increase								
2014	2013	2012	2011	2010	2009	2008	2007	2006
N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

Changes of assumptions. In 2008, and again in 2012, the rates of withdrawal, mortality, service retirement and salary increase for active members and the rates of mortality for beneficiaries were adjusted to more closely reflect actual experience. Assumptions for leave conversions and loads were also revised in 2012.

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NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

A \ FINANCIAL REPORTING ENTITY

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The University of North Carolina 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, 2015, the Chapel Hill Investment Fund membership interest was approximately 61 percent of the UNC Investment Fund total membership interests. Because the Chapel Hill Investment Fund is the organizer and controlling member of the UNC Investment Fund, the financial statements of the UNC Investment Fund have been blended with those of the University.

The 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, 2015, the Medical Foundation, the Arts and Sciences Foundation, and the Educational Foundation Trust distributed in total \$33,714,392 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 \$1.61 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 \ REVERSE REPURCHASE AGREEMENT

During the year, a fixed income manager engaged in reverse repurchase agreements on behalf of UNC Investment Fund, LLC, resulting in an obligation of \$12.4 million to a financial institution.

K \ 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.

L \ 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, 2015 is \$33,385,464.

M \ NON-CURRENT LONG-TERM LIABILITIES

Non-current long-term liabilities include principal amounts of revenue bonds payable, net pension liability, 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.

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2014 Comprehensive Annual Financial Report. This liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 13 for further information regarding the University's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

N \ 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.

O \ 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.

P \ 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.

Q \ 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 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.

R \ INTERNAL SALES ACTIVITIES

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

NOTE 2 DEPOSITS AND INVESTMENTS

A \ DEPOSITS

Unless specifically exempt, the University is required by *North Carolina General Statute 147-77* to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. 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, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$335,010,178 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 or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2015. 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, 2015 was \$160,506. The carrying amount of the University's deposits not with the State Treasurer was \$84,866,522 and the bank balance was \$86,849,157. 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, 2015, \$84,643,950 of the University's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

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 Pool, 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 UNC 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 the participation in the Temporary Pool by affiliated foundations, it is considered a governmental external investment pool. The external portion of the Temporary Pool is presented in the accompanying financial statements as Funds Held in Trust for Pool Participants. Fund ownership of the University's Temporary Pool is measured

using the unit value method. Under this method, participant activity is recorded on a cost basis in the UNC-Chapel Hill Money Market System. This is the official means of recording activity in the Temporary Pool. The Temporary Pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the University Board of Trustees. The University has not provided legally binding guarantees during the period to support the value of the pool's investments. There are no involuntary participants in the Temporary Pool.

The Bank of New York Mellon is the custodian for the Temporary Pool and provides the University with monthly statements defining income and market value information. Investments of the Temporary Pool are generally highly liquid and include (but not limited to) 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, 2015.

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	\$144,919,000		\$144,919,000		
U.S. Agencies	105,624,769	\$4,063,355	18,832,454	\$4,405,529	\$78,323,431
Mortgage Pass Throughs	20,505	20,505			
Collateralized Mortgage Obligations	7,104,104	2,283,894			4,820,210
Asset-backed Securities	961,030	961,030			
Money Market Mutual Funds	114,937,528	114,937,528			
Domestic Corporate Bonds	27,523,914	11,075,506	12,530,378	504,885	3,413,145
Total Debt Securities	401,090,850	\$133,341,818	\$176,281,832	\$4,910,414	\$86,556,786
<i>Other Securities</i>					
Domestic Stocks	30,000				
Total Temporary Pool Investments	\$401,120,850				

The University has elected to invest \$90.5 million of the Temporary Pool assets 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, 2015, 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	\$105,624,769		\$105,624,769				
Collateralized Mortgage Obligations	7,104,104				\$52,947	\$3,559,547	\$3,491,610
Asset-backed Securities	961,030					961,030	
Mortgage Pass Throughs	20,505					20,505	
Money Market Mutual Funds	114,937,528	\$114,937,528					
Domestic Corporate Bonds	27,523,914	4,748,637	6,137,406	\$15,769,019	504,885	363,967	
Total	\$256,171,850	\$119,686,165	\$111,762,175	\$15,769,019	\$557,832	\$4,905,049	\$3,491,610

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, 2015, are as follows:

STATEMENT OF NET POSITION

June 30, 2015

	Amount
<i>Assets:</i>	
State Treasurer Investment Fund	\$5,000,000
Accounts Receivable	27
Accrued Investment Income	697,323
Chapel Hill Investment Fund	90,508,495
Investments	401,120,850
Total Assets	\$497,326,695
<i>Liabilities:</i>	
Deferred Gain	206,337
Accounts Payable	60,163,507
Total Liabilities	60,369,844
<i>Net Position As Held in Trust for All Pool Participants:</i>	
Internal Portion	236,994,951
External Portion	199,961,900
Total Net Position	436,956,851
Total Liabilities and Net Position	\$497,326,695

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, 2015

	Amount
<i>Increase in Net Position from Operations:</i>	
<i>Revenues:</i>	
Investment Income	\$23,639,883
<i>Expenses:</i>	
Investment Management	(588,234)
Net Increase in Net Position Resulting from Operations	23,051,649
<i>Distributions to Participants:</i>	
Distributions Paid and Payable	(23,051,649)
<i>Share Transactions:</i>	
Net Share Purchases	(29,241,887)
Total Increase in Net Position	(29,241,887)
<i>Net Position:</i>	
Beginning of Year	466,198,738
End of Year	\$436,956,851

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 are 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. However, as noted above, the University is currently the only participant in the Intermediate Pool.

The following table presents the fair value of the investments by type and investments subject to interest rate risk at June 30, 2015.

INTERMEDIATE POOL INVESTMENTS

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
Debt Securities					
Debt Mutual Funds	\$7,525,815		\$7,525,815		
Money Market Mutual Funds	7,164,397	\$7,164,397			
Total Intermediate Pool Investments	\$14,690,212	\$7,164,397	\$7,525,815	\$0	\$0

At June 30, 2015, investments in the Intermediate Pool had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA, Aaa	AA, Aa	A
Debt Mutual Funds	\$7,525,815		\$5,136,394	\$2,389,421
Money Market Mutual Funds	7,164,397	\$3,208,431	3,955,966	
Total	\$14,690,212	\$3,208,431	\$9,092,360	\$2,389,421

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

At June 30, 2015, the Intermediate Investment Pool had investments of \$20.0 million 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 in May 2013 by the University to make available an intermediate-term investment fund for eligible participants with the University being the controlling member. The UNC Intermediate Fund 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.

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 (but not limited to) shares in mutual funds, money market accounts, and the UNC Investment Fund.

As of June 30, 2015, the University's membership interest was approximately 98 percent of the UNC Intermediate Fund's total membership interests. An affiliated organization, not included in the University's reporting entity, held the remaining 2 percent 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, 2015.

UNC INTERMEDIATE FUND INVESTMENTS

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10
<i>Debt Securities</i>					
U.S. Treasuries	\$37,864,738	\$70,033	\$20,684,045	\$17,110,660	
U.S. Agencies	895,400				\$895,400
Mortgage Pass Throughs	11,738,013				11,738,013
Collateralized Mortgage Obligations	21,650,652			2,491,638	19,159,014
Asset-backed Securities	29,665,924		1,481,136	8,151,196	20,033,592
Debt Mutual Funds	156,724,153	23,092,515	61,925,181	64,697,884	7,008,573
Money Market Mutual Funds	5,483,520				5,483,520
Domestic Corporate Bonds	12,796,532		5,258,571	7,122,628	415,333
Foreign Corporate Bonds	22,558,075	205,000	9,658,836	9,903,877	2,790,362
Foreign Government Bonds	1,636,400		959,850	676,550	
Total Debt Securities	301,013,407	\$23,367,548	\$99,967,619	\$110,154,433	\$67,523,807
<i>Other Securities</i>					
Real Estate Investment Trusts	177,476				
Total UNC Intermediate Fund Investments	\$301,190,883				

The University has elected to invest \$110.9 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, 2015, 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	\$895,400		\$895,400				
Mortgage Pass Throughs	11,738,013	\$699,530	99,358	\$401,961	\$1,281,659	\$8,896,439	\$359,066
Collateralized Mortgage Obligations	21,650,652	875,685	500,730		718,033	19,556,204	
Asset-backed Securities	29,665,924	6,390,655	1,086,458	5,800,993	7,653,211	6,239,875	2,494,732
Debt Mutual Funds	156,724,153			71,187,494		85,536,659	
Money Market Mutual Funds	5,483,520	5,483,520					
Domestic Corporate Bonds	12,796,532		411,338	1,571,146	3,147,842	7,666,206	
Foreign Corporate Bonds	22,558,075		1,068,443	998,612	8,585,959	11,864,261	40,800
Foreign Government Bonds	1,636,400				1,020,050	616,350	
Total	\$263,148,669	\$13,449,390	\$4,061,727	\$79,960,206	\$22,406,754	\$140,375,994	\$2,894,598

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

The Chapel Hill Investment Fund consists of an approximate 62.1 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 62.1 percent membership interest as of June 30, 2015, 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, 2015.

UNC INVESTMENT FUND 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	\$16,735,371		\$12,721,860	\$3,051,330	\$962,181
U.S. Agencies	46,474,713	\$6,679,167	1,684,417	1,417,970	36,693,159
Collateralized Mortgage Obligations	74,741,538	47,464,007			27,277,531
Asset-backed Securities	26,329,177	26,329,177			
Debt Mutual Funds	1,712,656	1,712,656			
Money Market Mutual Funds	241,894,263	241,158,178			736,085
Domestic Corporate Bonds	5,359,205	515,390	2,534,100		2,309,715
Total Debt Securities	413,246,923	\$323,858,575	\$16,940,377	\$4,469,300	\$67,978,671
<i>Other Securities</i>					
Equity Index Funds	917,640				
Real Estate Investment Trust	29,217,648				
Long/Short Hedge Funds	928,507,248				
Diversifying Hedge Funds	319,503,506				
Hedge Funds in Liquidation	40,388,425				
Long Only Equity Funds	1,165,276,639				
Private Equity Limited Partnerships	1,087,580,886				
Real Assets Limited Partnerships	522,368,873				
Domestic Stocks	205,099,226				
Foreign Stocks	6,139,791				
Total UNC Investment Fund Pool Investments	\$4,718,246,805				

At June 30, 2015, investments in the UNC Investment Fund Pool had the following credit quality distribution for securities with credit exposure:

	Fair Value	AAA Aaa	AA Aa	A	BBB Baa	BB, Ba& Below	Unrated
U.S. Agencies	\$46,474,713		\$46,474,713				
Collateralized Mortgage Obligations	74,741,538					\$67,048,289	\$7,693,249
Asset-backed Securities	26,329,177	\$6,169,802				18,249,372	1,910,003
Debt Mutual Funds	1,712,656			\$1,712,656			
Money Market Mutual Funds	241,894,263	241,158,178					736,085
Domestic Corporate Bonds	5,359,205			3,165,025	\$500,405	1,693,775	
Total	\$396,511,552	\$247,327,980	\$46,474,713	\$4,877,681	\$500,405	\$86,991,436	\$10,339,337

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

Foreign Currency Risk: The University recognized an aggregate foreign currency transaction loss of \$15.3 million for the fiscal year ended June 30, 2015. Of that amount, \$15 million was an unrealized loss as of the reporting date. Transaction gains or losses result from a change in exchange rates between the U.S. Dollar and the currency in which a foreign currency transaction is denominated. At June 30, 2015, the UNC Investment Fund Pool's exposure to foreign currency risk is as follows:

Investment	Currency	Fair value (U.S. dollars)
Private equity limited partnerships	Euro	\$82,225,081
Real assets limited partnerships	Euro	14,981,073
Other hedge funds	Euro	29,241,582
Private equity limited partnerships	British Pound Sterling	22,013,463
Real assets limited partnerships	British Pound Sterling	10,782,611
Real assets limited partnerships	Canadian Dollar	8,240,032
Foreign stocks	Canadian Dollar	6,139,791
Private equity limited partnerships	Australian Dollar	2,831,519
Total		\$176,455,152

Investment Derivatives: At June 30, 2015, the UNC Investment Fund is invested in futures contracts with a fair value of \$101.3 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, 2015, for the University's Non-Pooled Investments.

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	\$92,523		\$60,769		\$31,754
U.S. Agencies	375				375
Mortgage Pass Throughs	174				174
Collateralized Mortgage Obligations	38,365				38,365
Debt Mutual Funds	7,656,307	\$287,648	796,054	\$6,136,767	435,838
Money Market Mutual Funds	49,958,814	49,398,175	113,580	447,059	
Domestic Corporate Bonds	488,609	242,969	120,009	125,631	
Foreign Corporate Bonds	1,425,475				1,425,475
Foreign Government Bonds	33,194			33,194	
Total Debt Securities	59,693,836	\$49,928,792	\$1,090,412	\$6,742,651	\$1,931,981
<i>Other Securities</i>					
Equity Index Funds	98,441				
Equity Mutual Funds	2,161,104				
Investments in Real Estate	596,230				
Real Estate Investment Trust	3,367,912				
Private Equity Limited Partnerships	4,715,585				
Long/Short Hedge Funds	52,796				
Domestic Stocks	19,505,552				
Foreign Stocks	5,646,985				
Other	12,421,493				
Total Non-Pooled Investments	\$108,259,934				

At June 30, 2015, 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	\$375		\$375				
Mortgage Pass Throughs	174				\$174		
Collateralized Mortgage Obligations	38,365				38,365		
Debt Mutual Funds	7,656,307	\$2,041,358	3,982,417	\$1,043,432	528,084	\$61,016	
Money Market Mutual Funds	49,958,814	49,324,369	110,170	515,349	102		\$8,824
Domestic Corporate Bonds	488,609	127,570	178,077	84,737	98,225		
Foreign Corporate Bonds	1,425,475			1,425,475			
Foreign Government Bonds	33,194			33,194			
Total	\$59,601,313	\$51,493,297	\$4,271,039	\$3,102,187	\$664,950	\$61,016	\$8,824

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

Foreign Currency Risk: At June 30, 2015, the University had nominal direct exposure to foreign currency risk in Non-Pooled Investments. In terms of indirect exposure, the University had approximately \$7.1 million of Non-Pooled investments in foreign domains where the investments were denominated in U.S. dollars.

Total Investments – The following table presents the fair value of the total investments at June 30, 2015.

