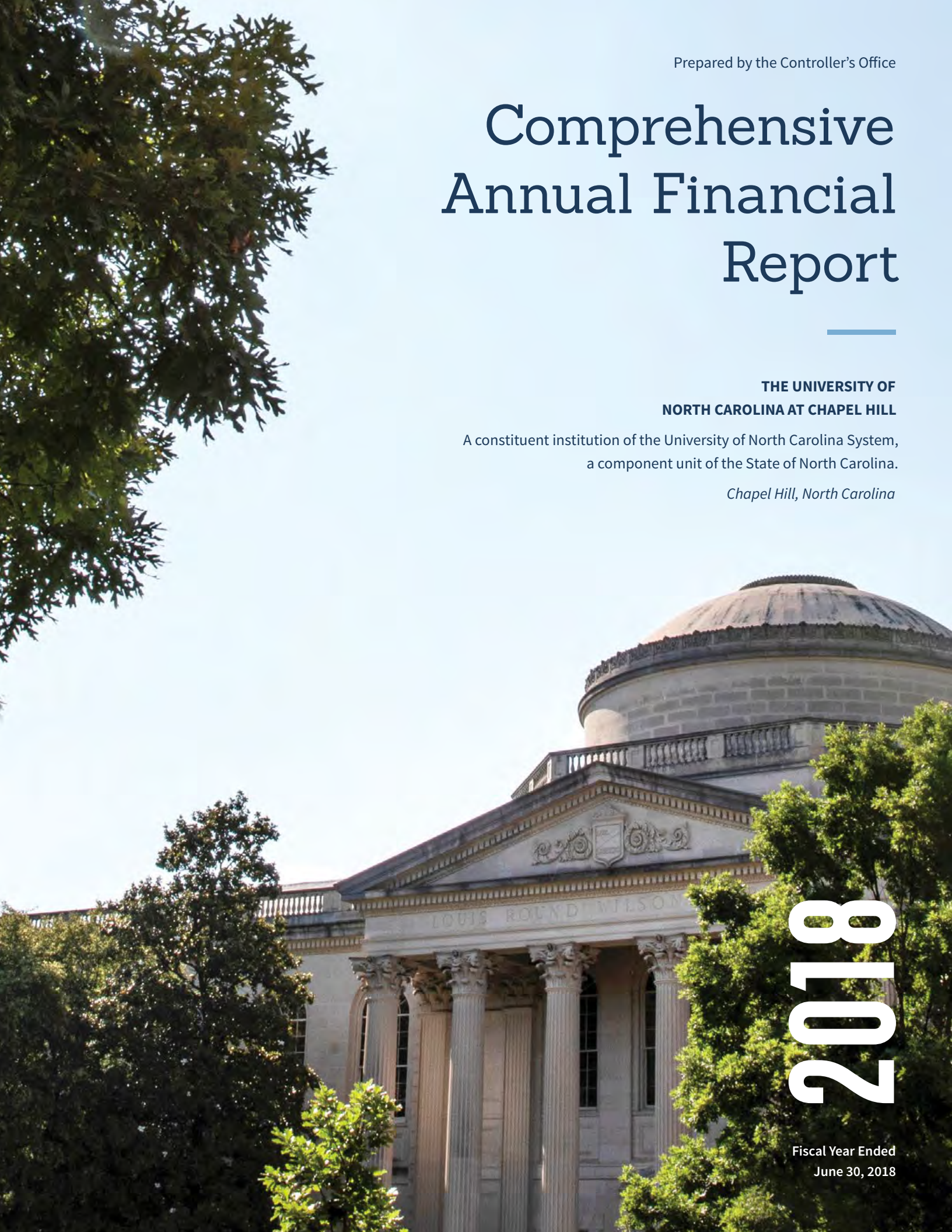
Prepared by the Controller's Office

Comprehensive Annual Financial Report

THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

A constituent institution of the University of North Carolina System, a component unit of the State of North Carolina.

Chapel Hill, North Carolina



2018

Fiscal Year Ended June 30, 2018

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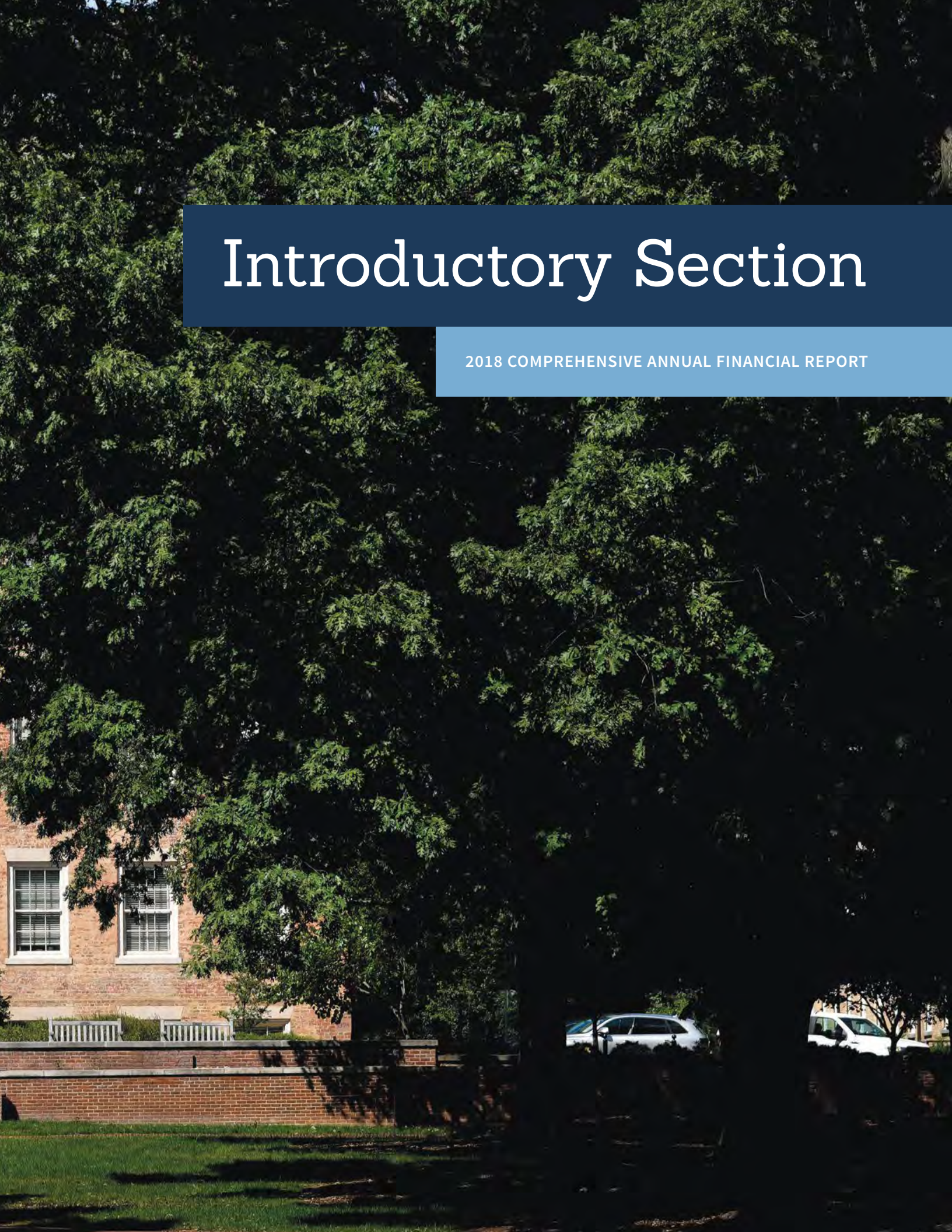
2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT



NOVEMBER 28, 2018

A Message from the Chancellor

CAROL L. FOLT
Chancellor

As chancellor of our nation's first public university, it is my privilege to share our annual Comprehensive Annual Financial Report for Fiscal Year 2018. The report details financial and other useful operating information for the year ending June 30, 2018. My message highlights a few of the many amazing stories behind the numbers, providing a glimpse of how our entire community dedicates itself to our historic mission "to foster the success and prosperity of each rising generation" and "to enhance the quality of life for all people" in North Carolina.

By every measure, Fiscal Year 2018 was once again a remarkably successful year. These successes are a direct result of incredible work by our outstanding faculty and staff. They work well beyond what is required because they are deeply committed to our state and public mission. The results of this dedication are clear and cover the entire range of this University's fields of endeavor.

Once again, applications for admissions were at an historic high across our campus. Our graduates were employed in their preferred fields or continued their education within six months of receiving their bachelor's degree. For the 17th time, Carolina was the best value in American public higher education, according to Kiplinger's Personal Finance. This top ranking reflects the University's long-standing commitment to opening access to a high quality, affordable education to talented students from all backgrounds.

An excellent and affordable education, without fear of overwhelming debt, is one of the many ways we support our students. We met the financial need of nearly 50 percent of our students, including 14 percent of the recent entering class from families making two standard deviations below the poverty level. At the same time, the student debt of our graduates was close to half that of the national average. Carolina remains the last public university in America to be both need-blind in its admissions and able to meet the full financial needs of all students.

We surpassed, for the first time, $1 billion in annual research expenditures, according to the nation's annual Higher Education Research and Development (HERD) survey. This continues Carolina's decade-long rise as one of the world's top universities for sponsored research. Carolina ranked 11th nationally among all research institutions in overall research and development (R&D) expenditures, sixth nationally among public institutions and sixth nationally in overall federal R&D. The sustained growth in our research enterprise is a tribute to the excellence and dedication of the faculty, students and staff who are the heart of our research and training programs.

Research expenditures at Carolina have more than doubled over the past decade, underscoring the confidence public and private sponsors place in science at our University. Research also provides our students with unique learning opportunities through hands-on research projects. Currently, more than 60 percent of our graduating seniors conduct independent research and contribute to discoveries made by our research scientists.

Since becoming one of the top 10 institutions for federal research expenditures in Fiscal Year 2010, the University has retained its position as the largest beneficiary in North Carolina of federal investments in research. The results strengthen the University's reputation as a global leader in fields such as medicine, health and the physical and life sciences, as well as disciplines such as psychology and the social sciences. Roughly 90 percent of our research awards come from sources outside the state and it represents new dollars in North Carolina's economy each year. Carolina's research funding directly supports the salaries of more than 10,000 North Carolinians across the state, and has led to the launch of more than 300 private businesses that employ an additional 8,000 people. The latest survey results show that industry funding for Carolina's research jumped 16 percent over the past few years, reflecting the University's expertise and attractiveness to commercial partners.

Over the past 12 months, we began implementation of *The Blueprint for Next* — the University's strategic framework that outlines priorities guiding our decision-making and investments during the next decade. With the help of Provost Robert Blouin, we moved decisively to execute and implement our institution's strategic plan. We established strategic benchmarks, measures to monitor goal attainment and intervention processes to correct performance gaps. Provost Blouin and I started school-by-school open discussions with faculty and staff to align schools, departments and units with the strategic framework.

In October 2017, we launched the *Campaign for Carolina* with events across campus and followed this up with multiple campaign visits across our nation. The goal of this most ambitious fundraising campaign in Carolina's history is to raise $4.25 billion by Dec. 31, 2022. As we launched this campaign, we accepted the great responsibility to use every dollar to advance the public good. We will invest in student potential, faculty excellence, innovative teaching, experience-based learning and pioneering research to prepare our graduates for success. As Chancellor, I am grateful for the generosity of our donors who are helping us achieve a future for Carolina that is worthy of all the efforts, dreams and hopes of all the people who preceded us. As we closed the fiscal year, we neared the halfway point of our campaign.