Investment Type	Fair Value
<i>Debt Securities</i>	
U.S. Treasuries	\$199,611,632
U.S. Agencies	152,995,257
Mortgage Pass Throughs	11,758,692
Collateralized Mortgage Obligations	103,534,659
Asset-backed Securities	56,956,131
Debt Mutual Funds	173,618,931
Money Market Mutual Funds	419,438,522
Domestic Corporate Bonds	46,168,260
Foreign Corporate Bonds	23,983,550
Foreign Government Bonds	1,669,594
Total Debt Securities	1,189,735,228
<i>Other Securities</i>	
Equity Index Funds	1,016,081
Equity Mutual Funds	2,161,104
Investments in Real Estate	596,230
Real Estate Investment Trust	32,763,036
Long/Short Hedge Funds	928,560,044
Diversifying Hedge Funds	319,503,506
Hedge Funds in Liquidation	40,388,425
Long Only Equity Funds	1,165,276,639
Private Equity Limited Partnerships	1,092,296,471
Real Assets Limited Partnerships	522,368,873
Domestic Stocks	224,634,778
Foreign Stocks	11,786,776
Other	12,421,493
Total Investments	\$5,543,508,684

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

University Statement of Net Position	Amount
Short-term investments	\$905,413,058
Restricted short-term investments	306,852,471
Endowment investments	1,830,850,393
Restricted investments	1,919,852,148
Other investments	22,705,763
Subtotal	4,985,673,833
Investments of UNC Investment Fund held for component units that are discretely presented in accompanying financial statements	557,834,851
Total investments	\$5,543,508,684

The University's reporting entity, including the three discretely presented component units, comprises approximately 52.4 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 investments not held by the University as of June 30, 2015:

Investment Type	Carrying Value
International Equity Fund	\$9,364,022
Common Stock	25,784,199
Mutual Funds – Credit Oriented	11,230,555
Mutual Funds – Equity Oriented	33,978,100
Mutual Funds – Alternative	4,146,829
Government Securities	6,109,459
Money Market Funds	7,150,510
Total Investments	\$97,763,674

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, 2015, accumulated income and appreciation of \$733,505,382 was available in the University's pooled endowment funds of which \$671,939,917 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, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<i>Current Receivables:</i>			
Students	\$6,015,447	\$2,743,763	\$3,271,684
Student Sponsors	246,825		246,825
Patients	186,726,542	138,500,940	48,225,602
Accounts	16,004,752		16,004,752
Auxiliary	57,054,873		57,054,873
Intergovernmental	187,234,531		187,234,531
Pledges	23,141,193	532,155	22,609,038
Investment Earnings	1,493,693		1,493,693
Interest on Loans	1,147,853		1,147,853
Other	555,870		555,870
Total Current Receivables	\$479,621,579	\$141,776,858	\$337,844,721
<i>Non-current Receivables:</i>			
Pledges	\$44,801,079	\$1,120,027	\$43,681,052
<i>Notes Receivable - Current:</i>			
Institutional Student Loan Programs	\$4,435,364	\$321,962	\$4,113,402
Note Receivable from UNC Health Care System	1,144,838		1,144,838
Total Notes Receivable - Current	\$5,580,202	\$321,962	\$5,258,240
<i>Notes Receivable - Non-current:</i>			
Federal Loan Programs	\$26,715,127	\$1,737,819	\$24,977,308
Note Receivable from UNC Health Care System	11,264,842		11,264,842
Institutional Student Loan Programs	7,822,284	564,799	7,257,485
Total Notes Receivable - Non-current	\$45,802,253	\$2,302,618	\$43,499,635

Pledges are receivable over varying time periods ranging from one to 10 years, and have been discounted based on a projected interest rate of 0.584 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
2016	\$23,141,194
2017	15,158,160
2018	12,526,854
2019	11,060,273
2020	1,360,838
2021-2025	5,578,537
Total Pledge Receipts Expected	68,825,856
Less Discount Amount Representing Interest (0.584% Rate of Interest)	883,584
Present Value of Pledge Receipts Expected	67,942,272
Less Allowance for Doubtful Accounts	1,652,182
Pledges Receivable	\$66,290,090

NOTE 5
CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2015, is presented as follows:

	Balance 07/01/14 as restated	Increases	Decreases	Balance 06/30/15
<i>Capital Assets, Non-depreciable</i>				
Land	\$63,488,953	\$470,000	\$470,001	\$63,488,952
Art, Literature, and Artifacts	120,456,393	2,097,726	5,750	122,548,369
Construction in Progress	44,257,307	60,544,344	5,275,911	99,525,740
Computer Software in Development	63,857,850		63,857,850	0
Other Intangible Assets	1,000,000			1,000,000
Total Capital Assets, Non-depreciable	293,060,503	63,112,070	69,609,512	286,563,061
<i>Capital Assets, Depreciable</i>				
Buildings	2,915,129,355	29,096,792	7,644,045	2,936,582,102
Machinery and Equipment	404,754,103	34,777,761	21,565,042	417,966,822
General Infrastructure	954,189,670	3,722,913	4,775,768	953,136,815
Computer Software	52,094,089	69,579,150		121,673,239
Total Capital Assets, Depreciable	4,326,167,217	137,176,616	33,984,855	4,429,358,978
<i>Less Accumulated Depreciation/Amortization for</i>				
Buildings	900,937,750	78,838,990	2,269,319	977,507,421
Machinery and Equipment	214,357,885	27,021,888	15,000,233	226,379,540
General Infrastructure	343,543,503	24,479,462		368,022,965
Computer Software	11,348,591	6,152,325		17,500,916
Total Accumulated Depreciation/Amortization	1,470,187,729	136,492,665	17,269,552	1,589,410,842
Total Capital Assets, Depreciable, Net	2,855,979,488	683,951	16,715,303	2,839,948,136
Capital Assets, Net	\$3,149,039,991	\$63,796,021	\$86,324,815	\$3,126,511,197

NOTE 6
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2015, were as follows:

Current Accounts Payable and Accrued Liabilities	Amount
Accounts Payable	\$215,030,224
Accrued Payroll	41,870,658
Contract Retainage	1,876,631
Intergovernmental Payables	4,461,393
Investment Derivatives Liability	3,619,867
Total Accounts Payable and Accrued Liabilities	\$266,858,773

NOTE 7 SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Draws	Repayments	Balance June 30, 2015
Commercial Paper Program	\$18,000,000	\$10,000,000	\$0	\$28,000,000

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, 2015, is presented as follows:

	Balance 07/01/14 (As Restated)	Additions	Reductions	Balance 06/30/15	Current Portion
Revenue Bonds Payable	\$1,373,770,000	\$265,600,000	\$291,840,000	\$1,347,530,000	\$119,478,506
Plus: Unamortized Premium	28,763,539		10,811,752	17,951,787	
Less: Unamortized Discount	(11,649,226)		(2,911,664)	(8,737,562)	
Total Revenue Bonds	1,390,884,313	265,600,000	299,740,088	1,356,744,225	119,478,506
Notes Payable	44,828,961	14,445,000	1,148,719	58,125,242	1,082,034
Capital Leases Payable	484,864		293,192	191,672	101,269
Compensated Absences	139,696,405	82,488,771	72,291,698	149,893,478	7,731,188
Annuity and Life Income Payable	12,226,176	408,895	757,950	11,877,121	1,436,261
Net Pension Liability	194,278,679		156,477,247	37,801,432	
Total Long-Term Liabilities	\$1,782,399,398	\$362,942,666	\$530,708,894	\$1,614,633,170	\$129,829,258

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 June 30, 2015	Accretion on Capital Appreciation Bonds	Principal Outstanding June 30, 2015	See Table Below
<i>General Revenue Bonds Payable</i>								
	2001B	4.592%*	12/01/2025	\$54,970,000	\$30,340,000		\$24,630,000	
	2001C	3.209%*	12/01/2025	54,970,000	30,340,000		24,630,000	
	2005A	4.250 - 5.000%	12/01/2034	404,960,000	271,350,000		133,610,000	
	2007	4.450 - 5.000%	12/01/2036	298,475,000	0		298,475,000	
	2009A	3.250 - 5.000%	12/01/2028	97,735,000	19,305,000		78,430,000	
	2009B	5.757%**	12/01/2039	112,805,000	0		112,805,000	
	2012A	4.295%*	12/01/2018	100,000,000	0		100,000,000	
	2012B	5.125%*	12/01/2020	100,000,000	0		100,000,000	
	2012C	0.815 - 3.596%	12/01/2033	127,095,000	6,635,000		120,460,000	
	2012D	1.400%	06/01/2042	30,000,000	0		30,000,000	
	2014	0.759 - 3.847%	12/01/2034	265,600,000	0		265,600,000	
Total General Revenue Bonds				1,646,610,000	357,970,000		1,288,640,000	
Utilities System	1997	5.400 - 5.500%	08/01/2021	30,379,142	25,245,000	\$45,018,295	50,152,437	(1)
U.S. EPA Project	1991	9.050%	02/15/2015	36,678,921	58,125,000	21,446,079	0	
Total Revenue Bonds Payable (principal only)				\$1,713,668,063	\$441,340,000	\$66,464,374	1,338,792,437	
Less: Unamortized Discount							(56,448)	
Plus: Unamortized Premium							18,008,236	
Total Revenue Bonds Payable, Net							\$1,356,744,225	

* For variable rate debt, interest rates in effect at June 30, 2015 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	Revenues Net of Expenses	Current Year		Estimate of % of Revenues Pledged
				Principal	Interest	
(1)	Utilities Revenue	\$58,890,000	\$28,212,895	\$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 Merrill Lynch, Pierce, Fenner & Smith Incorporated (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"), \$100 million with Royal Bank of Canada ("the Bank") and \$100 million with U.S. Bank, N.A. ("the Bank") on September 19, 2014. 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 shown below in the table 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.

Facility Fee					
S&P	Fitch	Moody's	Wells Fargo	Royal Bank of Canada	U.S. Bank
AA+ or higher	AA+ or higher	Aa1 or higher	0.35%	0.27%	0.25%
AA	AA	Aa2	0.40%	0.32%	0.35%
AA-	AA-	Aa3	0.50%	0.37%	0.45%
A+	A+	A1	0.60%	0.47%	0.55%
A	A	A2	0.70%	0.57%	0.65%
A- or lower	A- or lower	A3 or lower	1.70%	1.57%	1.65%

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.

The line of credit agreement with U.S. Bank, N.A., Wells Fargo Bank, N.A., and Royal Bank of Canada expire on September 19, 2017, September 19, 2018 and September 18, 2019, respectively. These agreements are 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 BBB- for S&P, BBB- for Fitch, and Baa3 for Moody's. At June 30, 2015, no purchase drawings had been made under the line of credit.

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" (the "2012D Bond") 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 II - Carolina Student Athlete Center for Excellence". On June 1, 2015, the terms of the 2012D Bond were modified, changing the principal amount to \$30 million and extending the maturity to June 1, 2042 (the "maturity date"). All other terms listed below remained the same.

Interest will be payable on the 2012D Bond on the maturity date or, if sooner, the prepayment date of the 2012D 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 2012D 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 of the 2012D Bond 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 of the 2012D Bond 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 London Interbank Offered Rate (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 percent) by adding (1) the one month LIBOR plus (2) 1 percent 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 percent 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 \$50,152,438 (\$84,135,000 ultimate maturity less \$8,737,562 discount less \$25,245,000 principal paid) and \$0 (\$25,275,000 ultimate maturity less \$25,275,000 principal paid), respectively, which is the accreted value at June 30, 2015. The Series 1997 Utility System bond matures in 2021. The Series 1991 U.S. Environmental Protection Agency Project bond matured in 2015 and is paid in full.

E \ ANNUAL REQUIREMENTS

The annual requirements to pay principal and interest on the long-term obligations at June 30, 2015, are as follows:

Fiscal Year	Annual Requirements			Notes Payable	
	Principal	Interest	Interest Rate Swaps, Net*	Principal	Interest
2016	\$43,881,667	\$45,829,383	\$9,764,372	\$1,082,034	\$2,004,240
2017	60,918,333	45,254,106	8,606,848	20,281,345	1,880,877
2018	77,140,000	44,610,208	7,203,333	1,182,524	1,764,850
2019	77,745,000	43,920,197	4,662,703	1,236,076	1,711,298
2020	60,603,333	43,099,585	2,809,353	1,291,893	1,655,481
2021-2025	162,266,667	204,448,339	3,324,890	33,051,371	2,551,157
2026-2030	189,590,000	173,723,260	65,399		
2031-2035	478,405,000	108,749,383			
2036-2040	166,980,000	15,927,048			
2041-2045	30,000,000	805,000			
Total Requirements	\$1,347,530,000	\$726,366,509	\$36,436,898	\$58,125,243	\$11,567,903

Interest on the variable rate General Revenue Bonds 2001B is calculated at 0.03% at June 30, 2015.

Interest on the variable rate General Revenue Bonds 2001C is calculated at 0.02% at June 30, 2015.

Interest on the variable rate General Revenue Bonds 2012A is calculated at 0.58% at June 30, 2015.

Interest on the variable rate General Revenue Bonds 2012B is calculated at 0.88% at June 30, 2015.

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 67% of 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% - 0.050%) x (\$22,000,000 - annual swap reduction); (3.314% - 0.1250%) x \$82,365,000 notional amount; and, (4.375% - 0.1250%) x \$150,000,000 notional amount.

The fiscal year 2016 principal requirements include demand bonds principal payments due for 2016 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 percent of One Month LIBOR plus an applicable spread of 0.45 percent (45 basis points) for the 2012A Bonds and 0.75 percent (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 percent 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 \$27,585,000, total principal payments in 2018 will reduce by \$50,000,000 to \$27,140,000, total principal payments in 2019 will reduce by \$50,000,000 to \$27,745,000, total principal payments in 2020 will reduce by \$33,333,333 to \$27,270,000, and total principal payments in 2021 will reduce by \$16,666,667 to \$27,045,000.

F \ BOND DEFEASANCE

The University has extinguished long-term debt obligations by the issuance of new long-term debt instruments as follows:

General Revenue Bonds, Series 2005

On October 9, 2014, the University issued \$265,600,000 in The University of North Carolina at Chapel Hill Taxable General Revenue Refunding Bonds, Series 2014, with an average interest rate of 3.87 percent. The bonds were issued to advance refund \$250,000,000 of outstanding The University of North Carolina at Chapel Hill General Revenue Bonds, Series 2005A, bonds with an average interest rate of 4.99 percent. The net proceeds of the refunding bonds, along with additional University resources, were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments by \$26,934,799 over the next 21 years and resulted in an economic gain of \$21,900,783. At June 30, 2015, the outstanding balance was \$250,000,000 for the defeased The University of North Carolina at Chapel Hill General Revenue Bonds, Series 2005A bonds.

G \ NOTES PAYABLE

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

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through 06/30/2015	Principal Outstanding 06/30/2015
Real Property Purchase	Bank of America	3.550%	02/14/2024	\$9,250,000	\$4,818,348	\$4,431,652
Real Property Purchase	Bank of America	1.337%	04/30/2018	411,896	411,896	0
Real Property Purchase	Aviva	5.000%	01/01/2022	36,500,000	1,956,410	34,543,590
Real Property Purchase	Wells Fargo	0.787%	10/02/2016	19,150,000	0	19,150,000
Total Notes Payable				\$65,311,896	\$7,186,654	\$58,125,242

The UNC-Chapel Hill Foundation, part of the University's reporting entity, has a line of credit agreement issued by Bank of America 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. The initial amount of commitment was up to \$3,000,000. Prior to the original 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. Prior to the maturity date of June 30, 2015, the Foundation renewed the line of credit with a new commitment amount of up to \$4,000,000 and with a new maturity date of April 30, 2018. 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 percent, 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 are 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 percent 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, 2015, the total amount of draws against the line of credit note was \$19,150,000.

H \ ANNUITIES PAYABLE

The University participates in split-interest agreements with donors that require benefits payments for a specified period

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

NOTE 9 DERIVATIVE INSTRUMENTS

Derivative instruments held at June 30, 2015, are as follows:

Type	Notional Amount	Classification	Change in Fair Value		Fair Value	
			Increase (Decrease)	Classification	Asset (Liability)	
<i>Hedging Derivative Instruments</i>						
<i>Cash Flow Hedges</i>						
Pay-fixed interest rate swap	\$100,000,000	Deferred outflow of resources	(\$4,248,982)	Hedging derivative liability		(\$24,814,739)
Pay-fixed interest rate swap	\$150,000,000	Deferred outflow of resources	(9,366,938)	Hedging derivative liability		(71,991,262)
			(\$13,615,920)			(\$96,806,001)
<i>Investment Derivative Instruments</i>						
Pay fixed interest rate swap 2001B bonds	\$16,895,000	Investment income	\$208,612	Accounts payable		(\$3,619,867)
Foreign equities futures	(a)	Investment income	3,444,577	Other investments		11,019,312
U.S dollar equity futures	\$48,072,960	Investment income	8,340,464	Other investments		49,156,842
Foreign exchange futures	(b)	Investment income	(760,215)	Other investments		19,239,785
Foreign currency futures	(\$157,717,950)	Investment income	16,500,067	Other investments		21,875,450
			\$27,733,505			\$97,671,522

(a) 1.2 Billion Yen
(b) 16.8 Million Euro

Hedging derivative instruments held at June 30, 2015, 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 their financial advisor. The method used by their 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, 2015. The fair values are calculated as of June 30, 2015. 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.

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 \$3,619,867 as of June 30, 2015. 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, 2015. 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 percent and receives the Securities Industry and Financial Markets Association (SIFMA) Swaps Index rate. On June 30, 2015, SIFMA was 0.07 percent. The interest rate swap has a notional amount of \$16,895,000 and matures November 1, 2025.

Foreign Currency Risk: Foreign currency forward contracts are utilized from time to time to minimize the risk and exposure to fluctuations in the exchange rates of foreign currencies. 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, 2015:

Fiscal Year	Amount
2016	\$200,937
Total Minimum Lease Payments	200,937
Amount Representing Interest	
(4.380% - 4.834% Rate of Interest)	9,265
Present Value of Future Lease Payments	\$191,672

Machinery and equipment acquired under capital lease amounted to \$1,081,131 at June 30, 2015. Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled \$294,904 at June 30, 2015.

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, 2015:

Fiscal Year	Amount
2016	\$6,153,928
2017	4,703,528
2018	3,710,470
2019	2,572,412
2020	2,344,305
2021-2025	5,313,395
Total Minimum Lease Payments	\$24,798,038

Rental expense for all operating leases during the year was \$27,947,827.