As a scientist, one of the reasons I was excited to come to Carolina and serve as chancellor is because of the University's international reputation as a research powerhouse and its commitment to become a leading innovation and entrepreneurship center. Carolina embraces the translational aspects of its work and makes innovation and entrepreneurship part of our core missions of research, teaching and service. We know ideas and inventions only make a real human and economic impact when we can move them from labs and classrooms to help tackle North Carolina's and the world's most challenging problems. For example, as of January, ventures affiliated with the University, which began at Carolina, had created 70,225 jobs worldwide, with 8,569 of those jobs in North Carolina. There were 399 active UNC-Chapel Hill startups and 336 of those have headquarters in North Carolina with annual revenues of approximately $10.6 billion. Thanks to the concerted and sustained work to increase and strengthen outside partnerships, Carolina has become one of the nation's most powerful economic engines, known for teams of researchers who take on the toughest, most complex challenges of our times. Our researchers save and improve lives in our state by discovering new treatments and cures for diseases and by making groundbreaking advances in both basic and applied science every year.

These highlighted accomplishments would not be possible without the support we receive from our state's elected officials, the UNC System's leadership and our alumni. While we have so much to celebrate, we know we have even more to achieve. Thank you for your support and continued belief in our mission to serve the citizens of North Carolina, the United States and the world through teaching, research and public service.

NOVEMBER 28, 2018

Letter of Transmittal

To Chancellor Folt, Members of the Board of Trustees and Friends of the University of North Carolina at Chapel Hill:

JONATHAN PRUITT
Vice Chancellor for Finance and Operations

This *Comprehensive Annual Financial Report* (CAFR) includes the financial statements for the year ended June 30, 2018, 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 University of North Carolina System Office 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 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 State Auditor each year. The University's internal auditors also perform fiscal, compliance and performance audits. The reports resulting from these and external audit reports are provided to the Finance and Infrastructure Committee of the Board of Trustees as well as University management.

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, 2018.

Profile of the University

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

Now in its third century, UNC-Chapel Hill belongs to the select group of American and Canadian campuses forming the Association of American Universities. The University's academic offerings span more than 100 fields, including bachelor's, master's and doctoral degrees as well as professional degrees in dentistry, medicine, pharmacy and law. Five health schools which, with UNC Health Care, 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. The University prepares its financial statements and related disclosures in accordance with standards set by the Governmental Accounting Standards Board (GASB) and implements new GASB statements as they are required.

The financial reporting entity for the financial statements is comprised of the University and 13 component units. Ten 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 Pool), UNC Management Company, Inc. (Management Company), The University at Carolina at Chapel Hill Foundation, Inc. (UNC-Chapel Hill Foundation), The Kenan-Flagler Business School Foundation (Business School Foundation), UNC Law Foundation, Inc. (Law Foundation), WUNC Public Radio, LLC (WUNC), Carolina Research Ventures, LLC (Research Ventures) and HVPV Holdings, LLC (HVPV).

Separate financial statements for three other component units are reported based on GASB Statement No. 39. The Medical Foundation of North Carolina, Inc. (Medical Foundation), The Educational Foundation Scholarship Endowment Trust (Educational Foundation Trust), and the University of North Carolina at Chapel Hill Arts & Sciences Foundation, Inc. (Arts & Sciences Foundation) 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 accounting and financial records of the Chapel Hill Investment Fund, UNC Investment Fund, UNC Intermediate Pool, Management Company, UNC-Chapel Hill Foundation, Business School Foundation, Law Foundation, WUNC, Research Ventures, HVPV, Arts & Sciences Foundation, Medical Foundation, Educational Foundation Trust, and the Athletic Department are each audited by a public accounting firm. All audit reports are available for public inspection. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

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.

Economic Condition

For the fiscal year ended June 30, 2018, North Carolina once again reported records in population growth as well as economic outlook, according to the Census Bureau and Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce, respectively. This marked the fourth consecutive year of budget surpluses in excess of $400 million for the State and extended the United States' current economic expansion by another year. This allowed the State to build up its rainy-day fund to a record high of $1.8 billion, cut taxes and increase spending on many programs, including education and highways.

With a July 1, 2017, population count of 10,259,417, North Carolina was once again the ninth most populous state, with fewer inhabitants than Georgia but more than Michigan, according to the Census Bureau.

Personal income in the State was up a record 5.5 percent from last year, running at a seasonally adjusted annual rate of $456.5 billion in the first quarter of 2018, according to BEA. Likewise, the Bureau of Labor Statistics (BLS) reported the State performed well for total employment, which included agricultural workers and the self-employment increased by 1.4 percent — lowering the unemployment rate from 4.4 to 4.2 percent.

The gross domestic product (GDP) of North Carolina was running at a seasonally adjusted annual rate of $553.4 billion in the first quarter of 2018, up 4.4 percent from the first quarter of 2017. The GDP is the broadest measure of economic activity and it includes the value of all goods and services produced for final demand within the borders of North Carolina.

Bloomberg surveyed 71 economic forecasters, who projected 2.5 percent growth from the second quarter of 2018 to the year ending June 30, 2019, for the U.S. Although slightly below the 2.8 rate realized during the last fiscal year, this growth would still be adequate for North Carolina to see significant growth in economic output, employment and incomes.

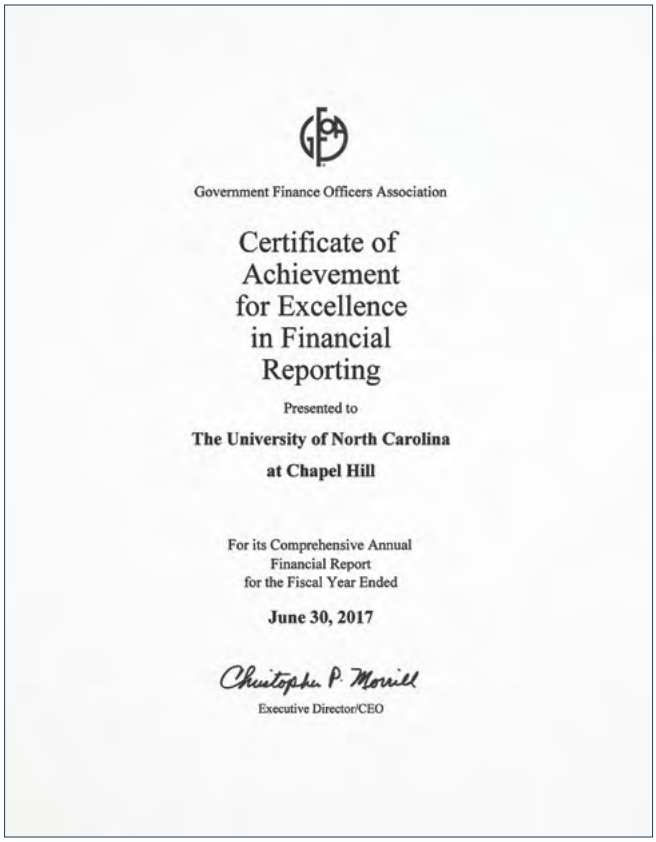
Combined with this positive economic outlook, startup companies and social ventures that are affiliated with the University show strong promise of economic impact, creating new jobs and bringing revenue to local and global communities. As of June 2017, data on these ventures show:

- A 26 percent increase in the total number of ventures (475 compared to 378) since June 2016, with 75 percent of the total ventures launched (358 of 475 ventures) still active.
- 85 percent of active ventures (306 of 358 ventures) are headquartered across 16 North Carolina counties, an 8 percent increase from the 283 UNC-affiliated ventures based in North Carolina at this time in 2016.
- 99 percent of the $10 billion in annual revenue earned by the ventures comes from those headquartered in North Carolina.
- 63,914 people are employed by these ventures, and 8,090 of these employees are located in North Carolina.

Awards and Acknowledgments

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, 2017. This was the 23rd 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, UNC Creative, the Finance and Operations Service Center of Excellence, 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.


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The University of North Carolina at Chapel Hill

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO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FISCAL YEAR 2017–2018

Progress and Major Initiatives

Carolina By the Numbers

1 UNC-Chapel Hill received a record number of first-year applications for fall 2018, marking **13 consecutive years of record-breaking first-year applications.** The 43,384 applications reflect a 6 percent increase over last year. Admission was offered to 5,125 North Carolina students and 2,742 out-of-state students. The out-of-state students include 454 international students.

2 **Carolina placed fifth among national public universities for the 17th straight year** according to U.S. News & World Report's annual "Best Colleges" rankings, published in September 2017.

3 For the 17th time, UNC-Chapel Hill is the **best value in American public higher education, according to Kiplinger's Personal Finance magazine.** As in the past, this ranking illustrates the University's commitment to making a high-quality, affordable education a possibility to exceptional students from all backgrounds.

4 **Carolina ranked No. 28 in Sierra Club 'Cool Schools' annual sustainability report,** published in August 2017. The ranking, which is used by prospective college students to compare schools' commitment to sustainability, included more than 200 participating colleges and universities nationwide. Carolina moved from No. 39 to No. 28 in the Cool Schools ranking and was the top-ranked school in North Carolina.

5 According to the United States' annual Higher Education Research and Development (HERD) Survey, **UNC-Chapel Hill's research expenditures (activity) has exceeded $1 billion annually for the first time.** Carolina ranked No. 11 nationally among all research institutions in overall research and development expenditures, No. 6 nationally among public institutions, and No. 6 nationally in overall federal R&D. The National Science Foundation computes these national rankings yearly as part of its HERD Survey, which weighs hundreds of U.S. colleges and universities to determine the amount of university spending on R&D.

6 **Carolina's graduate programs ranked highly as part of the U.S. News & World Report's 2019 "Best Graduate Schools."** The UNC School of Medicine ranked No. 1 for its primary care program. Other graduate programs ranking in the top 10 of their area include the School of Social Work (tied for No. 5), the School of Government's Local Government Management (No. 3), Biostatistics (tied for No. 8), Analytical Chemistry (No. 2) and Inorganic Chemistry (No. 10).

7 **UNC-Chapel Hill was named one of the Best Workplaces for Commuters for 2018** by the Center for Urban Transportation Research. The distinction is given to employers who provide benefits that result in at least 14 percent of their employees no longer driving alone to and from work within a 12-month period and who demonstrate that they meet the National Standard of Excellence. More than 20 percent of Carolina employees commute to the University and UNC Hospitals by using transit, and more than 12 percent of employees bike, walk or use rideshare options to go to work.

8 UNC-Chapel Hill ranked **No. 4 among large schools on the Peace Corps' Top Volunteer-Producing Colleges and Universities list,** up three spots from 2017. This is the 10th year UNC-Chapel Hill has ranked in the top 25 schools since 2008.

Carolina's commitment to sustainability includes the new bike share program, launched in 2017.

Of the Public, For the Public

New space serves current veteran and active-duty students

In September 2017, the Carolina Veterans Resource Center opened as a dedicated space to serve and support nearly 500 veteran and military-affiliated students enrolled at Carolina. The center is the culmination of an ongoing commitment by the University and the Board of Trustees to support the student veteran and military-affiliated community on our campus. It serves as a central location where students can find resources, community and support during their unique educational journey. It houses a study space, lounge, and conference and meeting space. In addition, it hosts the Boot Print to Heel Print orientation program for new students and the Red, White and Carolina Blue graduation ceremony. For the 2017–2018 academic year, Carolina welcomed 110 military-affiliated students, the largest incoming class of service members to date.

Dedication ceremony for the Carolina Veterans Resource Center held September 28, 2017.

UNC-Chapel Hill accepts $20 million challenge to support education for military families

North Carolina ranks fourth in the nation with 100,606 active-duty military personnel stationed in the state. Many have family members — children and spouses — who want to go to college but might find tuition rates out of reach. Thanks to a $20 million commitment from Carolina alumni Steve and Debbie Vetter of Greensboro, North Carolina, the Red, White and Carolina Blue Challenge was launched in October 2017 with the goal of raising $40 million in scholarship support for dependents of military families. The Vetters challenged all Tar Heels to contribute to match their $20 million gift and create their own scholarships as part of the Challenge. This will help sustain the University's need-blind admissions tradition by meeting the full financial need of Carolina Covenant-qualifying children of retired and active-duty military personnel. The matching challenge, which will run until October 2019, is part of For All Kind: the Campaign for Carolina.

Assistant Professor Harshita Kamath (left photo) and Associate Professor of Chemistry Brian Hogan (right photo) were awarded Tanner Awards for Excellence in Undergraduate Teaching in January 2018. The Faculty Excellence Challenge will enable the University to attract and retain such talented faculty.

UNC-Chapel Hill accepts $10 million challenge to support world-class faculty

The Faculty Excellence Challenge strives to attract, retain and reward outstanding faculty, scholars and scientists at Carolina. Sparked by a $10 million gift from alumnus John G. Ellison Jr., the challenge will support retention efforts for the University while strategically growing its professoriate in key areas. Incentives such as salary supplements and research funds will be supported by the challenge, which will provide at least an additional $10 million for similar support if met. The challenge runs from October 2017 through October 2018 as part of For All Kind: the Campaign for Carolina, and aims to enhance overall academic quality, strengthen research enterprise, broaden innovation, support entrepreneurship initiatives and better serve the student body.

Need-based scholarships to honor Bridge Builders

During University Day on Oct. 12, 2017, Chancellor Carol L. Folt announced the nomination process for the Bridge Builders, inviting members of the community to name 20 need-based scholarships and grants that are included as a part of qualifying students' aid packages. Folt suggested that the need-based scholarship names should focus on courageous people whose work, advocacy and personal example helped forge a more inclusive, unified and aspirational Carolina community. In January 2018, after receiving nominations from the campus community and the general public, Chancellor Folt announced the scholarship names, including: Bryan Brayboy, a member of the Lumbee Tribe who has worked to advance the reputation of UNC-Chapel Hill among Native Nations and encouraged a generation of American Indian students to pursue and complete graduate education; Anne Cates, the first female chair of the UNC-Chapel Hill Board of Trustees; and Henry Frye, the first black student to enter UNC School of Law as a first-year student and the first black chief justice to be appointed to the North Carolina Supreme Court. The Bridge Builders scholarships are just one way Carolina maintains its commitment as a leader in access and affordability.

UNC School of Law receives $1.53 million gift for new entrepreneurship program

Early-stage legal counsel is critical to the success of new for-profit and nonprofit ventures. To ensure that these projects have access to legal resources, The William R. Kenan Jr. Charitable Trust made a $1.53 million gift to support the establishment of a clinical entrepreneurship program at UNC-Chapel Hill's School of Law. The program will provide rigorous, hands-on training to public-minded law students while also filling in gaps in North Carolina's entrepreneurship ecosystem. In addition to the Kenan Trust, the North Carolina General Assembly has appropriated $465,000 in recurring funds to support the program. The soon-to-be-named program will serve business and social enterprise entrepreneurs on the campuses of UNC-Chapel Hill and North Carolina State University, in partnership with UNC Kenan-Flagler Business School, NC State University's Poole College of Management, as well as the innovation and entrepreneurship infrastructures on both campuses. Funding will support three interwoven legal clinics at the UNC School of Law: a for-profit ventures clinic, an intellectual property clinic and Carolina Law's existing Community Development Law Clinic, which is a longstanding, highly successful nonprofit social entrepreneurship clinic.

UNC School of Law students and graduates Nick Haigh, Stephanie Fields '18, Brian Gamsey '18, and Will Hayman met with the director of the Kenan Charitable Trust in fall 2017 to talk about the benefits of an entrepreneurship clinic in the school.

MOREHEAD PLANETARIUM AND SCIENCE CENTER RENOVATION

The Morehead Planetarium and Science Center, originally constructed in 1949, is getting a $5.2 million renovation of its building. The project will include the first significant upgrades to its teaching and exhibition spaces and will also include moving the main entrance, relocating and expanding exhibit spaces and creating a public makerspace. The Morehead Planetarium and Science Center is being reimagined as a modern-day, technology-advanced science hub that will continue to serve upwards of 160,000 visitors a year. Many of the planetarium's shows are original productions, written and designed by Morehead's production team.

North Carolina Governor Roy Cooper was on hand to announce the Morehead Planetarium and Science Center's $5.2 million building project on April 6, 2017.

Chancellor Folt announces the John William Pope Foundation's $10 million commitment.

$10 million commitment from Pope Foundation will advance core areas of excellence and service

In April 2018, the John William Pope Foundation announced a $10 million commitment to support a combination of core areas where Carolina excels: cancer research, multidisciplinary and innovative thinking, excellence in sport and serving the state's citizens. The gift supports For All Kind: the Campaign for Carolina, the most ambitious fundraising campaign in the University's history. The John William Pope "Tomorrow's Best Hope" Endowed Fellowship Fund at the Lineberger Comprehensive Cancer Center will be funded with $5 million of the gift. The College of Arts & Sciences will receive $3.75 million to hire new faculty positions and visiting assistant professorships in the Philosophy, Politics and Economics Program. The Department of Athletics will use its $1 million contribution to fund two in-state track and field scholarships, and the UNC Horizons Program will receive $250,000 to conduct a follow-up study that aims to help women and children break the cycle of addiction and poverty.

Innovation Made Fundamental

UNC Creativity Hubs inaugural awards

UNC-Chapel Hill's new Creativity Hubs initiative, a component of The Blueprint for Next, has announced awards to campus research teams pursuing solutions to two of the world's most pressing issues: the obesity epidemic and the global clean water shortage.

The Heterogeneity in Obesity Creativity Hub will take a new approach to assess the underlying causes of obesity, using information that has not been traditionally studied to unlock new, targeted ways to treat the disease.

The Sustainable Access to Clean Water Creativity Hub will pursue development of an innovative, affordable membrane-based water purification tool to safely remove a range of water contaminates.

These inaugural projects were selected from proposals involving 194 University researchers from 35 departments in 10 schools and the College of Arts & Sciences. The Creativity Hubs initiative was developed by Vice Chancellor for Research Terry Magnuson to assemble teams of researchers from diverse disciplines to tackle major societal challenges and leverage additional support from external sponsors.

CURRENT ARTSPACE + STUDIO OPENS

The CURRENT ArtSpace is a new spin on a traditional arts venue that delivers immersive theater and performing arts. The University's new flexible, nontraditional arts venue lives in the heart of the new Carolina Square development on Franklin Street. It is the home to interactive installations that pull audiences into the performances in a groundbreaking yet thoughtful way. The 4,000-square-foot black box theater is tremendously versatile, with glass walls, retractable seating and an accessible stage. Similarly, the Studio at CURRENT is a creativity hub and multi-use space that serves as a home for Carolina Performing Arts artists-in-residence. The Studio hosts artist talks, post-performance gatherings and creative workshops, and is also available for rent to University and local organizations. At its heart, the Studio at CURRENT is a community creative space, advancing the Arts Everywhere initiative and The Blueprint for Next by bringing the arts to the people in the community, even passersby who can view the Studio space through floor-to-ceiling glass walls.

Three Zeros Environmental Initiative

In keeping with the Three Zeros Environmental Initiative — Carolina's commitment toward water neutrality, zero waste to landfills and greenhouse gas neutrality — the University has been utilizing innovative solutions to environmental challenges. In October 2017, an immensely popular bike share program, Tar Heel Bikes, was launched across campus. It provides a fast and healthy alternative by allowing students and employees to rent 100 bikes from 19 racks located at strategic hubs around campus for hourly use.

In April 2018, the University was recognized by the North Carolina Source Water Collaborative for its inventive work to protect North Carolina's drinking water through the Battle Grove Restoration Project. The project turned a bowl-like field and underground drain pipe adjacent to the McIver Residence Hall into an above-ground stream with a filtration process designed to naturally filter pollutants and contaminants out of runoff water. UNC-Chapel Hill has already achieved water neutrality by one measurement: the University uses less water than falls on the campus annually.

UNC Lineberger researchers target brain cancer

A team of researchers from UNC Lineberger Comprehensive Cancer Center, in collaboration with the Fondazione Istituto di Ricerca e Cura a Carattere Scientifico in Milan, Italy, have genetically engineered cancer-killing immune cells (T-cells) that can hunt and attack brain tumors displaying a specific molecular target that is highly prevalent on brain cancer cells. Researchers believe their engineered T-cells, which both prolong survival and control tumor growth in tests, hold promise for a new immunotherapy treatment for glioblastoma: the most lethal primary brain tumor. This study is part of a research program launched at UNC Lineberger to develop personalized immune-based treatments called chimeric antigen receptor T-cell, or CAR-T, therapies.

The Battle Grove Restoration Project has been planned as an on-campus stormwater restoration project since the early 2000s. Jill Coleman (landscape architect) and Sally Hoyt (stormwater systems engineer) designed a plan to 'daylight' the Battle Branch tributary to naturally filter pollutants and contaminants from runoff water.

Chancellor Carol L. Folt announces the Institute for Convergent Science during Campaign for Carolina held October 6, 2017, at Polk Place on the Carolina campus.

UNC-CHAPEL HILL TO CREATE INSTITUTE FOR CONVERGENT SCIENCE TO FOCUS ON TACKLING THE WORLD'S BIGGEST PROBLEMS THROUGH MULTIDISCIPLINARY COLLABORATION

As part of For All Kind: the Campaign for Carolina, the University plans to create the Institute for Convergent Science (ICS), a place where basic and applied science research will intersect with emerging technology and entrepreneurship to develop and deploy new discoveries and treatments. By bringing together innovators from the worlds of science, engineering, art, humanities, design and business, these teams will convene to solve compelling problems using their combined skills, knowledge and technologies. The ICS aims to annually fund six Carolina faculty fellowships and six visiting faculty fellowships, as well as faculty and graduate student research opportunities in Silicon Valley. The Institute is an important addition to, and last phase of, the Carolina Physical Science Complex.

Chemistry at Carolina celebrates 200 years

In April 2018, the Carolina chemistry department celebrated its 200th anniversary and reflected on centuries of growth. As the department grew in the 1800s, it attracted the founding father of Carolina chemists, Francis P. Venable, who took the helm in 1880. Venable oversaw a significant increase in students and faculty and the program graduated stellar students such as John Motley Morehead III and William Rand Kenan Jr., both of whom would go on to profoundly influence the trajectory of 20th-century American industry.

In the 1960s, Chair William F. Little decided to hire promising young scholars and backed their research and tenure, developing a culture of collegiality and forward-thinking in the department. In five years, he doubled the number of faculty members and was regarded as the heart, soul and energizing force of the department whose vision propelled a group of new leaders. Foundational members of the department, like Royce Murray, a faculty member since 1960, work in today's labs alongside young scholars. Murray has amassed just about every honor in his field, is a former department chair and has helped guide the design of Kenan Labs and the physical science complex. Lowry Caudill, an analytical chemist and entrepreneur, did his senior research in Murray's lab and provided the $5 million gift that funded the naming of Murray Hall on campus.

Today, nearly 50 faculty members work in the department under Chair Jeffrey Johnson; seven are National Academy of Sciences members and many have won prestigious national and international recognition, such as Joseph DeSimone, Chancellor's Eminent Professor of Chemistry, who has been elected to all three branches of the U.S. national academies and was awarded the U.S. National Medal of Technology and Innovation in 2016.

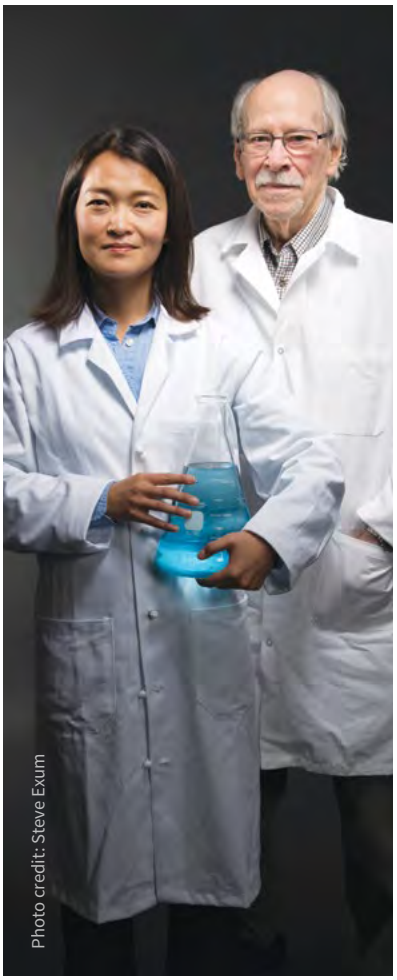


Photo credit: Steve Exum

UNC School of Law Dean Martin Brinkley plays a tune on one of the painted pianos as Chancellor Carol Folt looks on. The pianos are part of the *Arts Everywhere Day* installations around the campus.