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	\$492,587,070		\$97,360,604	\$221,251		\$395,005,215
Patient Services	\$815,147,449			\$3,083,247	\$488,364,069	\$323,700,133
<i>Sales and Services</i>						
Professional Income	\$153,396,109	\$4,410,756				\$148,985,353
Residential Life	78,408,791		\$10,270,739			68,138,052
Athletic	57,815,777	23,175				57,792,602
Dining	34,881,975					34,881,975
Utilities	130,599,119	102,288,375				28,310,744
Parking	25,671,479	1,318,575				24,352,905
Student Stores	26,742,152	4,467,182	979,561			21,295,409
Other	54,442,044	33,974,482	250,726			20,216,836
UNC Management Company	11,604,305					11,604,305
Health, Physical Education, and Recreation Services	8,158,780		160,229			7,998,551
Telecommunications	18,808,308	11,124,342				7,683,966
Trademark License Program	7,317,731					7,317,731
Gene Therapy Center	6,117,931	204,380				5,913,551
School of Government	4,298,990					4,298,990
KFBS Center	2,434,924					2,434,924
Rental Property	2,424,150					2,424,150
Performing Arts Series	2,400,287					2,400,287
Doubletree Carolina Inn	1,640,400					1,640,400
Printing/Carolina Copy	2,196,932	625,893				1,571,039
ERP Student Fees	1,399,750					1,399,750
Repairs and Maintenance	26,993,939	26,639,449				354,490
Materials Management and Distribution	3,290,441	2,987,869				302,572
Student Union Services	446,916	186,099				260,817
Total Sales and Services	\$661,491,230	\$188,250,576	\$11,661,255	\$0	\$0	\$461,579,399
Non-operating - Non-capital Gifts	\$156,120,871			\$1,055,776		\$155,065,095

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

NOTE 12 OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation and Amortization	Total
Instruction	\$531,344,803	\$21,650,672	\$130,323,817		\$473,777		\$683,793,069
Research	295,040,390	44,439,463	374,569,643		43,355		714,092,851
Public Service	73,806,847	12,273,988	66,339,537		240,136		152,660,508
Academic Support	77,404,591	9,547,258	23,321,545		143,612		110,417,006
Student Services	20,240,653	840,216	14,763,932		575		35,845,376
Institutional Support	74,438,401	11,826,069	44,590,917		49,624		130,905,011
Operations and Maintenance of Plant	48,191,877	10,762,049	30,165,808		72,896,707		162,016,441
Student Financial Aid				\$119,452,838			119,452,838
Auxiliary Enterprises	368,044,806	76,968,523	202,555,828		14,525,018		662,094,175
Depreciation and Amortization						\$136,492,665	136,492,665
GASB 68 Pension Standard Implementation	16,913,662						16,913,662
Total Operating Expenses	\$1,505,426,030	\$188,308,238	\$886,631,027	\$119,452,838	\$88,372,804	\$136,492,665	\$2,924,683,602

NOTE 13 PENSION PLANS

A \ HEALTH BENEFITS PLAN

Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82 percent of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age

50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6 percent of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The University's contractually-required contribution rate for the year ended June 30, 2015 was 9.15 percent of covered payroll. The University's contributions to the pension plan were \$41,292,272, and employee contributions were \$27,076,900 for the year ended June 30, 2015.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2014 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.

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

Methods Used to Value TSERS Investment: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2014 Comprehensive Annual Financial Report.

Net Pension Liability: At June 30, 2015, the University reported a liability of \$37,801,432 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The University's proportion of the net pension liability was based on the present value of future salaries for the University relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the University's proportion was 3.22 percent, which was an increase of 0.75 percent from its proportion measured as of June 30, 2013.

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

Valuation Date	12/31/13
Inflation	3%
Salary Increases*	4.25% - 9.10%
Investment Rate of Return**	7.25%

* Salary increases include 3.5% inflation and productivity factor.

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

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

The actuarial assumptions used in the December 31, 2013 valuations were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.5%
Global Equity	6.1%
Real Estate	5.7%
Alternatives	10.5%
Credit	6.8%
Inflation Protection	3.7%

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset, liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19 percent. All rates of return and inflation are annualized.

Discount Rate: The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$271,364,896	\$37,801,432	(\$159,408,887)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the University recognized pension expense of \$16,913,662. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EMPLOYER BALANCES OF DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS BY CLASSIFICATION:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience		\$8,811,310
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments (see note below)		127,717,222
Change in proportion and differences between agency's contributions and proportionate share of contributions	\$2,777,007	
Contributions subsequent to the measurement date	41,292,272	
Total	\$44,069,279	\$136,528,532

\$41,292,272 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

SCHEDULE OF THE NET AMOUNT OF THE EMPLOYER'S BALANCES OF DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES THAT WILL BE RECOGNIZED IN PENSION EXPENSE:

Year ended June 30:	Amount
2016	(\$33,521,490)
2017	(33,521,490)
2018	(33,521,490)
2019	(33,187,055)
2020	-
Total	(\$133,751,525)

B \ DEFINED CONTRIBUTION PLAN

The Optional Retirement Program (Program) is a defined contribution pension 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, 2015, 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 \$1,253,300,237, of which \$560,642,732 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were \$38,347,963 and \$33,638,564, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions less forfeitures of \$1,332,015.

NOTE 14

OTHER POSTEMPLOYMENT BENEFITS

A \ HEALTH BENEFITS

The University participates in the Comprehensive Major Medical Plan (the Plan), a costsharing, multipleemployer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include longterm 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 Chapter 135, Article 3B, of the General

Statutes and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic postretirement 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 payasyougo basis, are established by the General Assembly.

For the current fiscal year, the University contributed 5.49 percent of the covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the Fund. Required contribution rates for the years ended June 30, 2014, and 2013, were 5.4 percent and 5.3 percent respectively. The University made 100 percent of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were \$55,554,649, \$53,247,759, and \$51,582,373, 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 costsharing, multipleemployer defined benefit plan, to provide shortterm and longterm 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 postretirement 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, 2015,

the University made a statutory contribution of 0.41 percent of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC. The required contribution rate for the years ended June 30, 2014, and 2013, was .44 percent in both years. The University made 100 percent of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were \$4,148,890, \$4,338,706, and \$4,282,310, respectively. The University assumes no liability for longterm 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*, issued by the Office of the state controller.

NOTE 15 RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in stateadministered insurance programs, purchase of commercial insurance, and selfretention 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 stateowned 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. However, some agencies have chosen a higher deductible for a reduction in premium.

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

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

Other authorized coverage not handled by the North Carolina Department of Insurance is purchased through the state's insurance agent of record. Examples include, but are not limited to, fine arts, boiler and machinery, medical professional liability, 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, 2014 through June 30, 2015, 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, 2015, 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, 2015, University assets in the Trust Fund totaled \$26,842,273 while University liabilities totaled \$20,156,344 resulting in net position of \$6,685,929.

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

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

Additional details on the stateadministered 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 \$57,841,632 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, 2015, the UNC Investment Fund had approximately \$866,162,660 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. The purpose and amount of other contingent receivables at year-end are as follows:

Purpose	Amount
Pledges to permanent endowments	\$31,173,491

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 \$41,600,066 for the year ended June 30, 2015.

NOTE 18
INVESTMENT IN JOINT VENTURES

The University is a member of the Southern Observatory for Astronomical Research Consortium (SOAR), a joint venture accounted for under the equity method and valued at \$8,318,917. The University is partners with Michigan State University, the Association of Universities for Research in Astronomy, and the Ministry of Science and Technology of the Federal Republic of Brazil. SOAR designed, constructed, and now operates a 4.0-meter telescope with instrumentation and related support buildings located at Cerro Pachon, a mountain in central Chile. The SOAR agreement allocates the University 16.7 percent of observing time until 2023. The audited financial statements for SOAR may be obtained from the University Controller's Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370.

The University is a member of the Carolina Vascular Access Center, a joint venture accounted for under the ongoing financial responsibility method and valued at \$1,214,218. The University is partners with Capital Nephrology and Durham Nephrology and has a 40.0 percent share. This joint venture provides dialysis services to patients in Orange, Durham and Wake counties. The audited financial statements for the joint venture may be obtained from the University Controller's Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370.

The University is a member of the Carolina Behavioral Health Alliance, a joint venture accounted for under the ongoing financial responsibility method and valued at \$167,500. The University is partners with Wake Forest Baptist Medical Center and East Carolina University and has a 33.3 percent share. The joint venture specializes in

managed mental health benefit plans serving the Winston-Salem and Charlotte areas. The audited financial statements for the joint venture may be obtained from the University Controller's Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370.

NOTE 19 BLENDED COMPONENT UNITS

Condensed combining information for the University's blended component units for the year ended June 30, 2015, is presented as follows:

CONDENSED STATEMENT OF NET POSITION

June 30, 2015

	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	\$1,645,755,896	\$17,626,711		\$31,102,155	\$72,222,276	\$41,179,601		\$1,807,886,639
Capital Assets	3,058,812,492			42,983,811		24,714,894		3,126,511,197
Other Non-current Assets	(1,097,854,821)	4,718,246,805	\$2,885,459,966	347,831,122	412,036,834	142,987,397	(\$3,291,633,432)	4,117,073,871
Total Assets	3,606,713,567	4,735,873,516	2,885,459,966	421,917,088	484,259,110	208,881,892	(3,291,633,432)	9,051,471,707
Deferred Outflows of Resources	144,358,897							144,358,897
<i>Liabilities</i>								
Current Liabilities	553,795,833	15,392,686	1,542,135	10,940,406	213,405	7,272,456	(1,542,135)	587,614,786
Non-current Liabilities	1,620,539,468			85,324,332		24,553,340	2,074,358,608	3,804,775,748
Total Liabilities	2,174,335,301	15,392,686	1,542,135	96,264,738	213,405	31,825,796	2,072,816,473	4,392,390,534
Deferred Inflows of Resources	136,528,532							136,528,532
<i>Net Position</i>								
Net Investment in Capital Assets	1,664,589,180			20,349,415		2,009,980		1,686,948,575
Restricted - Non-expendable	(2,201,304,858)	4,720,480,830	2,883,917,831	140,288,492	484,045,705	110,570,399	(5,364,449,905)	773,548,494
Restricted - Expendable	1,291,296,767			120,178,679		41,532,145		1,453,007,591
Unrestricted	685,627,542			44,835,764		22,943,572		753,406,878
Total Net Position	\$1,440,208,631	\$4,720,480,830	\$2,883,917,831	\$325,652,350	\$484,045,705	\$177,056,096	(\$5,364,449,905)	\$4,666,911,538

*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.

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

For the Fiscal Year Ended June 30, 2015

	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	\$1,143,156,753			\$11,695,467		\$25,432,527		\$1,180,284,747
Other Operating Revenues	841,276,479			8,834,162		889,391		851,000,032
Total Operating Revenues	1,984,433,232			20,529,629		26,321,918		2,031,284,779
<i>Operating Expenses</i>								
Operating expenses	2,726,621,560			36,482,012		25,087,365		2,788,190,937
Depreciation	136,492,665							136,492,665
Total Operating Expenses	2,863,114,225			36,482,012		25,087,365		2,924,683,602
Operating Income	(878,680,993)			(15,952,383)		1,234,553		(893,398,823)
<i>Non-Operating Revenues (Expenses)</i>								
Investment Income, Net	82,064,116	\$394,804,136	\$255,602,667	24,643,552	\$15,587,112	8,387,396	(\$585,682,243)	195,406,736
Other, Net	666,149,530	103,086,688	(11,719,325)	(6,248,788)	(1,307,112)	7,170,389	11,719,325	768,850,707
Non-Operating Revenues (Expenses)	748,213,646	497,890,824	243,883,342	18,394,764	14,280,000	15,557,785	(573,962,918)	964,257,443
Additions To Endowment	11,473,705			5,296,089		2,927,498		19,697,292
Increase (Decrease) In Net Position	(118,993,642)	497,890,824	243,883,342	7,738,470	14,280,000	19,719,836	(573,962,918)	90,555,912
Net Position, July 1, 2014, As Restated	1,559,202,273	4,222,590,006	2,640,034,489	317,913,880	469,765,705	157,336,260	(4,790,486,987)	4,576,355,626
Net Position, July 1, 2015	\$1,440,008,631	\$4,720,480,830	\$2,883,917,831	\$325,652,350	\$484,045,705	\$177,056,096	(\$5,364,449,905)	\$4,666,911,538

*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.

CONDENSED STATEMENT OF CASH FLOWS

June 30, 2015

	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	(\$707,216,514)	(\$9,211,942)	\$3,749,047	(\$712,679,409)
Net Cash Used by Non-capital Financing Activities	938,214,239	3,476,438	(528,659)	941,162,018
Net Cash Used by Capital and Related Financing Activities	(181,072,143)	(3,615,452)	1,046,230	(183,641,365)
Net Cash Provided by Investing Activities	(316,266,595)	10,079,431	3,749,844	(302,437,320)
Net Increase (Decrease) in Cash and Cash Equivalents	(266,341,013)	728,475	8,016,462	(257,596,076)
Cash and Cash Equivalents, July 1, 2014	646,817,273	29,393,462	21,422,547	697,633,282
Cash and Cash Equivalents, June 30, 2015	\$380,476,260	\$30,121,937	\$29,439,009	\$440,037,206

*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.

NOTE 20
NET POSITION RESTATEMENTS

As of July 1, 2014, net position as previously reported was restated as follows:

	Amount
July 1, 2014 Net Position as Previously Reported	\$4,772,846,849
Restatements:	
Ackland Art collection recognized as capital asset	31,910,629
Record the University's net pension liability and pension related deferred outflows of resources per GASB 68 requirements.	(154,639,295)
Revenue adjustment	(73,762,557)
July 1, 2014 Net Position as Restated	\$4,576,355,626

NOTE 21
SUBSEQUENT EVENTS

General Revenue Bonds 2012A in the amount of \$100,000,000 were initially issued in an Index Mode, with an initial tender date of December 1, 2015. On or before that date, the University plans to draw Commercial Paper Bonds to fund a redemption of the entire series of General Revenue 2012A Bonds.

On October 30, 2015, the Board of Governors of the University of North Carolina System approved the issuance of

General Revenue Bonds in 2016 not to exceed \$593,000,000. The issued amount is expected to refund up to \$128,580,000 of General Revenue Bonds 2005A, up to \$298,475,000 General Revenue Bonds 2007, and up to \$133,000,000 of outstanding Commercial Paper Bonds. The Commercial Paper Bonds under refund consideration includes \$100,000,000 used to fund the redemption of the General Revenue Bonds 2012A, in addition to up to \$33,000,000 of outstanding Commercial Paper Bonds. The University plans to issue the 2016 Series General Revenue Bonds in February 2016.