Arts abound with 2nd Annual *Arts Everywhere Day* and new arts app

On April 6, 2018, the University held its second annual campuswide *Arts Everywhere Day* celebration featuring student and professional artists, hands-on activities, installations and 25 arts sites spanning the campus and spilling into downtown Chapel Hill. Preparations began weeks earlier with art installations and exhibit set up that culminated in a transformation of campus into a creativity hub. Arts Everywhere is a strategic initiative that supports the Innovation Made Fundamental pillar of The Blueprint for Next and also is a signature initiative in the University's $4.25 billion fundraising effort, For All Kind: the Campaign for Carolina. Arts Everywhere was established in 2016 by Chancellor Carol L. Folt and led by Special Assistant to the Chancellor for the Arts Emil Kang on the principle that the arts are for everyone.

New this year, the Arts Everywhere initiative launched a free mobile app in January 2018 to connect the community with the arts on campus. The app serves to increase visibility of arts initiatives, departments and programs in support of making Carolina a leader in 21st century liberal arts education. The app provides users with custom arts recommendations based on their interests, allows them to invite friends to events and even shares what is trending in arts across campus.

The Morehead Planetarium and Science Center building was lit up in light blue on April 2, 2018, in support of Autism Awareness Day and as part of UNC's Autism Research Center's campaign.

UNC-Chapel Hill launches an Autism Research Center and awareness campaign

With seed money from the Kenan Charitable Trust, Carolina created the UNC Autism Research Center in fall 2017 to bring together the more than 100 faculty, students and postdoctoral researchers from 32 departments within five schools who are committed to treating this disorder. Currently ranked fourth in the world for its peer-reviewed research, UNC-Chapel Hill has long been one of the world's premier autism research universities. The creation of the center will accelerate the development of more effective, personalized treatments and interventions for the millions of people with autism spectrum disorder across the life span. It will also allow investigators to launch projects that cross traditional research boundaries, which don't typically get NIH funding, combining all areas of autism research: genetics, development, biomedical and cognitive. In April, the center launched a $10 million campaign, #LightUNCBlue, to coincide with Autism Awareness month and raise understanding and acceptance of individuals with autism spectrum disorder.

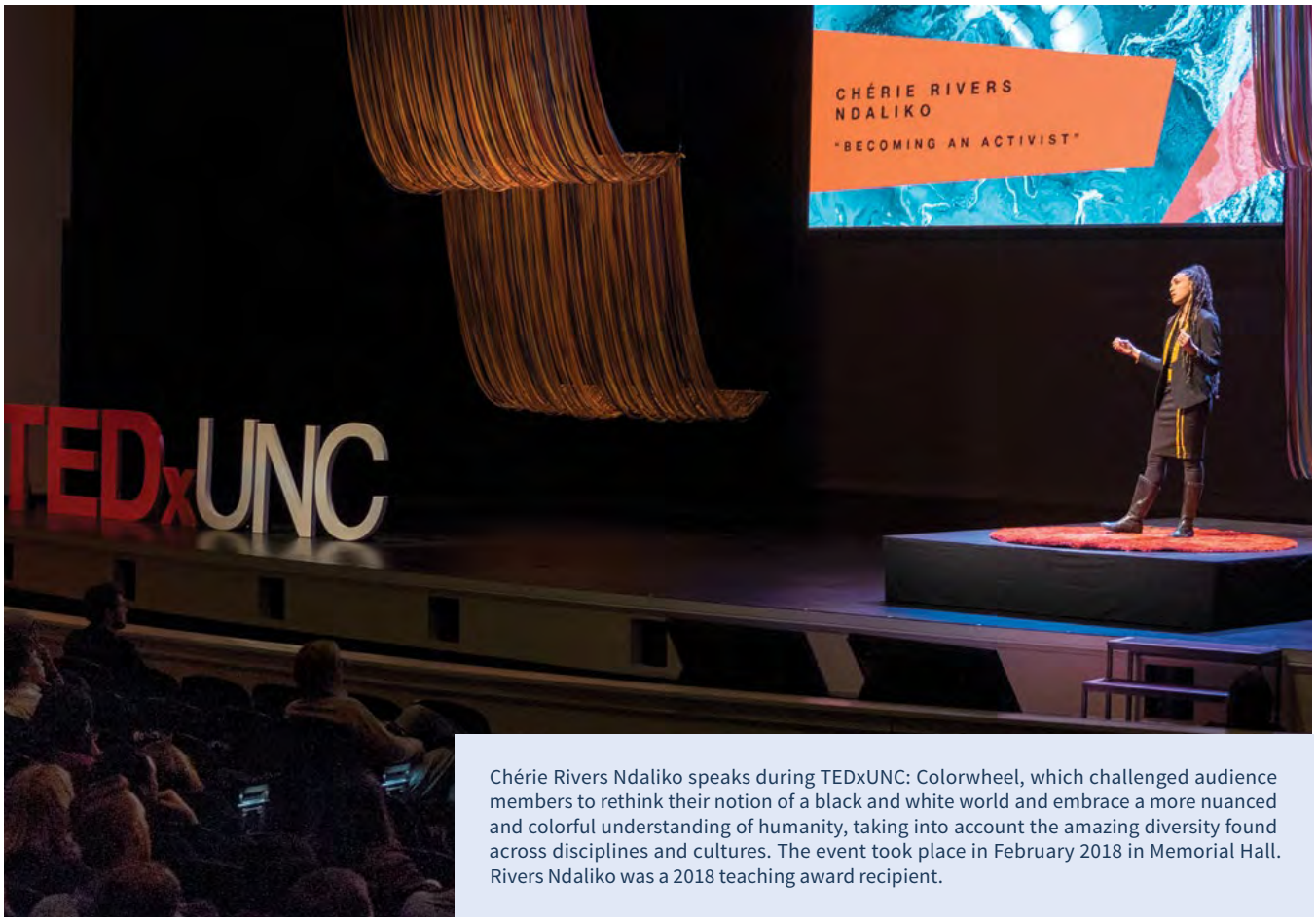
Celebrating excellence: faculty and staff awards

Each year, multiple awards honor faculty and staff for their service and commitment to excellence. Among the most coveted of these distinctions are the C. Knox Massey Distinguished Service Awards, presented annually to six employees at Carolina. The recipients are chosen annually by Chancellor Carol L. Folt from campuswide nominations. The late C. Knox Massey of Durham created the C. Knox Massey Distinguished Service Award in 1980 to recognize "unusual, meritorious or superior contributions" by University employees.

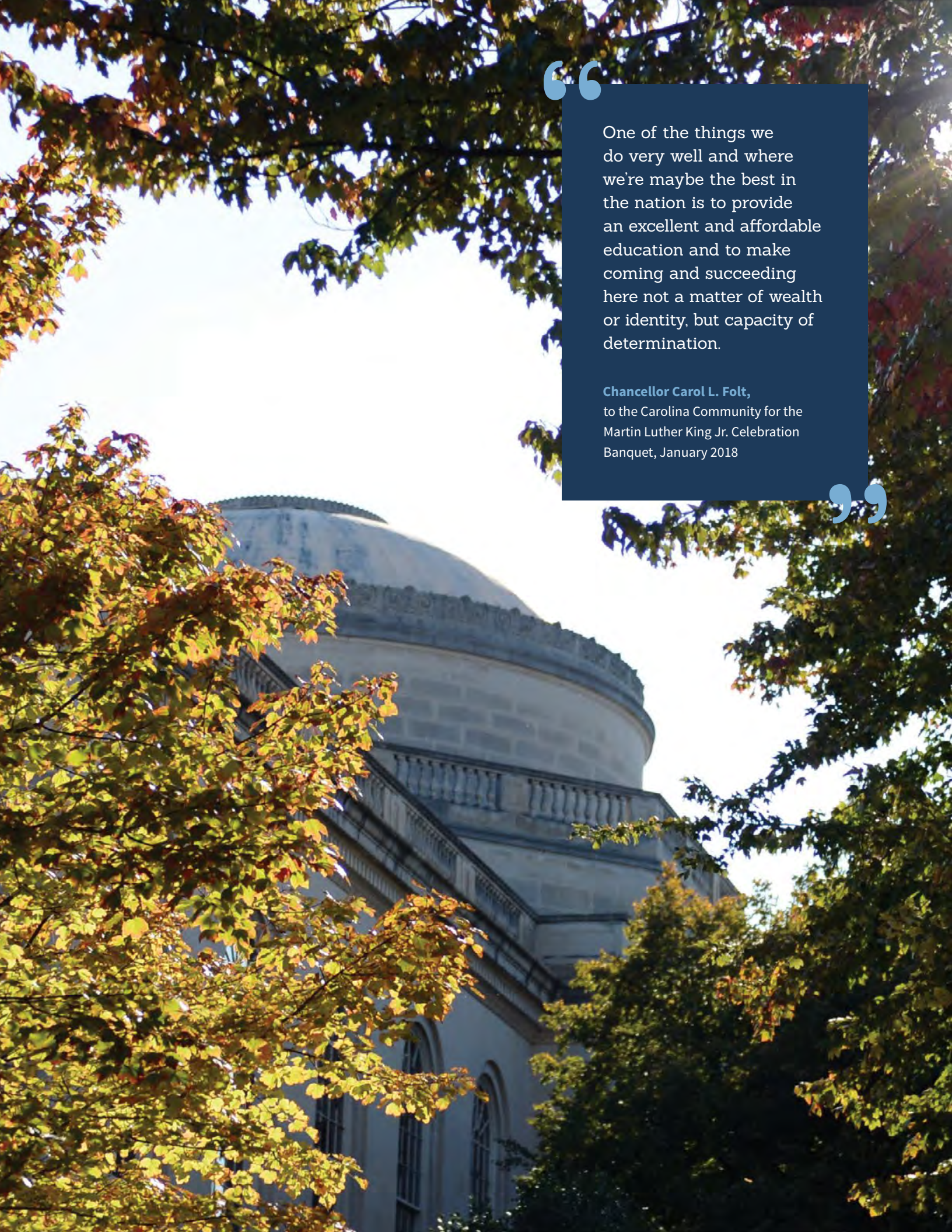
The 2018 recipients spanned the campus, from admissions to housekeeping, and were honored at a luncheon where they received an award plaque and stipend.

University inventors also are honored each year during an annual Celebration of Inventorship. The Office of Technology Commercialization selects one Inventor of the Year from among the many innovators and entrepreneurs who work at Carolina.

In addition to the Massey Awards, which are open to all University employees, the University Teaching Awards honor Carolina's exceptional teaching staff. Twenty-five faculty members and graduate teaching assistants were named recipients of UNC-Chapel Hill's 2018 University Teaching Awards. In particular, the University Committee on Teaching Awards, which oversees the selection process, focused on nominations that displayed the nominees' care for students, mentorship or effective use of classroom methods. The honorees were recognized during the halftime program of a men's basketball game and during a banquet. In 2018, the Awards Committee honored recipients in six award categories: Board of Governors' Award for Excellence in Teaching, Mentor Award for Lifetime Achievement, Distinguished Teaching Awards for Post-Baccalaureate Instruction, Tanner Awards to Graduate Teaching Assistants, Chapman Family Teaching Awards and Awards to Faculty for Excellence in Undergraduate Teaching.



Chérie Rivers Ndaliko speaks during TEDxUNC: Colorwheel, which challenged audience members to rethink their notion of a black and white world and embrace a more nuanced and colorful understanding of humanity, taking into account the amazing diversity found across disciplines and cultures. The event took place in February 2018 in Memorial Hall. Rivers Ndaliko was a 2018 teaching award recipient.



> One of the things we do very well and where we're maybe the best in the nation is to provide an excellent and affordable education and to make coming and succeeding here not a matter of wealth or identity, but capacity of determination.

Chancellor Carol L. Folt,
to the Carolina Community for the Martin Luther King Jr. Celebration Banquet, January 2018

JUNE 30, 2018

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JUNE 30, 2018

Chancellor's Cabinet and Organizational Chart

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Chancellor

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Associate Vice Chancellor for Diversity and Inclusion

ROBERT BLOUIN
Executive Vice Chancellor and Provost

JOSEPH CANADY
Senior Advisor for University Initiatives

JUDITH CONE
Vice Chancellor for Innovation, Entrepreneurship and Economic Development

WINSTON CRISP
Vice Chancellor for Student Affairs

LAWRENCE "BUBBA" CUNNINGHAM
Director of Athletics

JOEL CURRAN
Vice Chancellor for Communications

DOUGLAS S. DIBBERT
President, General Alumni Association

STEPHEN FARMER
Vice Provost, Enrollment and Undergraduate Admissions

KEVIN GUSKIEWICZ
Dean, College of Arts & Sciences

AMY LOCKLEAR HERTEL
Chief of Staff

EMIL KANG
Special Assistant to the Chancellor for the Arts Initiative
Director of the Arts

CHRIS KIELT
Vice Chancellor for Information Technology and Chief Information Officer

TERRY MAGNUSON
Vice Chancellor for Research

MARK W. MERRITT
Vice Chancellor and General Counsel

JONATHAN PRUITT
Vice Chancellor for Finance and Operations

WILLIAM ROPER
Vice Chancellor for Medical Affairs, CEO, UNC Health Care System
Dean, UNC School of Medicine

DAVID ROUTH
Vice Chancellor for University Development

CLAYTON SOMERS
Vice Chancellor for Public Affairs and Secretary of the University

RON STRAUSS
Executive Vice Provost and Chief International Officer

KIM STROM-GOTTFRIED
Director of Ethics Education and Policy Management

FELICIA WASHINGTON
Vice Chancellor for Workforce Strategy, Equity and Engagement

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Chair
Board of Trustees

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The University of North Carolina at Chapel Hill

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Director of the Arts

LAURIE MESIBOV
Interim University Ombuds

ROBERT BLOUIN
Executive Vice Chancellor and Provost

JUDITH CONE*
Vice Chancellor for Innovation, Entrepreneurship and Economic Development

WINSTON CRISP*
Vice Chancellor for Student Affairs

CHRIS KIELT*
Vice Chancellor for Information Technology and CIO

TERRY MAGNUSON*
Vice Chancellor for Research

JONATHAN PRUITT*
Vice Chancellor for Finance and Operations

FELICIA WASHINGTON*
Vice Chancellor for Workforce Strategy, Equity and Engagement

PHYLLIS PETREE**
Chief Audit Officer

KIM STROM-GOTTFRIED
Director of Ethics Education and Policy Management

DOUGLAS S. DIBBERT
President
General Alumni Association

LESLIE PARISE
Chair of the Faculty

RUMAY ALEXANDER
Associate Vice Chancellor and Chief Diversity Officer

SHAYNA HILL
Chair of the Employee Forum

*Dual report to the Chancellor

**Dual report to the Chair of the Board of Trustees and the Vice Chancellor for Finance and Operations

Financial Section

2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 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 (University), 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, 2018, 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 following:

- The financial statements of the UNC Investment Fund, LLC, which represent 52.86 percent and 7.43 percent, respectively, of the assets and revenues of the University.
- The financial statements of the UNC Intermediate Pool, LLC, which represent 5.23 percent and 0.56 percent, respectively, of the assets and revenues of the University.
- The financial statements of the UNC Management Company, Inc., which represent 0.11 percent and 0.52 percent, respectively, of the assets and revenues of the University.

- The financial statements of The University of North Carolina at Chapel Hill Foundation, Inc., which represent 1.39 percent and 1.14 percent, respectively, of the assets and revenues of the University.
- The financial statements of The Kenan-Flagler Business School Foundation, which represent 0.37 percent and 0.87 percent, respectively, of the assets and revenues of the University.
- The financial statements of The Medical Foundation of North Carolina, Inc., The Educational Foundation Scholarship Endowment Trust, or The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc., the University's discretely presented component units.

The financial statements listed above 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 reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University's blended and discretely presented component units 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, 2018, 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 23 to the financial statements, during the year ended June 30, 2018, the University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other*

Than Pensions, as amended by Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017*. Our opinion is 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 the purposes of additional analysis and are not required parts of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The introductory and supplementary sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 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 a separate cover in the Financial Statement Audit Report of The University of North Carolina at Chapel Hill published by this office.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 28, 2018

UNAUDITED

Management's Discussion and Analysis

Management's Discussion and Analysis provides an overview of the financial position and activities of The University of North Carolina at Chapel Hill (the University) for the fiscal year ended June 30, 2018, with comparative information for the fiscal year ended June 30, 2017. 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 University is a global higher education leader known for innovative teaching, research and public service. Now in its third century, the University, at the time of this publication, offers 77 bachelor's, 111 master's, 65 doctorate, and seven professional degree programs through 14 schools and the College of Arts & Sciences. 29,911 undergraduate, graduate, and professional students learn from a faculty of 3,887.

The financial reporting entity for the financial statements is comprised of the University and its component units. Certain component units are reported as if they were part of the University, and others are reported as discretely presented component units based on the nature and significance of their relationship to the University. Note 1A in the notes to the financial statements provides detailed information on the financial reporting entity.

Financial Overview

The University maintained its solid financial position at June 30, 2018. The current ratio at June 30, 2018, was 3.6 times, as compared with 3.1 times at June 30, 2017, reflecting an increase in current assets as well as a decrease in current liabilities. Net position, which represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources, was $1.8 billion at June 30, 2018 compared to $1.6 billion at June 30, 2017. The prior year balance was restated from $4.7 billion due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For more information on GASB 75's impact on net position, refer to the Net Position section of the MD&A and Note 13. The University's total assets and deferred outflows of resources were $11.0 billion at June 30, 2018.

A comparison of the total assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position and the major components of the changes in net position at June 30, 2018, and June 30, 2017, respectively, is presented to the right.

Net position increased 14.1 percent at June 30, 2018, from the prior year's restated balance. This was driven by three main factors: operating revenue growth outpacing operating expense growth, strong investment returns, and reductions in net pension and net other postemployment benefit (OPEB) liabilities.

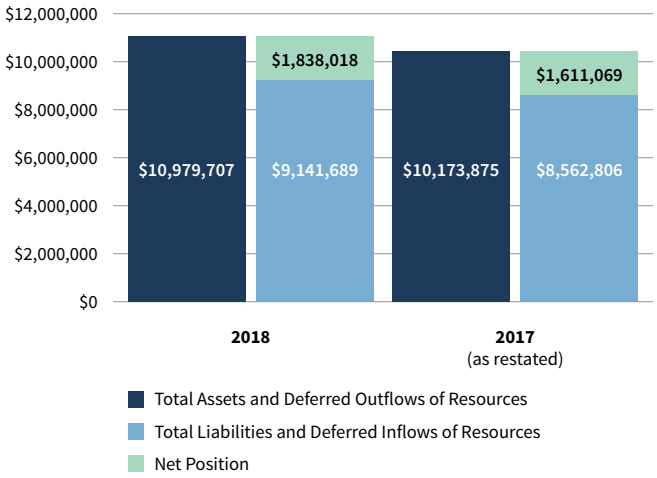
Total assets increased by 9.0 percent from the prior year, and total liabilities decreased 5.4 percent for the same period. These changes were largely due to the increase in endowment, restricted, and other investments and the associated increase in funds held in trust for pool participants as a result of strong investment results. This was offset by decreases in the net other postemployment benefit liability and net pension liability.

Operating revenues increased 4.3 percent as compared to the prior year due to increases in student tuition and fees net, patient services net, and grants and contracts. Net nonoperating revenues increased 2.4 percent over the prior year, reflecting an increase in investment income and state appropriations. Conversely, operating expenses increased 1.0 percent, due in large part to increases in salaries and benefits.

State appropriations, tuition and fees, and patient clinical services along with campus auxiliary operations continue to provide important resources to the University. As a major research university, funding from grants and contracts is also of key importance to the University's success in fulfilling its mission.

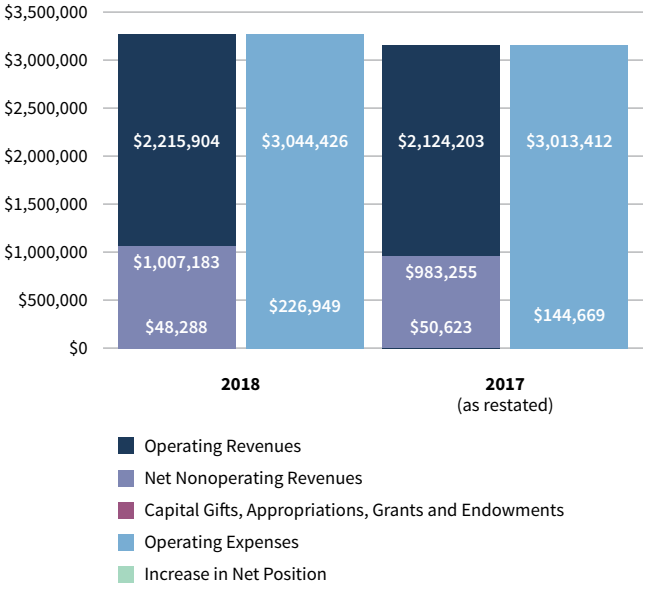
STATEMENT OF NET POSITION

Dollars in thousands



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Dollars in thousands



Using the Financial Statements

The University's 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. These statements are presented on a consolidated basis to focus on the University as a whole. The full scope of the University's activities is a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

The University's financial statements include the following financial statements with related note disclosures and financial schedules with required supplementary information:

- *Statement of Net Position for the University*
- *Statement of Revenues, Expenses, and Changes in Net Position for the University*
- *Statement of Cash Flows for the University*
- *Statement of Financial Position for Component Units of the University*
- *Statement of Activities for Component Units of the University*
- *Schedule of the Proportionate Net Pension Liability for the Teachers' and State Employees' Retirement System*
- *Schedule of University Contributions for the Teachers' and State Employees' Retirement System*
- *Schedule of the Proportionate Net OPEB Liability (Asset) for Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans*
- *Schedule of University Contributions for Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans*

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

New Accounting Pronouncements

For the fiscal year ended June 30, 2018, the University implemented the following pronouncement issued by the GASB, which are further described in Note 23:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 85, *Omnibus 2017*

Condensed Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year, and includes all assets and deferred outflows of resources, liabilities and deferred inflows of resources segregating the assets and liabilities into current and noncurrent components. The following table summarizes the University's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position on June 30, 2018, and June 30, 2017:

CONDENSED STATEMENT OF NET POSITION

Dollars in thousands

	2018	2017 (as restated)	Percent Change
Assets:			
Current Assets	$1,485,706	$1,462,839	1.6
Noncurrent Assets:			
Endowment, Restricted and Other Investments	5,898,559	5,009,673	17.7
Capital Assets, Net	3,097,414	3,090,857	0.2
Other Noncurrent Assets	195,074	233,482	(16.5)
Total Assets	**10,676,753**	**9,796,851**	**9.0**
Total Deferred Outflows of Resources	**302,954**	**377,024**	**(19.6)**
Liabilities:			
Current Portion of Long-Term Liabilities	104,289	127,585	(18.3)
Other Current Liabilities	314,213	339,285	(7.4)
Noncurrent Liabilities:			
Funds Held in Trust for Pool Participants	3,688,444	3,020,492	22.1
Long-Term Liabilities, Net	3,854,316	4,907,726	(21.5)
Other Noncurrent Liabilities	109,050	136,128	(19.9)
Total Liabilities	**8,070,312**	**8,531,216**	**(5.4)**
Total Deferred Inflows of Resources	**1,071,377**	**31,590**	**3,291.5**
Net Position:			
Net Investment in Capital Assets	1,675,469	1,653,505	1.3
Restricted	2,443,498	2,378,440	2.7
Unrestricted	(2,280,949)	(2,420,876)	(5.8)
Total Net Position	**$1,838,018**	**$1,611,069**	**14.1**

Current Assets and Liabilities

As derived from the Statement of Net Position, working capital was $1.1 billion at June 30, 2018, compared to $996.0 million at June 30, 2017. Working capital is defined as current assets less current liabilities.