2015 COMPREHENSIVE
ANNUAL FINANCIAL REPORT

THE UNIVERSITY OF
NORTH CAROLINA AT CHAPEL HILL

STATISTICAL SECTION



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NET POSITION BY COMPONENT

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>					<i>(as restated)</i>				
Net Investment in Capital Assets	\$1,686,949	\$1,694,842	\$1,632,515	\$1,645,959	\$1,587,446	\$1,420,104	\$1,338,833	\$1,290,034	\$1,211,805	\$1,119,040
Restricted, Non-expendable	773,548	724,605	702,225	700,687	656,723	621,873	586,175	548,151	493,305	430,316
Restricted, Expendable	1,453,008	1,390,715	1,193,821	990,908	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133
Unrestricted	753,407	766,194	972,888	896,092	851,254	778,439	700,280	671,970	617,573	525,513
Total Net Position	\$4,666,912	\$4,576,356	\$4,501,449	\$4,233,646	\$4,102,959	\$3,711,598	\$3,462,442	\$3,709,435	\$3,409,036	\$2,928,002

expressed as a percent of the total

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>					<i>(as restated)</i>				
	%	%	%	%	%	%	%	%	%	%
Net Investment in Capital Assets	36.2	37.1	36.3	38.9	38.7	38.3	38.7	34.8	35.5	38.2
Restricted, Non-expendable	16.6	15.8	15.6	16.5	16.0	16.7	16.9	14.8	14.5	14.7
Restricted, Expendable	31.1	30.4	26.5	23.4	24.6	24.0	24.2	32.3	31.9	29.2
Unrestricted	16.1	16.7	21.6	21.2	20.7	21.0	20.2	18.1	18.1	17.9
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,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>					<i>(as restated)</i>				
	%	%	%	%	%	%	%	%	%	%
Net Investment in Capital Assets	(0.5)	3.8	(0.8)	3.7	11.8	6.1	3.8	6.5	8.3	n/a
Restricted, Non-expendable	6.8	3.2	0.2	6.7	5.6	6.1	6.9	11.1	14.6	n/a
Restricted, Expendable	4.5	16.5	20.5	(1.7)	13.1	6.5	(30.2)	10.4	27.3	n/a
Unrestricted	(1.7)	(21.2)	8.6	5.3	9.4	11.2	4.2	8.8	17.5	n/a
Total Net Position	2.0	1.7	6.3	3.2	10.5	7.2	(6.7)	8.8	16.4	n/a

CHANGES IN NET POSITION

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	\$395,005	\$361,771	\$348,049	\$320,535	\$289,897	\$249,083	\$236,960	\$218,763	\$210,651	\$195,882
Patient services, net	323,700	312,054	291,277	280,671	280,035	242,757	237,966	214,706	197,221	184,324
Federal grants and contracts	716,564	707,514	587,220	578,702	571,288	530,368	471,680	447,793	429,059	422,229
State and local grants and contracts	17,227	37,613	41,471	41,953	38,251	37,679	29,091	51,207	45,256	41,842
Non-governmental grants and contracts	106,762	158,133	132,506	105,191	146,081	120,674	123,649	115,513	92,572	89,976
Sales and services, net	461,580	458,458	429,243	400,480	373,706	354,439	321,505	349,372	324,432	301,303
Interest earnings on loans	1,167	823	730	849	842	790	801	666	679	672
Other operating revenues	9,280	2,872	8,198	8,148	4,836	6,485	7,835	6,232	4,574	5,283
Total operating revenues	2,031,285	2,039,238	1,838,694	1,736,529	1,704,936	1,542,275	1,429,487	1,404,252	1,304,444	1,241,511
Expenses										
<i>Operating Expenses</i>										
Salaries and benefits	1,505,426	1,622,395	1,435,472	1,375,758	1,379,178	1,340,749	1,309,862	1,210,757	1,122,269	1,042,452
Supplies and materials	188,308	159,907	160,698	164,899	162,999	156,404	174,501	161,219	165,704	152,911
Services	886,631	872,702	650,516	617,589	614,928	538,784	533,023	526,646	462,093	432,212
Scholarships and fellowships	119,453	112,450	104,557	96,871	91,140	69,083	58,557	58,058	56,662	54,105
Utilities	88,373	85,157	83,265	80,832	81,471	81,210	77,636	66,197	60,727	56,277
Depreciation and amortization	136,493	130,438	117,968	113,530	102,724	90,861	70,747	66,413	80,827	64,475
Total operating expenses	2,924,684	2,983,049	2,552,476	2,449,479	2,432,440	2,277,091	2,224,326	2,089,290	1,948,282	1,802,432
Operating loss	(893,399)	(943,811)	(713,782)	(712,950)	(727,504)	(734,816)	(794,839)	(685,038)	(643,838)	(560,921)
Non-Operating Revenues (Expenses)										
State appropriations	479,186	482,728	515,121	486,492	520,198	509,691	518,276	543,292	492,471	440,070
State aid - federal recovery funds	0	0	0	0	14,480	32,062	20,051	0	0	0
Non-capital grants -- federal student financial aid	36,232	18,622	18,011	17,899	18,946	17,099	10,170	0	0	0
Non-capital grants	88,597	122,611	164,790	163,440	175,600	155,014	143,846	102,932	62,669	67,388
Non-capital gifts, net	155,065	97,416	67,641	99,446	93,166	75,881	87,226	113,094	73,637	68,824
Investment income (loss), net	195,407	258,372	191,969	33,134	208,184	103,605	(296,904)	146,650	317,767	207,423
Interest and fees on debt	(67,459)	(66,217)	(70,118)	(64,321)	(56,765)	(64,261)	(52,465)	(53,311)	(42,926)	(39,921)
Federal interest subsidy on debt	2,107	2,109	2,174	2,274	2,273	1,130	0	0	0	0
Gain (Loss) on sale of assets	(7,867)	0	0	0	0	0	0	0	0	0
Other non-operating revenues (expenses)	40,498	(6,162)	(1,600)	(6,053)	(2,670)	(14,219)	2,359	851	146	(230)
Net non-operating revenues	921,766	909,479	887,988	732,311	973,412	816,002	432,559	853,508	903,764	743,554
Income before other revenues	28,367	(34,332)	174,206	19,361	245,908	81,186	(362,280)	168,470	259,926	182,633
Capital appropriations	1,600	4,313	2,285	0	0	0	12,539	47,206	52,888	15,776
Refund of prior years capital appropriations	0	0	0	0	(81)	(444)	(3,317)	0	0	0
Capital grants	29,631	41,507	44,177	78,133	91,864	86,117	27,124	12,885	118,850	52,277
Capital gifts	11,261	6,064	23,182	5,630	9,149	50,688	34,686	11,596	15,662	13,368
Additions to endowments	19,697	25,609	23,953	27,563	44,521	31,609	44,255	60,242	39,442	56,069
Increase (Decrease) in Net Position	\$90,556	\$43,161	\$267,803	\$130,687	\$391,361	\$249,156	(\$246,993)	\$300,399	\$486,768	\$320,123

CHANGES IN NET POSITION (CONTINUED)

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>					<i>(as restated)</i>				
Total Revenues	\$3,082,699	\$3,098,589	\$2,891,998	\$2,650,540	\$2,883,317	\$2,605,171	\$2,330,019	\$2,443,000	\$2,477,976	\$2,162,706
Total Expenses	2,992,143	3,055,428	2,624,195	2,519,853	2,491,956	2,356,015	2,577,012	2,142,601	1,991,208	1,842,583
Increase (Decrease) in Net Assets	\$90,556	\$43,161	\$267,803	\$130,687	\$391,361	\$249,156	(\$246,993)	\$300,399	\$486,768	\$320,123

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>					<i>(as restated)</i>				
	%	%	%	%	%	%	%	%	%	%
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	12.8	11.7	12.0	12.1	10.1	9.6	10.2	9.0	8.5	9.1
Patient services, net	10.5	10.1	10.1	10.6	9.7	9.3	10.2	8.8	8.0	8.5
Federal grants and contracts	23.2	22.8	20.4	21.8	19.8	20.5	20.4	18.3	17.3	19.6
State and local grants and contracts	0.6	1.2	1.4	1.6	1.3	1.4	1.2	2.1	1.8	1.9
Non-governmental grants and contracts	3.5	5.1	4.6	4.0	5.1	4.6	5.3	4.7	3.7	4.2
Sales and services, net	15.0	14.8	14.8	15.1	13.0	13.6	13.8	14.3	13.1	13.9
Interest earnings on loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating revenues	0.3	0.1	0.3	0.3	0.2	0.2	0.3	0.3	0.2	0.2
Total operating revenues	65.9	65.8	63.6	65.5	59.1	59.2	61.4	57.5	52.6	57.4
Expenses										
<i>Operating Expenses</i>										
Salaries and benefits	50.3	53.1	54.7	54.6	55.3	56.9	50.8	56.5	56.4	56.6
Supplies and materials	6.3	5.2	6.1	6.5	6.5	6.6	6.8	7.5	8.3	8.3
Services	29.6	28.6	24.8	24.5	24.7	22.9	20.7	24.6	23.2	23.5
Scholarships and fellowships	4.0	3.7	4.0	3.8	3.7	2.9	2.3	2.7	2.8	2.9
Utilities	3.0	2.8	3.2	3.2	3.3	3.4	3.0	3.1	3.0	3.1
Depreciation and amortization	4.6	4.3	4.5	4.5	4.1	3.9	2.7	3.1	4.1	3.5
Total operating expenses	94.9	96.3	88.3	92.4	84.4	87.4	95.5	85.5	78.6	83.3
Operating loss	(29.0)	(30.5)	(24.7)	(26.9)	(25.3)	(28.2)	(34.1)	(28.0)	(26.0)	(25.9)
Non-Operating Revenues (Expenses)										
State appropriations	15.5	15.6	17.8	18.4	18.0	19.6	22.2	22.4	19.9	20.3
State aid - federal recovery funds	0.0	0.0	0.0	0.0	0.5	1.2	0.9	0.0	0.0	0.0
Non-capital grants -- federal student financial aid	1.2	0.6	0.6	0.7	0.7	0.7	0.4	0.0	0.0	0.0
Non-capital grants	2.9	4.0	5.7	6.2	6.1	6.0	6.2	4.2	2.5	3.1
Non-capital gifts, net	5.0	3.1	2.3	3.8	3.2	2.9	3.7	4.6	3.0	3.2
Investment income (loss), net	6.3	8.3	6.6	1.3	7.2	4.0	(11.5)	6.0	12.8	9.6
Interest and fees on debt	(2.3)	(2.2)	(2.7)	(2.6)	(2.3)	(2.7)	(2.0)	(2.5)	(2.2)	(2.2)
Federal interest subsidy on debt	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Other non-operating revenues (expenses)	1.4	(0.2)	(0.1)	(0.2)	(0.1)	(0.6)	0.1	0.0	0.0	0.0
Net non-operating revenues	29.9	29.4	30.7	27.6	33.9	31.3	18.6	34.9	36.5	34.3
Income before other revenues	0.9	(1.1)	6.0	0.7	8.6	3.1	(15.5)	6.9	10.5	8.4
Capital appropriations	0.1	0.1	0.1	0.0	0.0	0.0	0.5	1.9	2.1	0.7
<i>Refund of prior years capital appropriations</i>	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0
Capital grants	0.9	1.4	1.6	3.0	3.2	3.3	0.9	0.4	4.8	2.5
Capital gifts	0.4	0.2	0.8	0.2	0.3	1.9	1.5	0.5	0.6	0.6
Additions to endowments	0.6	0.8	0.8	1.0	1.5	1.2	1.9	2.5	1.6	2.6
Increase (Decrease) in Net Position	2.9	1.4	9.3	4.9	13.6	9.6	(10.6)	12.3	19.6	14.8

Note: Percent of total expenses is italicized

CHANGES IN NET POSITION (CONTINUED)

Last ten fiscal years

percentage increase (decrease) from prior year

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	%	%	%	%	%	%	%	%	%	%
	(as restated)					(as restated)				
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	9.2	3.9	8.6	10.6	16.4	5.1	8.3	3.9	7.5	n/a
Patient services, net	3.7	7.1	3.8	0.2	15.4	2.0	10.8	8.9	7.0	n/a
Federal grants and contracts	1.3	20.5	1.5	1.3	7.7	12.4	5.3	4.4	1.6	n/a
State and local grants and contracts	(54.2)	(9.3)	(1.1)	9.7	1.5	29.5	(43.2)	13.1	8.2	n/a
Non-governmental grants and contracts	(32.5)	19.3	26.0	(28.0)	21.1	(2.4)	7.0	24.8	2.9	n/a
Sales and services, net	0.7	6.8	7.2	7.2	5.4	10.2	(8.0)	7.7	7.7	n/a
Interest earnings on loans	41.8	12.7	(14.0)	0.8	6.6	(1.4)	20.3	(1.9)	1.0	n/a
Other operating revenues	223.1	(65.0)	0.6	68.5	(25.4)	(17.2)	25.7	36.2	(13.4)	n/a
Total operating revenues	(0.4)	10.9	5.9	1.9	10.5	7.9	1.8	7.7	5.1	n/a
Expenses										
<i>Operating Expenses</i>										
Salaries and benefits	(7.2)	13.0	4.3	(0.2)	2.9	2.4	8.2	7.9	7.7	n/a
Supplies and materials	17.8	(0.5)	(2.5)	1.2	4.2	(10.4)	8.2	(2.7)	8.4	n/a
Services	1.6	34.2	5.3	0.4	14.1	1.1	1.2	14.0	6.9	n/a
Scholarships and fellowships	6.2	7.5	7.9	6.3	31.9	18.0	0.9	2.5	4.7	n/a
Utilities	3.8	2.3	3.0	(0.8)	0.3	4.6	17.3	9.0	7.9	n/a
Depreciation and amortization	4.6	10.6	3.9	10.5	13.1	28.4	6.5	(17.8)	25.4	n/a
Total operating expenses	(2.0)	16.9	4.2	0.7	6.8	2.4	6.5	7.2	8.1	n/a
Operating loss	(5.3)	32.2	0.1	(2.0)	(1.0)	(7.6)	16.0	6.4	14.8	n/a
Non-Operating Revenues (Expenses)										
State appropriations	(0.7)	(6.3)	5.9	(6.5)	2.1	(1.7)	(4.6)	10.3	11.9	n/a
State aid - federal recovery funds	0.0	0.0	0.0	(100.0)	(54.8)	59.9	n/a	n/a	n/a	n/a
Non-capital grants -- federal student financial aid	94.6	3.4	0.6	(5.5)	10.8	68.1	n/a	n/a	n/a	n/a
Non-capital grants	(27.7)	(25.6)	0.8	(6.9)	13.3	7.8	39.7	64.2	(7.0)	n/a
Non-capital gifts, net	59.2	44.0	(32.0)	6.7	22.8	(13.0)	(22.9)	53.6	7.0	n/a
Investment income (loss), net	(24.4)	34.6	479.4	(84.1)	100.9	134.9	(302.5)	(53.8)	53.2	n/a
Interest and fees on debt	1.9	(5.6)	9.0	13.3	(11.7)	22.5	(1.6)	24.2	7.5	n/a
Federal interest subsidy on debt	(0.1)	(3.0)	(4.4)	0.0	101.2	n/a	n/a	n/a	n/a	n/a
Other non-operating revenues (expenses)	(757.2)	285.1	(73.6)	126.7	(81.2)	(702.8)	177.2	482.9	163.5	n/a
Net non-operating revenues	1.4	2.4	21.3	(24.8)	19.3	88.6	(49.3)	(5.6)	21.5	n/a
Income before other revenues	(182.6)	(119.7)	799.8	(92.1)	202.9	122.4	(315.0)	(35.2)	42.3	n/a
Capital appropriations	(62.9)	88.8	0.0	0.0	0.0	(100.0)	(73.4)	(10.7)	235.2	n/a
Refund of prior years capital appropriations	0.0	0.0	0.0	(100.0)	(81.8)	(86.6)	n/a	n/a	n/a	n/a
Capital grants	(28.6)	(6.0)	(43.5)	(14.9)	6.7	217.5	110.5	(89.2)	127.3	n/a
Capital gifts	85.7	(73.8)	311.8	(38.5)	(82.0)	46.1	199.1	(26.0)	17.2	n/a
Additions to endowments	(23.1)	6.9	(13.1)	(38.1)	40.8	(28.6)	(26.5)	52.7	(29.7)	n/a
Increase (Decrease) in Net Position	109.8	(83.9)	104.9	(66.6)	57.1	200.9	(182.2)	(38.3)	52.1	n/a