Endowment, Restricted and Other Investments

Investment assets — Total endowment, restricted, and other investments were $5.9 billion at June 30, 2018. Of the $5.9 billion invested, approximately $3.7 billion are assets not owned by the University, but rather are owned by other UNC System campuses and their affiliates who have elected to pool their assets with the University's through the UNC Investment Fund, LLC. These funds are classified as funds held in trust for pool participants in the University's financial statements. These entities that choose to invest in the pool are not part of the University's reporting entity.

The total invested assets of $5.9 billion represents an increase of 17.7 percent from June 30, 2017. This increase is the net result of funds added to investments, realized and unrealized investment earnings, scheduled payouts, and fund withdrawals.

Endowment management — The endowment assets are invested with The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (Chapel Hill Investment Fund or CHIF), further detailed in Note 1A. 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.

Endowment distribution — The CHIF investment objective is to earn a long-term real (i.e. inflation-adjusted) rate of return of approximately 5.5 percent per year. 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 the distribution rate generally has ranged between 4.0 percent and 6.0 percent based on the beginning market value of the Chapel Hill Investment Fund. For the fiscal year ended June 30, 2018, the distribution rate was 5.0 percent.

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.

Endowment performance — For fiscal year 2018, the UNC Investment Fund recorded a 12.0 percent benchmark return which was consistent with the previous year's return of 12.1 percent. The return exceeded both the Strategic Investment Policy Portfolio (SIPP) return of 8.7 percent and the primary objective of earning a long-term real rate of return of at least 5.5 percent, plus inflation. For the fiscal year 2018, all seven primary asset classes generated positive returns and also exceeded their respective benchmarks.

Over a longer-term horizon, UNCIF's five-year annualized performance of 9.2 percent has exceeded the primary objective of providing an average annual real rate of return of at least 5.5 percent plus inflation. The Fund's 10-year annualized return of 5.8 percent fell short of achieving this objective with inflation per the Consumer Price Index plus 5.5 percent resulting in 6.9 percent during the period. However, on a relative basis, UNCIF's 10-year return outperformed the Global 70/30 Index (comprised of 70 percent invested in the MSCI All Country World Index and 30 percent in the Barclay's U.S. Aggregate Bond Index) which returned 5.5 percent. Over the last five years, the Fund's performance continues to rank in the top quartile of the BNY Mellon Endowment & Foundation universe.

Capital Assets and Debt Management

Construction activity — Major projects under construction include: the comprehensive renovation of the Mary Ellen Jones Building, a 1978 medical research building; the Medical Education Building, a new $90 million facility to replace Berryhill Hall; renovation of the Kenan Laboratory; a fire safety project for Davis Library along with various projects related to Athletics including an indoor practice facility for football, Fetzer Stadium improvements for women's and men's soccer and lacrosse, and a new women's field hockey facility and track and practice fields.

Current projects in design include: a new parking deck with 450 spaces replacing the surface parking lots near Paul Hardin Drive and adjacent to Carmichael Residence Hall; improvements to Joyner Residence Hall; and the redevelopment of the Naval Armory site with a new building to house facilities for Applied Physical Sciences, Institute of Convergent Science and innovation space for faculty start-ups.

Facilities planning — The University is currently engaged in a comprehensive master planning effort to guide future development of University and endowment properties. Completion of the final report is anticipated in early 2019. The plan will reflect priorities identified by the University's Strategic Framework and integrate the campus' strategic plan for sustainability.

A summary of changes in capital assets is disclosed in Note 6. Capital assets, net of accumulated depreciation and amortization, at June 30, 2018, and June 30, 2017, were as follows:

CAPITAL ASSETS

Dollars in thousands

	2018	2017 (as restated)	Percent Change
Capital Assets:			
Construction in Progress	$170,455	$81,307	109.6
Land and Other Nondepreciable Assets	221,736	214,533	3.4
Buildings, Net	1,900,577	1,966,850	(3.4)
General Infrastructure, Net	520,300	549,812	(5.4)
Machinery, Equipment, and Computer Software, Net	284,346	278,355	2.2
Total	**$3,097,414**	**$3,090,857**	**0.2**

The July 1, 2017 balances of depreciable capital assets and corresponding accumulated depreciation were restated to reflect reclassifications among categories made after the end of the prior fiscal year. These reclassifications resulted in no impact to the total net capital assets. Completed construction projects totaling $12.6 million were reclassified from construction in progress (CIP) to other asset categories during fiscal year 2018, and $102.0 million was added to CIP. Net additions to buildings and general infrastructure were $11.3 million during fiscal year 2018, offset by annual depreciation of $107.5 million.

Capital financing — During fiscal year 2018, the University continued to use its commercial paper program to provide low-cost bridge financing for capital projects with the intent to refinance all, or a portion of the funding, through the issuance of long-term bonds. The balance of commercial paper debt was $15.0 million at June 30, 2018, and $63.0 million at June 30, 2017.

During the fiscal year 2018, the University issued $5 million in commercial paper debt to fund the Media and Communications Studio project for the Athletics Department.

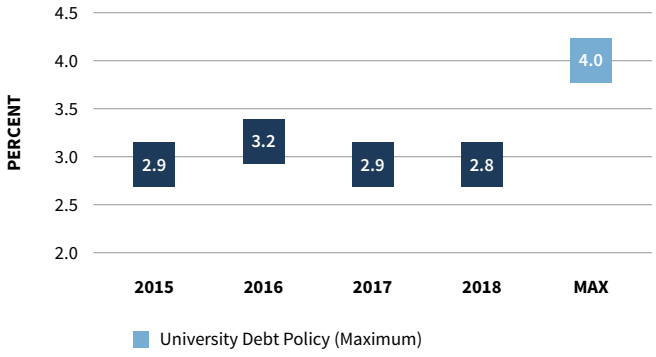
On behalf of the University, the Board of Governors for the University of North Carolina System issued General Revenue Bonds Series 2017 on September 21, 2017. Proceeds of Series 2017 were used to refund $50.0 million of commercial paper and $54.9 million of proceeds were used to advance refund certain maturities of the outstanding General Revenue 2009A bonds.

Debt management — 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 2018 ranged from 0.85 percent to 2.25 percent and for fiscal year 2017 ranged from 0.42 percent to 1.05 percent. Interest rates on the University's variable-rate, long-term bonds ranged from 0.69 percent to 1.85 percent for fiscal year 2018 and ranged from 0.38 percent to 1.45 percent for fiscal year 2017. Interest rates on fixed-rate, long-term bonds are disclosed in Note 10. These rates reflect direct interest rates and do not reflect any impact from the interest rate swaps as referenced in Note 11.

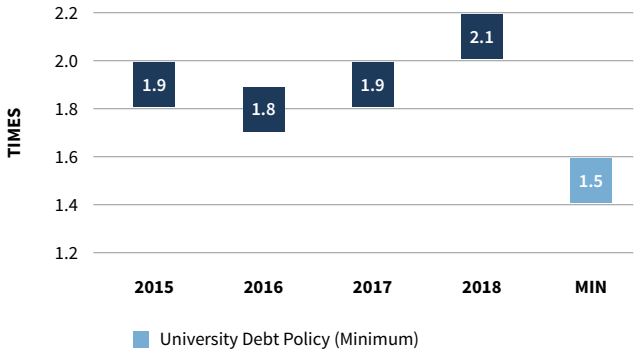
The University's debt policy uses two key ratios to measure debt capacity, financial health, and credit quality. The *debt service to operations ratio* provides an indicator of the University's ability to repay annual principal and interest relative to its overall operating expenses. The *expendable 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 unrestricted net position included in this calculation excludes the impact of the net pension and net OPEB liabilities since these do not have an impact on the University's ability to pay debt. Please see Note 13 for additional information. Each ratio is compared to the University's debt policy standard. At June 30, 2018, the *expendable resources to debt ratio* was 2.1 times, and the *debt service to operations ratio* was 2.8 percent. Results of both ratios comply with the University's debt policy and indicate healthy coverage of debt requirements.

The University continues to maintain its long-term bond ratings of Aaa/AAA/AAA from Moody's Investor Services, Standard & Poor's Global Ratings, and Fitch Ratings, respectively.

DEBT SERVICE TO OPERATIONS



EXPENDABLE RESOURCES TO DEBT



Other Noncurrent Assets and Liabilities

Excluding investments and capital assets discussed above, other noncurrent assets were $195.1 million at June 30, 2018, and $233.5 million at June 30, 2017, reflecting a 16.5 percent decrease. Other noncurrent assets include restricted cash and cash equivalents, receivables, notes receivable, and investments in joint ventures.

Total noncurrent liabilities were $7.7 billion at June 30, 2018, and $8.1 billion at June 30, 2017. These noncurrent liabilities for 2018 and 2017 respectively include net OPEB liability of $2.1 billion and $3.2 billion as well as funds held in trust for the University's affiliated foundations and other campuses in the UNC System of $3.7 billion and $3.0 billion. The overall decrease in noncurrent liabilities is due to the reduction in net OPEB liability offset by the increase in funds held in trust. For more information of the change in OPEB amounts, refer to Notes 10 and 17.

Net Position

During the current fiscal year, the University implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).* As a result of this new accounting and reporting change, participants in the State's OPEB plans, including the University, were allocated a proportionate share of the OPEB plan's net OPEB liabilities/assets, deferred outflows of resources, deferred inflows of resources and OPEB expense, specifically for the Disability Income Plan of North Carolina (DIPNC) and the Retiree Health Benefit Fund (RHBF). For the purpose of reporting actuarial-determined OPEB benefit expense for fiscal year 2018, the Statement of Net Position was restated as of June 30, 2017. The amounts for the restatement as well as the amounts for June 30, 2018 were based on the allocated proportionate shares from the State's Plans as determined by actuarial valuation and the deferred outflows for current contributions as determined by the participating entity.

The OPEB restatement for the RHBF resulted in a significant decrease to the University's June 30, 2017 unrestricted net position. The $3.1 billion decrease reduced the University's overall unrestricted net position balance at June 30, 2017 to negative $2.4 billion. To understand the continuing impact of the GASB 75 implementation as of June 30, 2018, and the effect of reporting the proportionate share of the RHBF as well as the University's proportionate share of the State's pension plan on unrestricted net position, Note 13 "Unrestricted Net Position" has been added to the notes to the financial statements.

More information regarding the OPEB plans can be found in Note 17.

Net position represents the value of the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The University's net position was $1.8 billion at June 30, 2018, and $1.6 billion at June 30, 2017.

Net Investment in Capital Assets — This category of net position represents the University's total investment in capital assets, net of outstanding liabilities related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included.