CHANGES IN NET POSITION ADJUSTED FOR INFLATION

Last ten fiscal years (2006 dollars)

in thousands

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>					<i>(as restated)</i>				
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	\$314,079	\$293,161	\$289,667	\$273,060	\$251,870	\$221,090	\$212,487	\$200,755	\$203,878	\$195,882
Patient services, net	257,383	252,873	242,418	239,100	243,302	215,475	213,390	197,032	190,879	184,324
Federal grants and contracts	569,760	573,334	488,719	492,989	496,350	470,762	422,966	410,932	415,263	422,229
State and local grants and contracts	13,698	30,480	34,515	35,739	33,233	33,444	26,087	46,992	43,801	41,842
Non-governmental grants and contracts	84,889	128,143	110,279	89,611	126,919	107,112	110,879	106,004	89,595	89,976
Sales and services, net	367,015	371,511	357,241	341,164	324,686	314,605	288,301	320,613	314,000	301,303
Interest earnings on loans	928	667	608	723	732	701	718	611	657	672
Other operating revenues	7,379	2,327	6,823	6,941	4,202	5,756	7,026	5,719	4,427	5,283
Total operating revenues	1,615,131	1,652,496	1,530,270	1,479,327	1,481,294	1,368,945	1,281,854	1,288,658	1,262,500	1,241,511
Expenses										
<i>Operating Expenses</i>										
Salaries and benefits	1,197,006	1,314,708	1,194,683	1,171,990	1,198,266	1,190,068	1,174,583	1,111,091	1,086,183	1,042,452
Supplies and materials	149,729	129,581	133,742	140,475	141,618	138,826	156,479	147,948	160,376	152,911
Services	704,985	707,194	541,397	526,116	534,266	478,233	477,974	483,294	447,235	432,212
Scholarships and fellowships	94,980	91,124	87,018	82,523	79,185	61,319	52,509	53,279	54,840	54,105
Utilities	70,268	69,007	69,298	68,860	70,784	72,083	69,618	60,748	58,774	56,277
Depreciation and amortization	108,529	105,700	98,180	96,715	89,249	80,650	63,440	60,946	78,228	64,475
Total operating expenses	2,325,497	2,417,314	2,124,318	2,086,679	2,113,368	2,021,179	1,994,603	1,917,306	1,885,636	1,802,432
Operating loss	(710,366)	(764,818)	(594,048)	(607,352)	(632,074)	(652,234)	(712,749)	(628,648)	(623,136)	(560,921)
Non-Operating Revenues (Expenses)										
State appropriations	381,014	391,179	428,714	414,436	451,962	452,409	464,750	498,570	476,636	440,070
State aid - federal recovery funds	0	0	0	0	12,581	28,459	17,980	0	0	0
Non-capital grants -- federal student financial aid	28,809	15,090	14,990	15,248	16,461	15,177	9,120	0	0	0
Non-capital grants	70,446	99,358	137,148	139,232	152,566	137,593	128,990	94,459	60,654	67,388
Non-capital gifts, net	123,296	78,941	56,295	84,717	80,945	67,353	78,218	103,784	71,269	68,824
Investment income (loss), net	155,374	209,372	159,768	28,226	180,876	91,961	(266,241)	134,578	307,549	207,423
Interest and fees on debt	(53,639)	(53,659)	(58,356)	(54,794)	(49,319)	(57,039)	(47,047)	(48,923)	(41,546)	(39,921)
Federal interest subsidy on debt	1,675	1,709	1,809	1,937	1,975	1,003	0	0	0	0
Other non-operating revenues (expenses)	32,201	(4,993)	(1,332)	(5,156)	(2,320)	(12,621)	2,115	781	141	(230)
Net non-operating revenues	739,176	736,997	739,036	623,846	845,727	724,295	387,885	783,249	874,703	743,554
Income before other revenues	28,810	(27,821)	144,988	16,494	213,653	72,061	(324,864)	154,601	251,567	182,633
Capital appropriations	1,272	3,495	1,902	0	0	0	11,244	43,320	51,187	15,776
Refund of prior years capital appropriations	0	0	0	0	(70)	(394)	(2,974)	0	0	0
Capital grants	23,560	33,635	36,767	66,560	79,814	76,439	24,323	11,824	115,028	52,277
Capital gifts	8,954	4,914	19,293	4,796	7,949	44,991	31,104	10,641	15,158	13,368
Additions to endowments	15,662	20,752	19,935	23,481	38,681	28,057	39,684	55,283	38,174	56,069
Increase (Decrease) in Net Position	\$78,258	\$34,975	\$222,885	\$111,331	\$340,027	\$221,154	(\$221,483)	\$275,669	\$471,114	\$320,123
Higher Education Price Index (HEPI)	340.7	334.3	325.5	318.0	311.8	305.2	302.1	295.2	279.9	270.9

CHANGES IN NET POSITION ADJUSTED FOR INFLATION (CONTINUED)

Last ten fiscal years (2006 dollars)

percentage increase (decrease) from prior year

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	%	%	%	%	%	%	%	%	%	%
	<i>(as restated)</i>					<i>(as restated)</i>				
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net	7.1	1.2	6.1	8.4	13.9	4.0	5.8	(1.5)	4.1	n/a
Patient services, net	1.8	4.3	1.4	(1.7)	12.9	1.0	8.3	3.2	3.6	n/a
Federal grants and contracts	(0.6)	17.3	(0.9)	(0.7)	5.4	11.3	2.9	(1.0)	(1.6)	n/a
State and local grants and contracts	(55.1)	(11.7)	(3.4)	7.5	(0.6)	28.2	(44.5)	7.3	4.7	n/a
Non-governmental grants and contracts	(33.8)	16.2	23.1	(29.4)	18.5	(3.4)	4.6	18.3	(0.4)	n/a
Sales and services, net	(1.2)	4.0	4.7	5.1	3.2	9.1	(10.1)	2.1	4.2	n/a
Interest earnings on loans	39.1	9.7	(15.9)	(1.2)	4.4	(2.4)	17.5	(7.0)	(2.2)	n/a
Other operating revenues	217.1	(65.9)	(1.7)	65.2	(27.0)	(18.1)	22.9	29.2	(16.2)	n/a
Total operating revenues	(2.3)	8.0	3.4	(0.1)	8.2	6.8	(0.5)	2.1	1.7	n/a
Expenses										
<i>Operating Expenses</i>										
Salaries and benefits	(9.0)	10.0	1.9	(2.2)	0.7	1.3	5.7	2.3	4.2	n/a
Supplies and materials	15.5	(3.1)	(4.8)	(0.8)	2.0	(11.3)	5.8	(7.7)	4.9	n/a
Services	(0.3)	30.6	2.9	(1.5)	11.7	0.1	(1.1)	8.1	3.5	n/a
Scholarships and fellowships	4.2	4.7	5.4	4.2	29.1	16.8	(1.4)	(2.8)	1.4	n/a
Utilities	1.8	(0.4)	0.6	(2.7)	(1.8)	3.5	14.6	3.4	4.4	n/a
Depreciation and amortization	2.7	7.7	1.5	8.4	10.7	27.1	4.1	(22.1)	21.3	n/a
Total operating expenses	(3.8)	13.8	1.8	(1.3)	4.6	1.3	4.0	1.7	4.6	n/a
Operating loss	(7.1)	28.7	(2.2)	(3.9)	(3.1)	(8.5)	13.4	0.9	11.1	n/a
Non-Operating Revenues (Expenses)										
State appropriations	(2.6)	(8.8)	3.4	(8.3)	(0.1)	(2.7)	(6.8)	4.6	8.3	n/a
State aid - federal recovery funds	0.0	0.0	0.0	(100.0)	(55.8)	58.3	100.0	n/a	n/a	n/a
Non-capital grants -- federal student financial aid	90.9	0.7	(1.7)	(7.4)	8.5	66.4	100.0	n/a	n/a	n/a
Non-capital grants	(29.1)	(27.6)	(1.5)	(8.7)	10.9	6.7	36.6	55.7	(10.0)	n/a
Non-capital gifts, net	56.2	40.2	(33.5)	4.7	20.2	(13.9)	(24.6)	45.6	3.6	n/a
Investment income (loss), net	(25.8)	31.0	466.0	(84.4)	96.7	(134.5)	(297.8)	(56.2)	48.3	n/a
Interest and fees on debt	(0.0)	(8.0)	6.5	11.1	(13.5)	21.2	(3.8)	17.8	4.1	n/a
Federal interest subsidy on debt	(2.0)	(5.5)	(6.6)	(1.9)	96.9	n/a	n/a	n/a	n/a	n/a
Other non-operating revenues (expenses)	(744.9)	274.8	(74.2)	122.2	(81.6)	(696.7)	170.8	453.9	(161.3)	n/a
Net non-operating revenues	0.3	(0.3)	18.5	(26.2)	16.7	86.7	(50.5)	(10.5)	17.6	n/a
Income before other revenues	(203.6)	(119.2)	779.0	(92.3)	196.5	122.2	(310.1)	(38.5)	37.7	n/a
Capital appropriations	(63.6)	83.8	0.0	0.0	0.0	(100.0)	(74.0)	(15.4)	224.5	n/a
Refund of prior years capital appropriations	0.0	0.0	0.0	(100.0)	(82.2)	(86.8)	(100.0)	n/a	n/a	n/a
Capital grants	(30.0)	(8.5)	(44.8)	(16.6)	4.4	214.3	105.7	(89.7)	120.0	n/a
Capital gifts	82.2	(74.5)	302.3	(39.7)	(82.3)	44.6	192.3	(29.8)	13.4	n/a
Additions to endowments	(24.5)	4.1	(15.1)	(39.3)	37.9	(29.3)	(28.2)	44.8	(31.9)	n/a
Increase (Decrease) in Net Position	123.8	(84.3)	100.2	(67.3)	53.8	199.9	(180.3)	(41.5)	47.2	n/a

OPERATING EXPENSES BY FUNCTION

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>					<i>(as restated)</i>				
<i>Operating Expenses by Function</i>										
Instruction	\$683,793	\$675,822	\$694,692	\$682,857	\$698,770	\$684,836	\$674,942	\$662,228	\$624,128	\$595,319
Research	714,093	703,621	529,102	472,102	468,685	431,317	398,754	358,199	312,160	285,646
Public Service	152,661	134,917	133,059	122,989	137,279	138,044	126,427	95,618	90,025	85,330
Academic Support	110,417	118,680	114,371	111,719	105,883	107,806	107,371	106,613	97,776	86,229
Student Services	35,845	32,807	27,565	25,992	28,320	26,961	27,967	28,434	25,865	23,957
Institutional Support	130,905	100,238	93,852	84,400	91,558	83,962	89,954	86,549	76,188	71,609
Operations and Maintenance of Plant	162,016	150,013	135,314	140,417	145,270	136,008	145,550	133,031	124,991	111,720
Student Financial Aid	119,453	112,450	104,557	96,871	91,140	69,083	58,557	58,058	56,662	54,105
Auxiliary Enterprises	662,094	669,423	601,996	598,602	562,811	508,213	524,057	494,147	459,660	424,042
Depreciation and amortization	136,493	130,439	117,968	113,530	102,724	90,861	70,747	66,413	80,827	64,475
Pension Expense	16,914	154,639	0	0	0	0	0	0	0	0
Total Operating Expenses by Function	\$2,924,684	\$2,983,049	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432

expressed as a percent of the total

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	%	%	%	%	%	%	%	%	%	%
	<i>(as restated)</i>					<i>(as restated)</i>				
Instruction	23.4	22.7	27.2	27.9	28.7	30.1	30.4	31.7	32.2	33.1
Research	24.4	23.6	20.7	19.3	19.3	18.9	17.9	17.2	16.0	15.8
Public Service	5.2	4.4	5.2	5.0	5.6	6.1	5.7	4.6	4.6	4.7
Academic Support	3.8	4.0	4.5	4.6	4.4	4.7	4.8	5.1	5.0	4.8
Student Services	1.2	1.1	1.1	1.1	1.2	1.2	1.3	1.3	1.3	1.3
Institutional Support	4.5	3.4	3.7	3.4	3.8	3.7	4.0	4.1	3.9	4.0
Operations and Maintenance of Plant	5.5	5.0	5.3	5.7	6.0	6.0	6.5	6.4	6.4	6.2
Student Financial Aid	4.1	3.8	4.1	4.0	3.7	3.0	2.6	2.8	2.9	3.0
Auxiliary Enterprises	22.6	22.4	23.6	24.4	23.1	22.3	23.6	23.6	23.6	23.5
Depreciation and amortization	4.7	4.4	4.6	4.6	4.2	4.0	3.2	3.2	4.1	3.6
Pension Expense	0.6	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	%	%	%	%	%	%	%	%	%	%
	<i>(as restated)</i>					<i>(as restated)</i>				
Instruction	1.2	(2.7)	1.7	(2.3)	2.0	1.5	1.9	6.1	4.8	3.4
Research	1.5	33.0	12.1	0.7	8.7	8.2	11.3	14.7	9.3	5.3
Public Service	13.2	1.4	8.2	(10.4)	(0.6)	9.2	32.2	6.2	5.5	2.8
Academic Support	(7.0)	3.8	2.4	5.5	(1.8)	0.4	0.7	9.0	13.4	14.4
Student Services	9.3	19.0	6.1	(8.2)	5.0	(3.6)	(1.6)	9.9	8.0	10.6
Institutional Support	30.6	6.8	11.2	(7.8)	9.0	(6.7)	3.9	13.6	6.4	6.2
Operations and Maintenance of Plant	8.0	10.9	(3.6)	(3.3)	6.8	(6.6)	9.4	6.4	11.9	20.3
Student Financial Aid	6.2	7.5	7.9	6.3	31.9	18.0	0.9	2.5	4.7	5.7
Auxiliary Enterprises	(1.1)	11.2	0.6	6.4	10.7	(3.0)	6.1	7.5	8.4	10.7
Depreciation and amortization	4.6	10.6	3.9	10.5	13.1	28.4	6.5	(17.8)	25.4	7.3
Pension Expense	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Operating Expenses by Function	(2.0)	16.9	4.2	0.7	6.8	2.4	6.5	7.2	8.1	n/a

REVENUE BASE

Last ten fiscal years

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>National Institutes of Health</i>										
Total Appropriations (000's)	\$30,559,349	\$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
percent increase from prior year	1.61%	3.17%	(5.01%)	(0.96%)	(0.83%)	2.27%	3.69%	2.93%	0.14%	n/a
<i>National Science Foundation</i>										
Total Appropriations (000's)	\$7,344,205	\$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
percent increase from prior year	2.40%	4.18%	(2.12%)	2.52%	(0.96%)	6.72%	7.02%	2.50%	6.04%	n/a

Sources: National Institutes of Health, National Science Foundation.

ACADEMIC YEAR TUITION AND REQUIRED FEES

Last ten fiscal years

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>UNC-Chapel Hill vs Association Of American Universities (AAU)</i>										
Resident Undergraduate - UNC-CH	\$8,336	\$8,340	\$7,693	\$7,009	\$6,665	\$5,625	\$5,397	\$5,340	\$5,033	\$4,613
percent increase from prior year	(0.05%)	8.41%	9.76%	5.15%	18.50%	4.23%	1.07%	6.10%	9.11%	n/a
AAU Public Universities (mean)	\$11,465	\$11,318	\$11,142	\$10,642	\$9,786	\$8,806	\$8,283	\$7,771	\$7,321	\$6,906
percent increase from prior year	1.30%	1.58%	4.70%	8.75%	11.13%	6.31%	6.59%	6.15%	6.01%	n/a
Non-Resident Undergraduate - UNC-CH	\$33,418	\$30,122	\$28,445	\$26,834	\$25,280	\$23,513	\$22,295	\$20,988	\$19,681	\$18,411
percent increase from prior year	10.94%	5.90%	6.00%	6.14%	7.52%	5.46%	6.23%	6.64%	6.90%	n/a
AAU Public Universities (mean)	\$30,618	\$29,668	\$28,991	\$28,031	\$26,577	\$24,775	\$23,104	\$21,821	\$20,652	\$19,579
percent increase from prior year	3.20%	2.34%	3.42%	5.47%	7.27%	7.23%	5.88%	5.66%	5.48%	n/a
Resident Graduate - UNC-CH	\$10,594	\$10,248	\$9,692	\$8,646	\$8,202	\$7,162	\$6,693	\$6,236	\$5,680	\$5,014
percent increase from prior year	3.38%	5.74%	12.10%	5.42%	14.52%	7.01%	7.33%	9.79%	13.27%	n/a
AAU Public Universities (mean)	\$13,415	\$13,189	\$12,849	\$12,364	\$11,367	\$10,795	\$10,133	\$9,432	\$8,913	\$8,379
percent increase from prior year	1.71%	2.65%	3.92%	8.77%	5.30%	6.53%	7.43%	5.82%	6.37%	n/a
Non-Resident Graduate - UNC-CH	\$27,805	\$27,459	\$25,782	\$24,333	\$22,932	\$21,560	\$21,091	\$20,234	\$19,678	\$19,012
percent increase from prior year	1.25%	6.49%	5.95%	6.11%	6.36%	2.22%	4.23%	2.83%	3.50%	n/a
AAU Public Universities (mean)	\$27,495	\$26,793	\$26,145	\$25,381	\$24,085	\$23,002	\$21,912	\$20,618	\$20,067	\$19,295
percent increase from prior year	2.62%	2.48%	3.01%	5.38%	4.71%	4.97%	6.28%	2.75%	4.00%	n/a

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,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
State and local grants and contracts	\$17,227	\$37,613	\$41,471	\$41,953	\$38,251	\$37,679	\$29,091	\$51,207	\$45,256	\$41,842
State appropriations and state aid	479,186	482,728	515,121	486,492	534,678	541,753	538,327	543,292	492,471	440,070
Capital appropriations	1,600	4,313	2,285	0	0	0	12,539	47,206	52,888	15,776
Capital grants	29,631	41,507	44,177	78,133	91,864	86,117	27,124	12,885	118,850	52,277
NC State Government	\$527,644	\$566,161	\$603,054	\$606,578	\$664,793	\$665,549	\$607,081	\$654,590	\$709,465	\$549,965
percent increase (decrease) from prior year	(6.80%)	(6.12%)	(0.58%)	(8.76%)	(0.11%)	9.63%	(7.26%)	(7.73%)	29.00%	n/a
Federal grants and contracts	\$716,564	\$707,514	\$587,220	\$578,702	\$571,288	\$530,368	\$471,680	\$447,793	\$429,059	\$422,229
Non-capital grants	124,829	141,233	182,801	181,339	194,546	172,113	154,016	102,932	62,669	67,388
Federal Government	\$841,393	\$848,747	\$770,021	\$760,041	\$765,834	\$702,481	\$625,696	\$550,725	\$491,728	\$489,617
percent increase from prior year	(0.87%)	10.22%	1.31%	(0.76%)	9.02%	12.27%	13.61%	12.00%	0.43%	n/a

LONG TERM DEBT

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>					<i>(as restated)</i>				
General Revenue Debt	\$1,288,640	\$1,302,255	\$1,319,835	\$1,088,320	\$1,112,480	\$1,135,545	\$943,585	\$961,280	\$678,980	\$694,575
Plus Unamortized Discount/Premium	18,008	28,855	30,189	34,312	36,068	37,824	30,438	31,898	26,821	28,050
Less Unamortized Loss on Refunding	0	0	(3,234)	(1,829)	(2,231)	(2,633)	(3,034)	(3,436)	(3,838)	(4,240)
Net General Revenue Debt	1,306,648	1,331,110	1,346,790	1,120,803	1,146,317	1,170,736	970,989	989,742	701,963	718,385
Revenue Bonds	50,152	59,866	68,952	77,449	77,903	82,944	79,734	81,480	83,502	85,642
Plus Unamortized Discount/Premium	(56)	(92)	(128)	(164)	(200)	(243)	(287)	(333)	(158)	(181)
Net Revenue Bonds	50,096	59,774	68,824	77,285	77,703	82,701	79,447	81,147	83,344	85,461
Total Bonds Payable	1,356,744	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
Notes Payable	58,125	44,829	45,257	45,941	45,750	46,100	675	1,037	1,362	21,054
Capital Leases Payable	192	485	765	54	814	3,462	1,710	2,804	2,404	379
Total	\$1,415,061	\$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

Long Term Debt (whole dollars)

per Student FTE	\$52,464	\$53,214	\$53,997	\$46,357	\$47,022	\$48,789	\$39,946	\$41,503	\$30,966	\$32,954
per Dollar of Total Grants and Contracts	\$1.47	\$1.38	\$1.55	\$1.37	\$1.34	\$1.51	\$1.35	\$1.50	\$1.25	\$1.33
per Dollar of State Appropriations and State Aid	\$2.95	\$2.98	\$2.84	\$2.56	\$2.38	\$2.41	\$1.96	\$1.98	\$1.60	\$1.88

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net General Revenue Debt	\$1,306,648	\$1,331,110	\$1,346,790	\$1,120,803	\$1,146,317	\$1,170,736	\$970,989	\$989,742	\$701,963	\$718,385
Commercial Paper Program	28,000	18,000	18,000	132,650	73,650	59,784	148,291	101,157	192,414	117,414
Total General Revenue Debt	\$1,334,648	\$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

General Revenue Debt (whole dollars)

per Student FTE	\$49,483	\$49,987	\$50,419	\$46,706	\$45,149	\$46,075	\$42,468	\$42,128	\$35,098	\$33,375
per Dollar of Total Grants and Contracts	\$1.38	\$1.29	\$1.45	\$1.38	\$1.28	\$1.43	\$1.44	\$1.52	\$1.42	\$1.34
per Dollar of State Appropriations and State Aid	\$2.79	\$2.79	\$2.65	\$2.58	\$2.28	\$2.27	\$2.08	\$2.01	\$1.82	\$1.90

Data Used in the Above Calculations

Total Student FTE	26,972	26,989	27,069	26,837	27,021	26,707	26,356	25,895	25,482	25,043
State appropriations and State aid	\$479,186	\$482,728	\$515,121	\$486,492	\$534,678	\$541,753	\$538,327	\$543,292	\$492,471	\$440,070
Federal grants and contracts	\$716,564	\$707,514	\$587,220	\$578,702	\$571,288	\$530,368	\$471,680	\$447,793	\$429,059	\$422,229
State and local grants and contracts	17,227	37,613	41,471	41,953	38,251	37,679	29,091	51,207	45,256	41,842
Non-governmental grants and contracts	106,762	158,133	132,506	105,191	146,081	120,674	123,649	115,513	92,572	89,976
Non-capital grants	124,829	141,233	182,801	181,339	194,546	172,113	154,016	102,932	62,669	67,388
Total Grants and Contracts	\$965,382	\$1,044,493	\$943,998	\$907,185	\$950,166	\$860,834	\$778,436	\$717,445	\$629,556	\$621,435

SUMMARY OF RATIOS

Last ten fiscal years

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
<i>Composite Financial Index</i>										
+ Primary Reserve Ratio	0.89 x	0.84 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
/ Strength Factor	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Ratio / Strength Factor	6.69	6.32	7.20	6.51	6.54	6.24	5.94	7.97	7.89	6.92
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	2.34	2.21	2.53	2.29	2.29	2.18	2.08	2.79	2.76	2.42
= Ratio 10.00 Cap Subtotal	2.34	2.21	2.53	2.29	2.29	2.18	2.08	2.79	2.76	2.42
+ Return on Net Position Ratio	2.0%	1.0%	6.3%	3.2%	10.5%	7.2%	(6.7%)	8.8%	16.7%	12.3%
/ 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	1.00	0.50	3.15	1.60	5.25	3.60	(3.35)	4.40	8.35	6.15
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.20	0.10	0.63	0.32	1.05	0.72	(0.67)	0.88	1.67	1.23
= Ratio 10.00 Cap Subtotal	0.20	0.10	0.63	0.32	1.05	0.72	(0.67)	0.88	1.67	1.23
+ Net Operating Revenues Ratio	1.0%	(1.1%)	6.2%	0.8%	9.0%	3.3%	(18.9%)	7.3%	11.5%	9.0%
/ 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	1.43	(1.57)	8.86	1.14	12.86	4.71	(27.00)	10.43	16.43	12.86
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.14	(0.16)	0.89	0.11	1.29	0.47	(2.70)	1.04	1.64	1.29
= Ratio 10.00 Cap Subtotal	0.14	(0.16)	0.89	0.11	1.00	0.47	(2.70)	1.00	1.00	1.00
+ Viability Ratio	1.8 x	1.8 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
/ 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	4.32	4.32	4.07	3.84	3.84	3.36	3.60	4.56	5.04	4.32
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	1.51	1.51	1.43	1.34	1.34	1.18	1.26	1.60	1.76	1.51
= Ratio 10.00 Cap Subtotal	1.51	1.51	1.43	1.34	1.34	1.18	1.26	1.60	1.76	1.51
Composite Financial Index	4.19	3.65	5.48	4.05	5.97	4.55	(0.03)	6.31	7.83	6.45
Composite Financial Index with 10.00 Cap	4.19	3.65	5.48	4.05	5.68	4.55	(0.03)	6.27	7.19	6.16

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,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
<i>Primary Reserve Ratio</i>										
Unrestricted Net Position	\$753,407	\$766,194	\$972,888	\$896,092	\$851,254	\$778,439	\$700,280	\$671,970	\$617,573	\$525,513
Unrestricted Net Assets - Component Units *	50,784	46,701	40,075	35,651	37,848	26,543	23,334	28,897	28,627	23,709
Expendable Restricted Net Position	1,453,008	1,390,715	1,193,821	990,908	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133
Temporarily Restricted Net Assets - Component Units *	401,177	362,695	307,147	269,856	278,740	245,187	237,867	363,803	361,559	284,351
Expendable Net Position and Net Assets	\$2,658,376	\$2,566,305	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706
Operating Expenses	\$2,924,684	\$2,983,049	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432
Interest and Fees on Debt	67,459	66,218	70,119	64,321	56,765	64,261	52,465	53,311	42,926	39,921
Total Expenses	\$2,992,143	\$3,049,267	\$2,622,595	\$2,513,800	\$2,489,205	\$2,341,352	\$2,276,791	\$2,142,601	\$1,991,208	\$1,842,353
Expendable Net Position and Net Assets	\$2,658,376	\$2,566,305	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706
Total Expenses	\$2,992,143	\$3,049,267	\$2,622,595	\$2,513,800	\$2,489,205	\$2,341,352	\$2,276,791	\$2,142,601	\$1,991,208	\$1,842,353
Ratio	0.89 x	0.84 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

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

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
<i>Return On Net Assets Ratio</i>										
Change in Net Position	\$90,556	\$43,161	\$267,803	\$130,687	\$391,361	\$249,156	(\$246,993)	\$300,399	\$486,768	\$320,123
Total Net Position (Beginning of Year)	\$4,576,356	\$4,533,195	\$4,233,646	\$4,102,959	\$3,711,598	\$3,462,442	\$3,709,435	\$3,409,036	\$2,922,268	\$2,607,879
Ratio	2.0%	1.0%	6.3%	3.2%	10.5%	7.2%	(6.7%)	8.8%	16.7%	12.3%

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,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
<i>Net Operating Revenues Ratio</i>										
Total Operating Revenues	\$2,031,285	\$2,039,238	\$1,838,694	\$1,736,529	\$1,704,936	\$1,542,275	\$1,429,487	\$1,404,252	\$1,304,444	\$1,241,511
State Appropriations and State Aid	479,186	482,728	515,121	486,492	534,678	541,753	538,327	543,292	492,471	440,070
Non-capital Gifts and Grants, net	279,894	238,649	250,442	280,785	287,712	247,994	241,242	216,026	136,306	136,212
Investment Income (Loss), net	195,407	258,372	191,969	33,134	208,184	103,605	-296,904	146,650	317,767	207,423
Adjusted Net Operating Revenues	\$2,985,772	\$3,018,987	\$2,796,226	\$2,536,940	\$2,735,510	\$2,435,627	\$1,912,152	\$2,310,220	\$2,250,988	\$2,025,216
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$28,367	(\$34,332)	\$174,205	\$19,361	\$245,908	\$81,186	(\$362,280)	\$168,470	\$259,926	\$182,633
Adjusted Net Operating Revenues	\$2,985,772	\$3,018,987	\$2,796,226	\$2,536,940	\$2,735,510	\$2,435,627	\$1,912,152	\$2,310,220	\$2,250,988	\$2,025,216
Ratio	1.0%	(1.1%)	6.2%	0.8%	9.0%	3.3%	(18.9%)	7.3%	11.5%	9.0%

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,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
<i>Viability Ratio</i>										
Unrestricted Net Position	\$753,407	\$766,194	\$972,888	\$896,092	\$851,254	\$778,439	\$700,280	\$671,970	\$617,573	\$525,513
Unrestricted Net Assets - Component Units *	50,784	46,701	40,075	35,651	37,848	26,543	23,334	28,897	28,627	23,709
Expendable Restricted Net Position	1,453,008	1,390,715	1,193,821	990,908	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133
Temporarily Restricted Net Assets - Component Units *	401,177	362,695	307,147	269,856	278,740	245,187	237,867	363,803	361,559	284,351
Expendable Net Position and Net Assets	\$2,658,376	\$2,566,305	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706
Bonds	\$1,356,744	\$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
Commercial Paper	28,000	18,000	18,000	132,650	73,650	59,784	148,291	101,157	192,414	117,414
Capital Leases	192	485	765	54	814	3,462	1,710	2,804	2,404	379
Notes	58,125	44,829	45,257	45,941	45,750	46,100	675	1,037	1,362	21,054
Notes - Component Units *	2,000	-	420	625	850	850	1,400	1,500	2,100	3,000
Total Adjusted University Debt	\$1,445,061	\$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
Expendable Net Position and Net Assets	\$2,658,376	\$2,566,305	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706
Total Adjusted University Debt	\$1,445,061	\$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
Ratio	1.8 x	1.8 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

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,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
<i>Operating Margin Excluding Gifts</i>										
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$28,367	(\$34,332)	\$174,205	\$19,361	\$245,908	\$81,186	(\$362,280)	\$168,470	\$259,926	\$182,632
Less: Non-capital Gifts and Grants, net	(279,894)	(238,649)	(250,442)	(280,785)	(287,712)	(247,994)	(241,242)	(216,026)	(136,306)	(136,212)
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(\$251,527)	(\$272,981)	(\$76,237)	(\$261,424)	(\$41,804)	(\$166,808)	(\$603,522)	(\$47,556)	\$123,620	\$46,420
Total Operating Revenues	\$2,031,285	\$2,039,238	\$1,838,694	\$1,736,529	\$1,704,936	\$1,542,275	\$1,429,487	\$1,404,252	\$1,304,444	\$1,241,511
State Appropriations and State Aid	479,186	482,728	515,121	486,492	534,678	541,753	538,327	543,292	492,471	440,070
Investment Income (Loss), net	195,407	258,372	191,969	33,134	208,184	103,605	(296,904)	146,650	317,767	207,423
Adjusted Net Operating Revenues less Gifts	\$2,705,878	\$2,780,338	\$2,545,784	\$2,256,155	\$2,447,798	\$2,187,633	\$1,670,910	\$2,094,194	\$2,114,682	\$1,889,004
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(\$251,527)	(\$272,981)	(\$76,237)	(\$261,424)	(\$41,804)	(\$166,808)	(\$603,522)	(\$47,556)	\$123,620	\$46,420
Adjusted Net Operating Revenues less Gifts	\$2,705,878	\$2,780,338	\$2,545,784	\$2,256,155	\$2,447,798	\$2,187,633	\$1,670,910	\$2,094,194	\$2,114,682	\$1,889,004
Ratio	(9.3%)	(9.8%)	(3.0%)	(11.6%)	(1.7%)	(7.6%)	(36.1%)	(2.3%)	5.8%	2.5%

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,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
<i>Expendable Resources To Debt</i>										
Unrestricted Net Position	\$753,407	\$766,194	\$972,888	\$896,092	\$851,254	\$778,439	\$700,280	\$671,970	\$617,573	\$525,513
Unrestricted Net Assets - Component Units *	50,784	46,701	40,075	35,651	37,848	26,543	23,334	28,897	28,627	23,709
Expendable Restricted Net Position	1,453,008	1,390,715	1,193,821	990,908	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133
Temporarily Restricted Net Assets - Component Units *	401,177	362,695	307,147	269,856	278,740	245,187	237,867	363,803	361,559	284,351
Expendable Net Position and Net Assets	\$2,658,376	\$2,566,305	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706
Total Notes, Bonds, Capital Leases and Commercial Paper	\$1,443,061	\$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
Long-Term Debt - Component Units *	2,000	-	420	625	850	850	1,400	1,500	2,100	3,000
Less: U.S. EPA Project Bonds **	-	(3,979)	(7,614)	(10,935)	(13,974)	(21,060)	(19,286)	(21,478)	(23,495)	(25,349)
Total Adjusted University Debt	\$1,445,061	\$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
Expendable Net Position and Net Assets	\$2,658,376	\$2,566,305	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351	\$1,798,635	\$2,263,950	\$2,094,112	\$1,686,706
Total Adjusted University Debt	\$1,445,061	\$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
Ratio	1.8 x	1.8 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

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,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
<i>Total Financial Resources To Direct Debt</i>										
Unrestricted Net Position	\$753,407	\$766,194	\$972,888	\$896,092	\$851,254	\$778,439	\$700,280	\$671,970	\$617,573	\$525,513
Non-expendable Restricted Net Position	773,548	724,605	702,225	700,687	656,723	621,873	586,175	548,151	493,305	430,316
Expendable Restricted Net Position	1,453,008	1,390,715	1,193,821	990,908	1,007,536	891,182	837,154	1,199,280	1,086,353	853,133
Total Financial Resources	\$2,979,963	\$2,881,514	\$2,868,934	\$2,587,687	\$2,515,513	\$2,291,494	\$2,123,609	\$2,419,401	\$2,197,231	\$1,808,962
Total Financial Resources	\$2,979,963	\$2,881,514	\$2,868,934	\$2,587,687	\$2,515,513	\$2,291,494	\$2,123,609	\$2,419,401	\$2,197,231	\$1,808,962
Total Notes, Bonds, Capital Leases and Commercial Paper	\$1,443,061	\$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
Ratio	2.1 x	2.0 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

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)