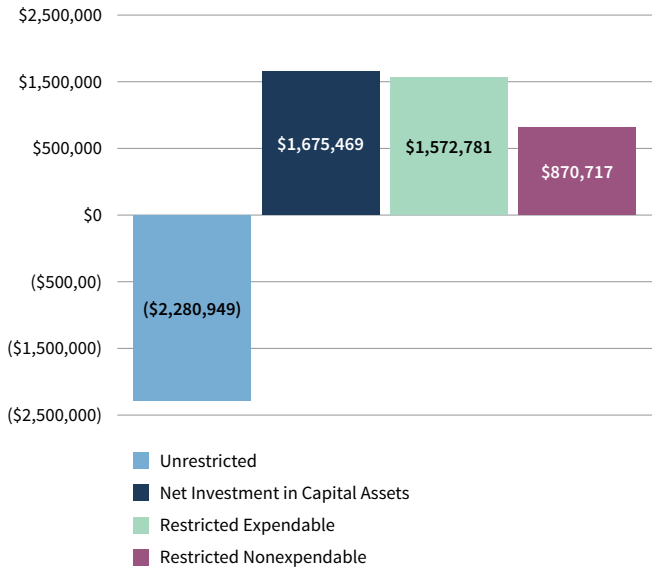
Nonexpendable Restricted — This category of net position includes endowment and similar assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

Expendable Restricted — This category of net position includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted — This category of 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.

2018 NET POSITION: $1,838,018

Dollars in thousands



Condensed Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's operational results. The statements for the fiscal year ended June 30, 2018, and the prior year are summarized as follows:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Dollars in thousands

	2018	2017 (as restated)	Percent Change
Operating Revenues:			
Student Tuition and Fees, Net	$438,405	$426,856	2.7
Grants and Contracts	837,985	811,223	3.3
Sales and Services, Net	929,809	869,730	6.9
Other Operating Revenues	9,705	16,394	(40.8)
Total Operating Revenues	**2,215,904**	**2,124,203**	**4.3**
Operating Expenses	**3,044,426**	**3,013,412**	**1.0**
Operating Loss	**(828,522)**	**(889,209)**	**(6.8)**
Nonoperating Revenues (Expenses):			
State Appropriations	518,231	500,212	3.6
Noncapital Gifts and Grants, Net	312,676	313,746	(0.3)
Investment Income, Net	292,215	267,070	9.4
Interest and Fees on Debt	(53,540)	(56,960)	(6.0)
Federal Interest Subsidy on Debt	2,123	2,116	0.3
Other Nonoperating Revenues (Expenses)	(64,522)	(42,929)	50.3
Net Nonoperating Revenue	**1,007,183**	**983,255**	**2.4**
Income Before Other Revenues	**178,661**	**94,046**	**90.0**
Capital Appropriations	9,038	12,869	(29.8)
Capital Grants	13,150	3,790	247.0
Capital Gifts	3,999	16,996	(76.5)
Additions to Permanent Endowments	22,101	16,968	30.3
Increase in Net Position	**226,949**	**144,669**	**56.9**
Net Position – July 1	**1,611,069**	**4,579,480**	**(64.8)**
Restatements		**(3,113,080)**	
Net Position – June 30	**$1,838,018**	**$1,611,069**	**14.1**

Fiscal year 2017–2018 revenues and other changes total $3,389,437 and expenses total $3,162,488. Fiscal year 2016–2017 revenues and other changes total $3,257,969 and expenses total $3,113,301.

Operating Revenues

Operating revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Student tuition and fees (net) for fiscal year 2018 increased 2.7 percent over the prior year. Student tuition and fees are reported net of scholarship discounts, which totaled $118.4 million for fiscal year 2018 and $109.2 million for the prior year. Tuition rates for fiscal year 2018 increased 4.0 percent for undergraduate residents, 7.7 percent for graduate residents, and 1.6 percent for graduate nonresidents. Undergraduate nonresident tuition decreased 0.7 percent.

Revenues and expenditures from sponsored projects were slightly higher in fiscal year 2018 reflecting a continued upward trajectory. In terms of future research funding, faculty secured $883.0 million in sponsored program funding in fiscal year 2018, which is marginally down from the fiscal year 2017 total of $897.8 million. However, fiscal year 2018 results are above the fiscal year 2016 total of $846.7 million supporting an overall positive trend. Sponsored projects funding comes in the form of grants and contracts awarded by federal and state agencies, foundations, nonprofit organizations, corporations, and associations, with the federal government providing the majority of the awards. Securing sponsored program funding has become an increasingly competitive endeavor, particularly as federal funding becomes more and more competitive. A key factor in dealing with such competitive pressures is diversifying funding sources and bringing in more awards from foundations and private industry.

The National Institutes of Health (NIH) remained the University's largest funding source, with awards exceeding $432.3 million, which was up from fiscal year 2017 total of $410.0 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 U.S. Agency for International Development, $60.3 million; the National Science Foundation $36.9 million; and the Department of Health and Human Services, excluding NIH, $29.3 million. The University's multidisciplinary research centers and institutes within the Vice Chancellor's Division continue to play a growing role in bringing research funding to North Carolina, accounting for approximately $193.2 million, or over 20 percent, of total awards in fiscal year 2018.

New, innovative research facilities and infrastructure continue to make ground-breaking interdisciplinary scientific research possible and contribute to obtaining research awards. Noteworthy among such opportunities is the ongoing partnership between the University and GlaxoSmithKline (GSK), a global pharmaceutical healthcare company. GSK is investing $20.0 million over a five-year period ending fiscal year 2020 in pursuit of a cure for HIV. With this investment, a research team from GSK moved to Chapel Hill to be co-located with University researchers. The University is matching this investment by providing world-class laboratory space on its medical campus for the HIV Cure Center and the new company, QURA Therapeutics. GSK will be contributing its expertise and knowledge in medicines discovery, development, and manufacturing, and the University will bring its research and translational medicine capabilities and talent, as well as access to patients and funding.

Sales and services, net increased 6.9 percent in fiscal year 2018 and includes the revenues of campus auxiliary operations (student housing, campus health services, the utilities system, parking and transportation) and revenues from patient services provided by the professional healthcare clinics. The revenue component of sales and services from the professional healthcare clinics rose 8.9 percent as a result of increased patient receipts and recognition of additional Medicaid reimbursements. UNC Faculty Physicians continues as a leader in providing healthcare to the citizens of North Carolina as it expands its clinical mission across the State via affiliation with Area Health Education Centers and the M.D. program expansion to Asheville, Charlotte, and Wilmington. Other revenues represent operating resources not separately identified.

Operating Expenses

The University's operating expenses were $3.0 billion for the fiscal year ended June 30, 2018, an increase of 1.0 percent from the prior year which is a positive trend since operating revenues are increasing at a faster pace than the operating expenses.

Operating expense categories changed at varying rates between fiscal year 2018 and fiscal year 2017 but experienced an overall increase of 1.0 percent. Increases that occurred were primarily driven by legislative authorized salary increases and bonuses, an increase in the employer contribution rate for certain benefits, and growth in employee headcount.

Instruction and research have historically represented the largest non-auxiliary functional categories: 44.4 percent of total operating expenses in fiscal year 2018 and 43.7 percent in fiscal year 2017. The next largest functional category, auxiliary expenses, represented 25.0 percent of total operating expenses in fiscal year 2018 and 24.1 percent in fiscal year 2017. Across all functional categories, salaries and benefits represent the largest component, followed by services.

Nonoperating Revenues and Expenses

State appropriations, noncapital gifts and grants, and investment income (net) are considered nonoperating because they are not generated by the University's principal, ongoing operations. State appropriations are provided to help fund operating expenses. State appropriations revenue totaled $518.2 million for fiscal year 2018, an increase of 3.6 percent from the $500.2 million received during the prior year. Increases included an enrollment allocation increase of $7.8 million, salary allocation increases of $7.2 million, and Western School of Medicine increase of $3.7 million.

Noncapital gifts and grants were relatively flat decreasing 0.3 percent to $312.7 million and include expendable gifts and federal government awards, as well as other awards that are not considered to be operating revenues. Investment returns reflected an increase of $25.1 million which continues the growth trend from 2017. Refer to the Endowment Performance sub-section in the Endowment, Restricted and Other Investments section for additional discussion and analysis. Investment income includes investment yield and realized and unrealized gains and losses, net of investment management fees.

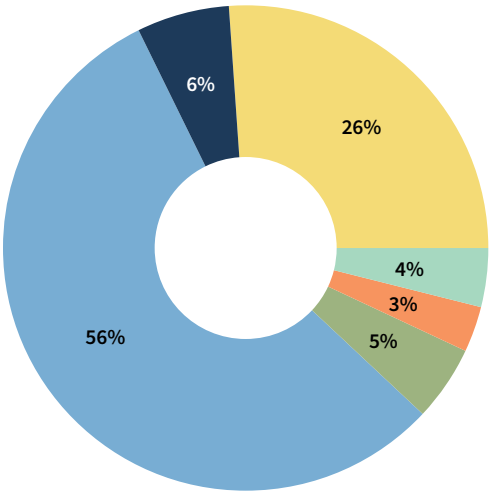
OPERATING EXPENSES BY NATURAL CLASSIFICATION

Dollars in thousands

	2018	2017	Percent Change
Salaries and Benefits	$1,730,164	$1,697,183	1.9%
Supplies and Materials	178,419	191,162	(6.7%)
Services	784,105	782,162	0.2%
Scholarships and Fellowships	129,050	123,739	4.3%
Utilities	84,287	79,081	6.6%
Depreciation/Amortization	138,401	140,085	(1.2%)
Total Operating Expenses	**$3,044,426**	**$3,013,412**	**1.0%**

2018 OPERATING EXPENSES BY NATURE: $3,044,426

Dollars in thousands



- Salaries and Benefits—$1,730,164
- Supplies and Materials—$178,419
- Services—$784,105
- Scholarships and Fellowships—$129,050
- Utilities—$84,287
- Depreciation/ Amortization—$138,401

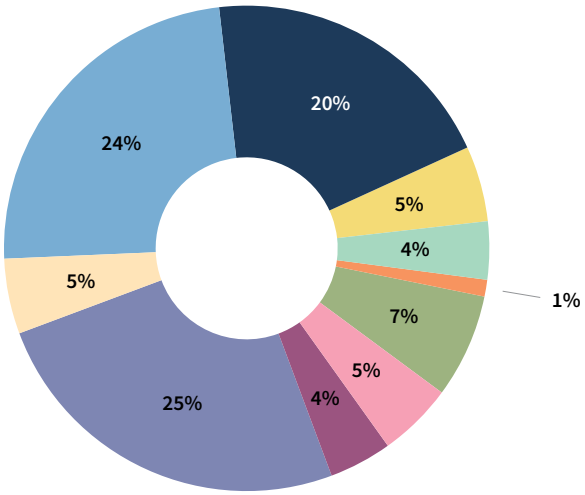
OPERATING EXPENSES BY FUNCTION

Dollars in thousands

	2018	2017	Percent Change
Instruction	$749,322	$721,569	3.8%
Research	601,890	595,219	1.1%
Public Service	148,579	142,315	4.4%
Academic Support	132,369	137,947	(4.0%)
Student Services	44,497	45,506	(2.2%)
Institutional Support	198,111	186,342	6.3%
Operations and Maintenance of Plant	142,403	193,988	(26.6%)
Student Financial Aid	129,050	123,740	4.3%
Auxiliary Enterprises	759,804	726,701	4.6%
Depreciation/Amortization	138,401	140,085	(1.2%)
Total Operating Expenses	**$3,044,426**	**$3,013,412**	**1.0%**

2018 OPERATING EXPENSES BY FUNCTION: $3,044,426

Dollars in thousands



- Instruction—$749,322
- Research—$601,890
- Public Service—$148,579
- Academic Support—$132,369
- Student Services—$44,497
- Institutional Support—$198,111
- Operations and Maintenance of Plant—$142,403
- Student Financial Aid—$129,050
- Auxiliary Enterprises—$759,804
- Depreciation/Amortization—$138,401

Total Operating and Nonoperating Revenues

Operating and nonoperating revenues such as state appropriations, noncapital grants, noncapital gifts, and investment income are used to fund University operations. The chart on the following page illustrates the University's operating and nonoperating revenues, which total $3.3 billion for fiscal year 2018. As seen in the chart on the following page, the University has a diversified revenue base.

Other Changes in Net Position

Capital appropriations for fiscal year 2018 were $9.0 million as compared with $12.9 million for the prior year and were used to fund construction projects that were not receipts supported. Capital grants for capital construction projects were $13.2 million for fiscal year 2018 and $3.8 million for fiscal year 2017. Capital gifts decreased from $17.0 million in fiscal year 2017 to $4.0 million in fiscal year 2018. Capital gifts include artwork donated to The Ackland Art Museum. Additions to permanent endowments, including funds from the State's program to match gifts for distinguished professorship endowments were $22.1 million during fiscal year 2018 and $17.0 million during fiscal year 2017.

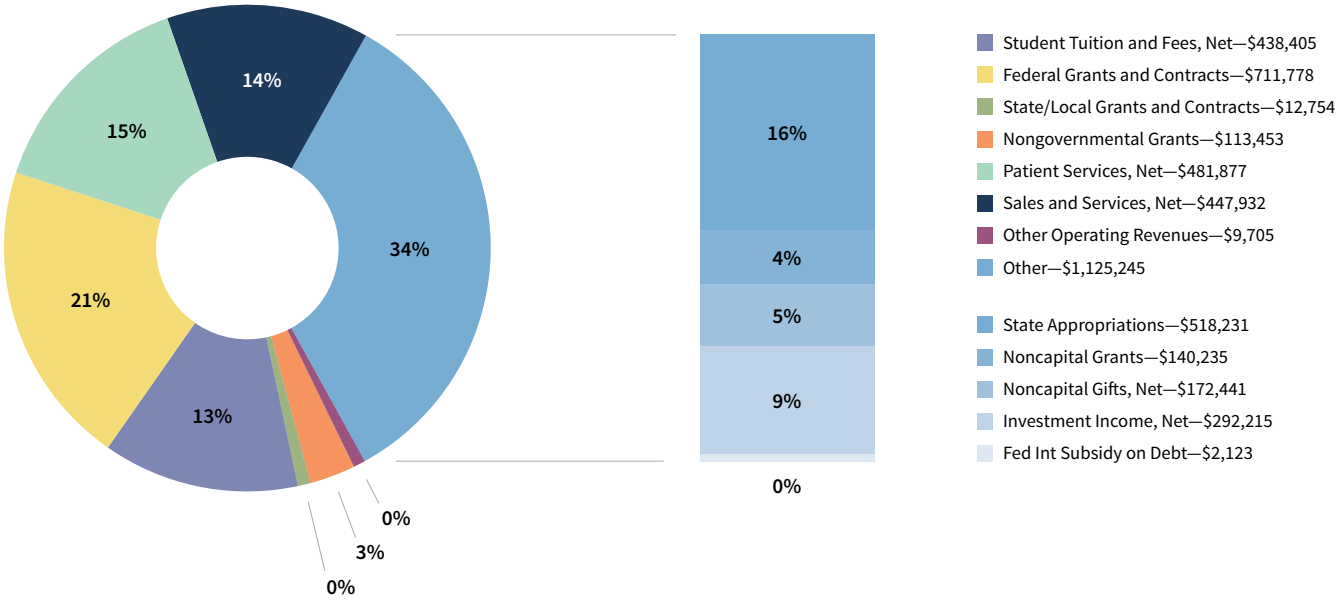
Economic Outlook

The University of North Carolina at Chapel Hill remains financially sound with a robust and diverse revenue base, a healthy endowment, strong tradition of private giving, effective expense management, highly selective acceptance rate, and a commitment to excellence.

Tuition rates for the ensuing fiscal year 2019 remained consistent with 2018 rates for undergraduate residents. Undergraduate nonresident tuition increased 1.8 percent. For graduate students, the increase varied by program. The University continues to return a portion of tuition revenue to students in the form of need-based aid and, combined with other sources, continues to provide financial aid to meet 100 percent of documented need for undergraduate students.

2018 REVENUES BY SOURCE: $3,341,149

Dollars in thousands



State appropriations for fiscal year 2019 are budgeted at $531.3 million. Approved legislative salary increase funds and initiatives funded by the UNC System such as faculty recruitment and retention, campus scholarship awards, department-based research, and other programs may increase the state appropriations budget during the 2019 fiscal year.

Sponsored awards are a proven and reliable source of support to the University's research mission. The University's research enterprise has doubled in the last decade, reaching over $800.0 million in extramural support for fiscal year 2018. It directly supports more than 10,000 positions statewide. In a 2016 report titled *The Top American Research Universities*, the University was ranked one of the top six public universities. The report, produced by the Center for Measuring University Performance, assessed areas such as research, private support, faculty strength, and advanced training. Among international universities, the University was ranked 56th in the world by the London-based *Times Higher Education* magazine in 2017. 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 University and NC State University in the Research Triangle Park region.

Philanthropic efforts continued strong momentum in fiscal year 2018, as the University raised $617 million in commitments to set a fourth straight record. This total eclipsed the prior year's record by nearly $75 million and marked the first time in history that the University has topped $600 million. The performance resulted from the generous contributions of 69,771 donors and put the University past the halfway dollar goal ahead of schedule for its ongoing fundraising campaign, "For All Kind: The Campaign for Carolina." The campaign targets to raise $4.25 billion by December 31, 2022; as of June 30, 2018, contributions totaled $2.23 billion.

Commitments include a $50 million gift to support areas and programs across campus including the Ackland Art Museum, Kenan-Flagler Business School, and the Institute for the Arts and Humanities; a $20 million gift to launch the Red, White and Carolina Blue Challenge to provide need-based scholarships for the dependents of military families; and a $12 million gift to support PlayMakers Repertory Company and the Department of Dramatic Art which is the largest single gift from an individual to the performing arts at UNC Chapel Hill.

Endowment funds provide an important distribution of earnings in support of the University's mission. Approximately $3.4 billion is invested with the UNC Investment Fund. The achievement of investment objectives cannot be realized unless a substantial portion of assets are invested in securities which are subject to market volatility. The UNC Investment Fund does not seek to eliminate risk, but to balance volatility and expected return. This strategy requires investments in different asset classes with proper diversification in order to minimize the probability of loss while generating investment returns sufficient to meet program

> Discoveries made here have changed North Carolina, saved countless millions of lives, built industries and improved futures of people here and around the world.
>
> **Chancellor Carol L. Folt,**
> addressing attendees at the For All Kind: the Campaign for Carolina Gala Celebration, October 2017

objectives. As it relates to the Fund, diversification is primarily achieved through the strategic asset allocation at the aggregate level and then augmented by strategies mandated with individual investment managers.

Since asset allocation is the fundamental driver of risk and return, the framework of the UNC Investment Fund has been designed to optimize risk-adjusted returns in support of achieving long-term objectives. The UNC Investment Fund has established ranges or bands for each respective asset class in order to provide a controlled framework for managing risk. Asset allocations are adjusted periodically, in accordance with policy objectives, to reflect market conditions and align assets with planned performance expectations. Asset allocations represent the best estimate at a given measurement date for supporting long-term expected rate of return objectives.

Given the current risks and uncertainties in financial markets, the strategy focuses on capital preservation and downside protection as the most prudent near-term course of action. On an historical basis, many asset classes are quite expensive while their forward-looking return profiles are often muted. It is due to these factors that the University tends to favor those investment opportunities that provide modest returns with less volatility rather than more aggressive strategies. Current market conditions require flexibility and prudent investing to preserve and protect capital while incrementally generating return in a risk-efficient manner. Actual investment experience and expectations will vary depending upon the current state environment, time horizon, and other factors.

Moody's Investor Service published its Sector In-Depth report on Higher Education – US in June 2018, and noted that for the second consecutive year, median public university revenue growth declined and was outpaced by expense growth. Revenue growth will remain low as public universities face tuition affordability concerns and ongoing state funding constraints. Brand strength and revenue diversity are expected to ease some of the pressures for large research universities. The University's ability to grow the base and mix of its revenue is an important part of its financial and operational strategy. The University's mixture of funding sources includes student tuition, state appropriations, federal, state and other research awards, philanthropy, sales from clinical and business operations, and investment returns. This diversity of resources provides flexibility for the University to withstand funding fluctuations. The University continues to attract top students, and 2018 was the 13th consecutive year of record growth with an increase of 6 percent. The University faces significant pressure on its ability to manage expenses while maintaining the competitive salaries and benefits needed to attract top faculty. Continued effective leadership and commitment to financial health will fortify the University as it continues to thrive. While it is not possible to predict future results, management believes that the University's financial position will remain strong.

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Financial Statements

STATEMENT OF NET POSITION FOR THE UNIVERSITY

June 30, 2018

Assets	
Current Assets:	
Cash and Cash Equivalents	$337,040,956
Restricted Cash and Cash Equivalents	318,445,131
Short-Term Investments	325,546,982
Restricted Short-Term Investments	181,847,862
Receivables, Net (Note 5)	262,772,216
Due from Primary Government	1,293,660
Due from State of North Carolina Component Units	24,103,717
Inventories	19,532,054
Notes Receivable, Net (Note 5)	6,100,379
Other Assets	9,023,014
Total Current Assets	**$1,485,705,971**
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	$91,956,220
Receivables, Net (Note 5)	38,245,725
Endowment Investments	2,187,028,950
Restricted Investments	3,602,999,945
Other Investments	108,529,345
Notes Receivable, Net (Note 5)	45,206,815
Investment in Joint Ventures (Note 21)	13,974,345
Beneficial Interest in Assets Held by Others	1,528,987
Net Other Postemployment Benefit Asset	4,162,076
Capital Assets – Nondepreciable (Note 6)	392,191,137
Capital Assets – Depreciable, Net (Note 6)	2,705,223,078
Total Noncurrent Assets	**$9,191,046,623**
Total Assets	**$10,676,752,594**

Deferred Outflows of Resources	
Accumulated Decrease in Fair Value of Hedging Derivatives	$82,927,586
Deferred Loss on Refunding	11,201,529
Deferred Outflows Related to Pensions	135,842,816
Deferred Outflows Related to Other Postemployment Benefits (Note 17)	72,982,223
Total Deferred Outflows of Resources	**$302,954,154**

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

Liabilities	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	$167,892,429
Due to State of North Carolina Component Units	13,781,191
Deposits Payable	8,217,548
Funds Held for Others	841,097
Unearned Revenue	97,005,756
Interest Payable	5,024,456
Obligations Under Reverse Repurchase Agreements	6,451,000
Short-Term Debt	15,000,000
Long-Term Liabilities – Current Portion (Note 10)	104,288,664
Total Current Liabilities	**$418,502,141**
Noncurrent Liabilities:	
U. S. Government Grants Refundable	$26,123,050
Funds Held in Trust for Pool Participants	3,688,444,067
Hedging Derivative Liability	82,927,586
Long-Term Liabilities, Net (Note 10)	3,854,315,028
Total Noncurrent Liabilities	**7,651,809,731**
Total Liabilities	**$8,070,311,872**

Deferred Inflows of Resources	
Deferred Inflows for Irrevocable Split-Interest Agreements	$18,807,628
Deferred Inflows Related to Pensions	9,351,543
Deferred Inflows Related to Other Postemployment Benefits (Note 17)	1,043,218,014
Total Deferred Inflows of Resources	**$1,071,377,185**

Net Position	
Net Investment in Capital Assets	**$1,675,469,243**
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	202,916,685
Research	20,834,781
Endowed Professorships	394,371,771
Departmental Uses	163,165,489
Loans	25,430,018
Other	63,997,789
Total Nonexpendable	**870,716,533**
Expendable:	
Scholarships and Fellowships	272,063,982
Research	55,627,184
Endowed Professorships	525,843,885
Departmental Uses	436,191,389
Capital Projects	69,010,368
Debt Service	137,999,176
Other	76,044,605
Total Expendable	**1,572,780,589**