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>					<i>(as restated)</i>				
<i>Direct Debt To Adjusted Cash Flow</i>										
Net Cash Used by Operating Activities	(\$712,679)	(\$654,291)	(\$658,048)	(\$608,177)	(\$598,111)	(\$626,420)	(\$679,012)	(\$641,134)	(\$570,342)	(\$492,016)
State Appropriations and State Aid	479,186	482,728	515,121	486,492	534,678	541,753	538,327	543,292	492,471	440,070
Grants for Other than Capital Purposes	124,829	141,233	182,801	181,339	194,546	172,113	154,016	102,932	62,669	67,388
Non-capital Gifts	155,065	97,416	67,641	99,446	93,166	75,881	87,226	113,094	73,637	68,824
Adjusted Cash Flow from Operations	\$46,401	\$67,086	\$107,515	\$159,100	\$224,279	\$163,327	\$100,557	\$118,184	\$58,435	\$84,266
Total Notes, Bonds, Capital Leases and Commercial Paper	\$1,443,061	\$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
Adjusted Cash Flow from Operations	\$46,401	\$67,086	\$107,515	\$159,100	\$224,279	\$163,327	\$100,557	\$118,184	\$58,435	\$84,266
Ratio	31.1 x	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

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,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>					<i>(as restated)</i>				
<i>Debt Burden Ratio</i>										
Interest and Fees Paid on Debt and Leases	\$58,235	\$72,031	\$67,685	\$58,903	\$55,699	\$53,180	\$53,010	\$52,779	\$43,676	\$40,390
Principal Paid on Debt and Leases	293,282	35,618	273,155	66,730	47,647	148,637	46,462	238,672	43,344	228,037
Less: Principal Paid from Gifts and Excess Funds	(1,149)	(5,133)	(684)	(221)	(16,484)	(17,639)	(20,866)	(15,732)	0	0
Less: Principal Paid from Refinancing Activities	(261,000)	0	(241,645)	(36,500)	0	(104,858)	0	(198,244)	(19,719)	(206,539)
Debt Service	\$89,368	\$102,516	\$98,511	\$88,912	\$86,862	\$79,320	\$78,606	\$77,475	\$67,301	\$61,888
Operating Expenses	\$2,924,684	\$2,983,049	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432
Interest and Fees on Debt	67,459	66,218	70,119	64,321	56,765	64,261	52,465	53,311	42,926	39,921
Fixed Asset Writedowns (if not included in Operating Expenses)	0	0	0	0	0	0	0	0	0	0
Less: Depreciation and Amortization Expense	(136,493)	(130,439)	(117,968)	(113,530)	(102,724)	(90,861)	(70,747)	(66,413)	(80,827)	(64,475)
Plus: Principal Paid on Debt and Leases	293,282	35,618	273,155	66,730	47,647	148,637	46,462	238,672	43,344	228,037
Less: Principal Paid from Gifts and Excess Funds	(1,149)	(5,133)	(684)	(221)	(16,484)	(17,639)	(20,866)	(15,732)	0	0
Less: Principal Paid from Refinancing Activities	(261,000)	0	(241,645)	(36,500)	0	(104,858)	0	(198,244)	(19,719)	(206,539)
Total Expenditures	\$2,886,783	\$2,949,313	\$2,535,453	\$2,430,279	\$2,417,644	\$2,276,631	\$2,231,640	\$2,100,884	\$1,934,006	\$1,799,376
Debt Service	\$89,368	\$102,516	\$98,511	\$88,912	\$86,862	\$79,320	\$78,606	\$77,475	\$67,301	\$61,888
Total Expenditures	\$2,886,783	\$2,949,313	\$2,535,453	\$2,430,279	\$2,417,644	\$2,276,631	\$2,231,640	\$2,100,884	\$1,934,006	\$1,799,376
Ratio	3.1%	3.5%	3.9%	3.7%	3.6%	3.5%	3.5%	3.7%	3.5%	3.4%

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

SUMMARY OF RATIOS (CONTINUED)

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
<i>Debt Service To Operations</i>										
Interest and Fees Paid on Debt and Leases	\$58,235	\$72,031	\$67,685	\$58,903	\$55,699	\$53,180	\$53,010	\$52,779	\$43,676	\$40,390
Less: Interest and Fees Paid - U.S. EPA Project Bonds *	0	(5)	(5)	(5)	(5)	(6)	(360)	(683)	(977)	(1,264)
Principal Paid on Debt and Leases	293,282	35,618	273,155	66,730	47,647	148,637	46,462	238,672	43,344	228,037
Less: Non-contractual Principal Paid from Gifts and Excess Funds	(1,149)	(5,133)	(684)	(221)	(16,484)	(17,639)	(20,866)	(15,732)	0	0
Less: Principal Paid from Refinancing Activities	(261,000)	0	(241,645)	(36,500)	0	(104,858)	0	(198,244)	(19,719)	(206,539)
Less: Principal Paid - U.S. EPA Project Bonds *	(4,210)	(4,210)	(4,210)	(4,215)	(4,215)	(4,215)	(3,860)	(3,540)	(3,245)	(3,240)
Debt Service	\$85,158	\$98,301	\$94,296	\$84,692	\$82,642	\$75,099	\$74,386	\$73,252	\$63,079	\$57,384
Operating Expenses	\$2,924,684	\$2,983,049	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432
Debt Service	\$85,158	\$98,301	\$94,296	\$84,692	\$82,642	\$75,099	\$74,386	\$73,252	\$63,079	\$57,384
Operating Expenses	\$2,924,684	\$2,983,049	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432
Ratio	2.9%	3.3%	3.7%	3.5%	3.4%	3.3%	3.3%	3.5%	3.2%	3.2%

Measures the financial strength of the institution.

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

in thousands

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
<i>Research Expenses to Total Operating Expenses</i>										
Operating Expenses	\$2,924,684	\$2,983,049	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091	\$2,224,326	\$2,089,290	\$1,948,282	\$1,802,432
Interest and Fees on Debt	67,459	66,218	70,119	64,321	56,765	64,261	52,465	53,311	42,926	39,921
Fixed Asset Writedowns (if not included in Operating Expenses)	0	0	0	0	0	0	0	0	0	0
Total Adjusted Operating Expenses	\$2,992,143	\$3,049,267	\$2,622,595	\$2,513,800	\$2,489,205	\$2,341,352	\$2,276,791	\$2,142,601	\$1,991,208	\$1,842,353
Research Expenses	\$714,093	\$546,752	\$529,102	\$472,102	\$468,685	\$431,317	\$398,753	\$358,199	\$312,160	\$285,646
Total Adjusted Operating Expenses	\$2,992,143	\$3,049,267	\$2,622,595	\$2,513,800	\$2,489,205	\$2,341,352	\$2,276,791	\$2,142,601	\$1,991,208	\$1,842,353
Ratio	23.9%	17.9%	20.2%	18.8%	18.8%	18.4%	17.5%	16.7%	15.7%	15.5%

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

in thousands

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
<i>Net Tuition Per Student</i>										
Student Tuition and Fees, net	\$395,005	\$361,771	\$348,049	\$320,535	\$289,897	\$249,083	\$236,960	\$218,763	\$210,651	\$195,882
Less: Scholarships and Fellowships	(119,453)	(112,449)	(104,556)	(96,871)	(91,140)	(69,083)	(58,557)	(58,059)	(56,662)	(54,105)
Net Tuition and Fees	\$275,552	\$249,322	\$243,493	\$223,664	\$198,757	\$180,000	\$178,403	\$160,703	\$153,989	\$141,777
Net Tuition and Fees	\$275,552	\$249,322	\$243,493	\$223,664	\$198,757	\$180,000	\$178,403	\$160,703	\$153,989	\$141,777
Undergraduate, Graduate and Professional FTE	26,972	26,989	27,069	26,837	27,021	26,707	26,356	25,895	25,482	25,043
Net Tuition per Student (whole dollars)	\$10,216	\$9,238	\$8,995	\$8,334	\$7,356	\$6,740	\$6,769	\$6,206	\$6,043	\$5,661

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,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	<i>(as restated)</i>				<i>(as restated)</i>					
<i>State Appropriations And State Aid Per Student</i>										
State Appropriations and State Aid	\$479,186	\$482,728	\$515,121	\$486,492	\$534,678	\$541,753	\$538,327	\$543,292	\$492,471	\$440,070
Undergraduate, Graduate and Professional FTE	26,972	26,989	27,069	26,837	27,021	26,707	26,356	25,895	25,482	25,043
State Appropriation per Student (whole dollars)	\$17,766	\$17,886	\$19,030	\$18,128	\$19,787	\$20,285	\$20,425	\$20,981	\$19,326	\$17,573

Measures the institution's dependency on state appropriations.

SPECIFIC REVENUE AND GENERAL REVENUE BOND COVERAGE

Last ten fiscal years

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

in thousands

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011
<i>Specific Revenue Bond Coverage</i>					
Gross Operating Revenues	\$130,501	\$134,421	\$131,607	\$186,052	\$213,554
Direct Operating Expenses	102,288	90,534	91,321	121,734	132,525
Net Revenue Available for Debt Service	\$28,213	\$43,887	\$40,286	\$64,318	\$81,029
Principal	\$12,625	\$12,625	\$12,625	\$5,090	\$5,450
Interest	0	0	0	22	84
Specific Revenue Debt Service Requirements	\$12,625	\$12,625	\$12,625	\$5,112	\$5,534
Coverage	2.23	3.48	3.19	12.58	14.64
<i>Available Funds General Revenue Bonds</i>					
Total Unrestricted Revenue	\$1,709,235	\$1,830,170	\$1,796,035	\$1,708,396	\$1,670,027
Less:					
State Appropriations	(479,186)	(482,728)	(515,121)	(486,492)	(534,678)
Tuition and Fees	(395,005)	(361,771)	(348,049)	(320,535)	(289,897)
Specific Revenue Debt Service Requirements	(12,625)	(12,625)	(12,625)	(5,112)	(5,534)
Plus:					
Adjusted Beginning Unrestricted Net Position	766,194	972,888	896,092	851,254	778,439
Total Available Funds	\$1,588,613	\$1,945,934	\$1,816,332	\$1,747,511	\$1,618,357
Annual Increase	(\$357,321)	\$129,602	\$68,821	\$129,154	\$143,377
% Increase	(18.4%)	7.1%	3.9%	8.0%	9.7%
<i>General Revenue Bond Coverage</i>					
Total Available Funds	\$1,588,613	\$1,945,934	\$1,816,332	\$1,747,511	\$1,618,357
Principal	\$18,215	\$17,580	\$49,265	\$24,160	\$23,065
Interest	48,951	48,764	49,204	52,385	53,310
General Revenue Debt Service Requirements	\$67,166	\$66,344	\$98,469	\$76,545	\$76,375
Coverage	23.65	29.33	18.45	22.83	21.19

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

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006
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Specific Revenue Bond Coverage

Gross Operating Revenues	\$204,725	\$195,265	\$177,705	\$160,112	\$143,900
Direct Operating Expenses	129,049	144,364	114,352	115,450	105,885
Net Revenue Available for Debt Service	\$75,676	\$50,901	\$63,353	\$44,662	\$38,015
Principal	\$5,890	\$5,515	\$6,340	\$6,180	\$5,635
Interest	168	588	1,090	1,527	2,325
Specific Revenue Debt Service Requirements	\$6,058	\$6,103	\$7,430	\$7,707	\$7,960
Coverage	12.49	8.34	8.53	5.79	4.78

Available Funds General Revenue Bonds

Total Unrestricted Revenue	\$1,572,416	\$1,483,607	\$1,539,517	\$1,447,939	\$1,316,160
Less:					
State Appropriations	(541,753)	(538,327)	(543,292)	(492,471)	(440,070)
Tuition and Fees	(249,083)	(236,960)	(218,763)	(210,652)	(195,882)
Specific Revenue Debt Service Requirements	(6,058)	(6,103)	(7,430)	(7,707)	(7,960)
Plus:					
Beginning Unrestricted Net Assets	699,458	671,970	617,573	525,513	475,631
Total Available Funds	\$1,474,980	\$1,374,187	\$1,387,605	\$1,262,622	\$1,147,879
Annual Increase	\$100,793	(\$13,418)	\$124,983	\$114,743	\$126,292
% Increase	7.3%	(1.0%)	9.9%	10.0%	12.4%

General Revenue Bond Coverage

Total Available Funds	\$1,474,980	\$1,374,187	\$1,387,605	\$1,262,622	\$1,147,879
Principal	\$18,580	\$17,695	\$16,175	\$15,595	\$15,285
Interest	48,596	44,876	38,970	32,814	28,373
General Revenue Debt Service Requirements	\$67,176	\$62,571	\$55,145	\$48,409	\$43,658
Coverage	21.96	21.96	25.16	26.08	26.29

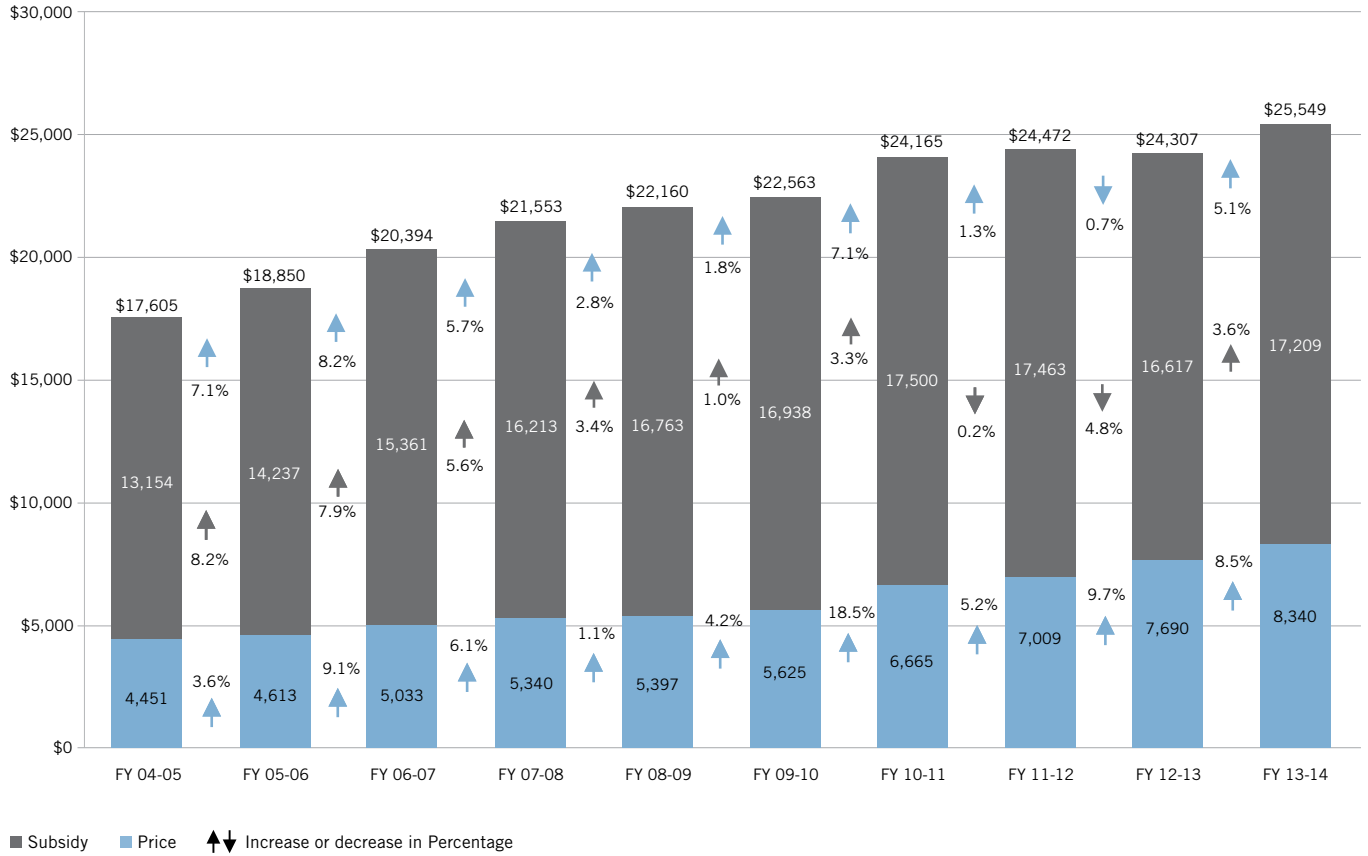
General Revenue Bond Debt Service includes debt service for specific revenue bonds refunded or defeased by issuance of general revenue debt during the year of refunding.

ANNUAL UNDERGRADUATE EDUCATIONAL COSTS PER STUDENT

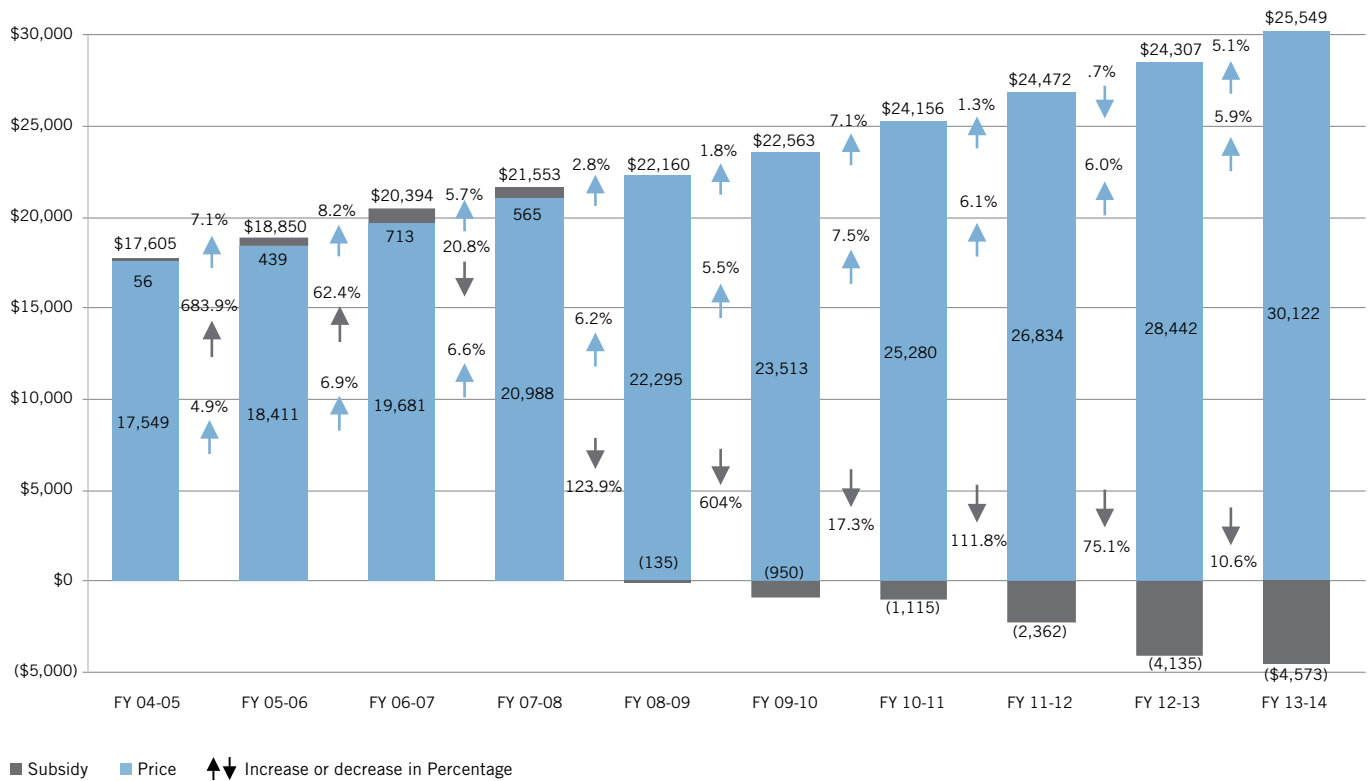
Public concern over tuition prices at colleges and universities led in 1997 to the establishment by Congress of the National Commission on the Cost of Higher Education. The task of the commission was to investigate the college cost-price conundrum and recommend ways to address it. In response, the National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

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
<i>Admissions - Freshmen</i>										
Applications	31,332	30,835	28,437	23,753	23,271	23,224	21,543	20,090	19,728	18,414
Accepted	8,929	8,243	7,847	7,469	7,540	7,345	7,315	6,999	6,737	6,736
Enrolled	3,976	3,946	3,915	4,026	3,960	3,960	3,852	3,893	3,807	3,751
Accepted as a Percentage of Applications	28.5%	26.7%	27.6%	31.4%	32.4%	31.6%	34.0%	34.8%	34.1%	36.6%
Enrolled as a Percentage of Accepted	44.5%	47.9%	49.9%	53.9%	52.5%	53.9%	52.7%	55.6%	56.5%	55.7%
Average SAT Scores - Total	1,308	1,301	1,300	1,300	1,304	1,302	1,301	1,302	1,292	1,299
Critical Reading	646	644	642	642	644	642	643	646	638	643
Math	662	657	658	658	660	660	658	656	654	656

Enrollment

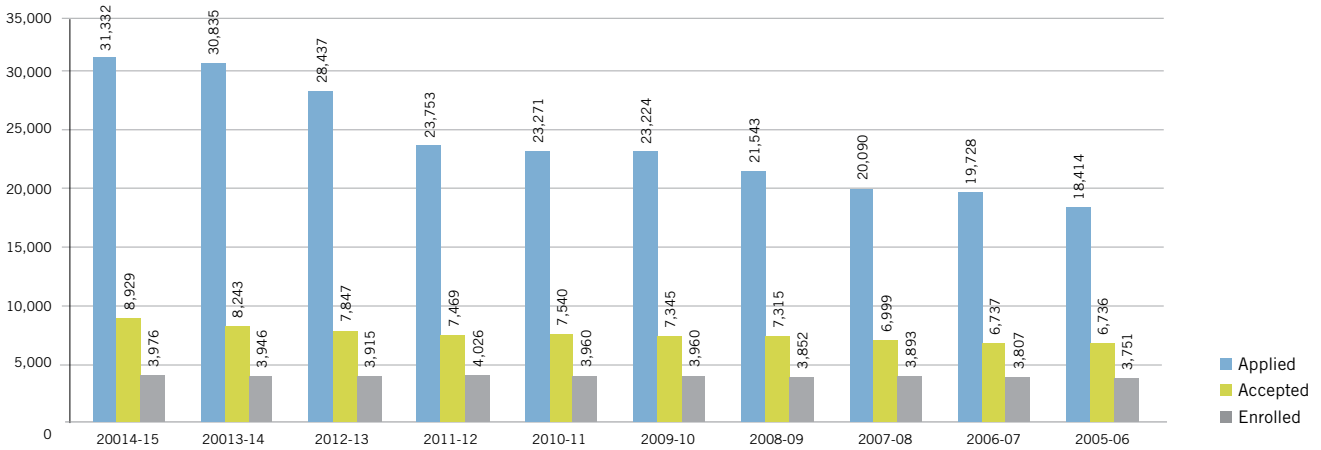
Undergraduate, Graduate and Professional FTE	26,972	26,989	27,069	26,837	27,021	26,707	26,356	25,895	25,482	25,043
Undergraduate, Graduate and Professional Headcount	29,135	29,127	29,278	29,137	29,390	28,916	28,567	28,136	27,717	27,276
Men (Headcount)	12,654	12,442	12,283	12,169	12,083	11,825	11,825	11,635	11,563	11,403
Percentage of Total	43.4%	42.7%	42.0%	41.8%	41.1%	40.9%	41.4%	41.4%	41.7%	41.8%
Women (Headcount)	16,481	16,685	16,995	16,968	17,307	17,091	16,742	16,501	16,154	15,873
Percentage of Total	56.6%	57.3%	58.0%	58.2%	58.9%	59.1%	58.6%	58.6%	58.3%	58.2%
African American (Headcount)	2,374	2,403	2,486	2,556	2,504	2,793	2,820	2,813	2,756	2,692
Percentage of Total	8.1%	8.3%	8.5%	8.8%	8.6%	9.8%	9.9%	10.0%	9.9%	9.9%
White (Headcount)	18,791	18,967	19,106	19,205	19,587	19,616	19,788	19,860	19,819	19,695
Percentage of Total	64.5%	65.1%	65.3%	65.9%	66.6%	67.8%	69.3%	70.6%	71.5%	72.2%
Other (Headcount)	7,970	7,757	7,686	7,376	7,299	6,507	5,959	5,463	5,142	4,889
Percentage of Total	27.4%	26.6%	26.2%	25.3%	24.8%	22.4%	20.8%	19.4%	18.6%	17.9%

Degrees Earned

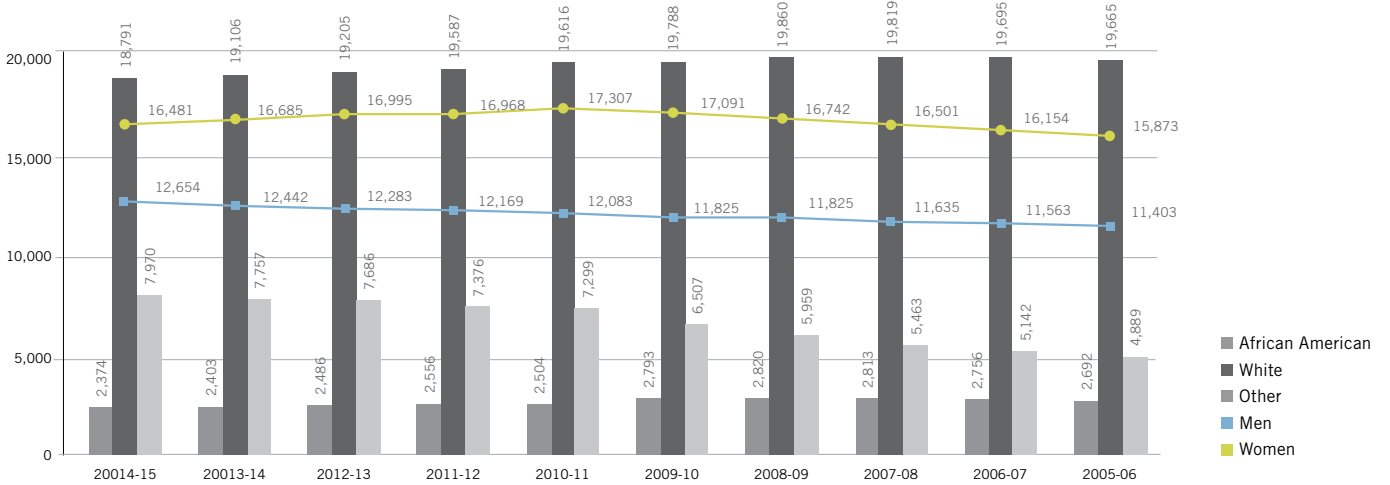
Bachelor's	4,590	4,625	4,426	4,622	4,595	4,444	4,302	4,131	3,787	3,773
Master's	2,101	1,961	1,930	1,981	1,918	1,840	1,832	1,836	1,871	1,914
Doctoral	528	563	499	479	495	513	485	600	512	490
Professional	673	671	686	668	668	643	618	604	601	608

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

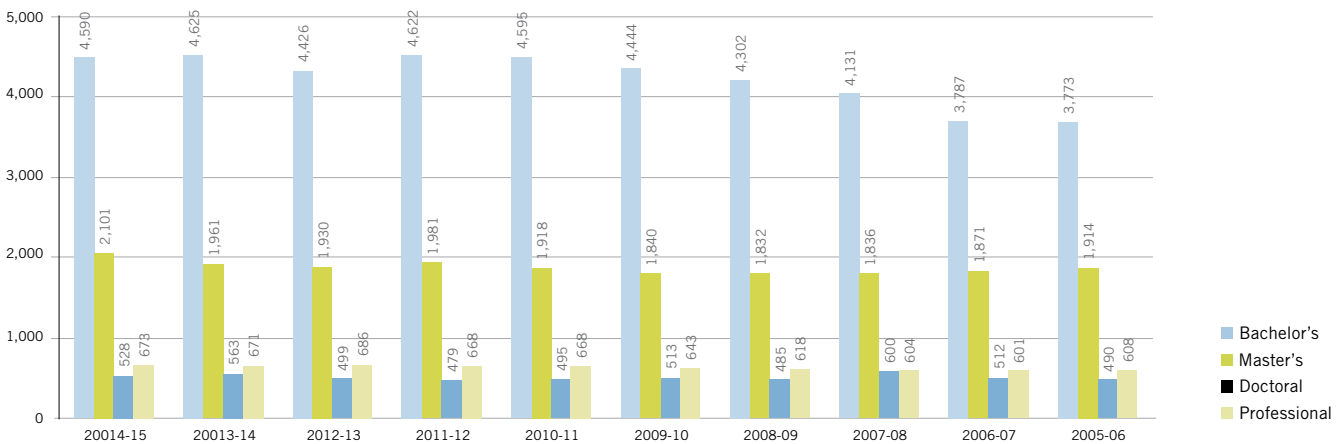
FRESHMEN APPLIED, ACCEPTED, AND ENROLLED



HEADCOUNT TOTAL



DEGREES EARNED



DEMOGRAPHIC DATA

Last ten fiscal years

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
North Carolina Population	10,042,409	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
North Carolina Population - 18 year olds	136,350	137,652	138,538	139,387	136,156	134,940	142,644	131,240	126,722	122,281
North Carolina Personal Income (in millions)	\$407,631	\$389,509	\$375,051	\$368,934	\$348,602	\$333,523	\$319,963	\$317,611	\$305,022	\$286,402
North Carolina Per Capita Income	\$40,591	\$39,168	\$38,059	\$37,727	\$35,965	\$34,977	\$34,108	\$34,439	\$33,663	\$32,338
North Carolina Unemployment Rate	5.80%	6.40%	8.80%	9.40%	10.50%	10.00%	11.02%	5.95%	4.94%	4.56%

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

PRINCIPAL EMPLOYERS

Fiscal Year	2015			2006		
Employer	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of North Carolina	175,000-179,999	1	3.95%	170,000-174,999	1	4.11%
Federal Government	65,000-69,999	2	1.50%	60,000-64,999	2	1.49%
Wal-Mart Associates, Inc.	45,000-59,999	3	1.17%	45,000-49,999	3	1.13%
Charlotte Mecklenburg Hospital	30,000-34,999	4	0.72%	15,000-19,999	9	0.42%
Food Lion, LLC	30,000-34,999	5	0.72%	25,000-29,999	5	0.66%
Duke University	30,000-34,999	6	0.72%	25,000-29,999	4	0.66%
Wells Fargo Bank NA	25,000-29,999	7	0.61%	—	—	—
Charlotte-Mecklenburg Board of Education	20,000-24,999	8	0.50%	15,000-19,999	7	0.42%
Wake County Public schools	20,000-24,999	9	0.50%	15,000-19,999	8	0.42%
Bank of America NA	15,000-19,999	10	0.39%	10,000-14,999	10	0.30%
Wachovia Bank NA	—	—	—	25,000-29,999	6	0.66%
Total	455,000-514,990		10.78%	405,000-454,990		10.27%

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	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
<i>Faculty</i>										
Full-time	3,375	3,406	3,318	3,291	3,234	3,221	3,147	3,000	2,919	2,885
Part-time	292	290	290	293	284	285	303	295	303	323
Total Faculty	3,667	3,696	3,608	3,584	3,518	3,506	3,450	3,295	3,222	3,208
Percentage Tenured	38.6%	38.3%	39.8%	40.2%	41.4%	41.2%	41.1%	42.0%	42.5%	43.2%
<i>Staff and EPA Non-Faculty</i>										
Full-time	1,847	1,815	1,780	1,725	1,738	1,771	1,710	1,610	1,501	1,374
Part-time	128	126	131	132	138	139	146	146	155	131
EPA Non-Faculty	1,975	1,941	1,911	1,857	1,876	1,910	1,856	1,756	1,656	1,505
Full-time	6,110	6,099	6,133	6,197	6,385	6,484	6,453	6,174	6,104	6,005
Part-time	212	247	248	271	273	303	323	308	317	318
SPA	6,322	6,346	6,381	6,468	6,658	6,787	6,776	6,482	6,421	6,323
Total Full-time	7,957	7,914	7,913	7,922	8,123	8,255	8,163	7,784	7,605	7,379
Total Part-time	340	373	379	403	411	442	469	454	472	449
Total Staff and EPA Non-Faculty	8,297	8,287	8,292	8,325	8,534	8,697	8,632	8,238	8,077	7,828
Total Faculty, Staff, and EPA Non-Faculty	11,964	11,983	11,900	11,909	12,052	12,203	12,082	11,533	11,299	11,036

CAPITAL ASSETS (NUMBER OF FACILITIES)

Last ten fiscal years

Fiscal Year Ended June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Academic/Administrative buildings	135	135	134	135	133	131	129	127	125	122
Dormitories/Auxiliary buildings	91	91	91	91	90	90	90	90	90	88
Art/Library collections	7	6	6	6	6	6	6	6	6	6

DESIGN BY
UNC CREATIVE

COVER PHOTO BY
MORGAN SMITH

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2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015 / CHAPEL HILL, NORTH CAROLINA



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL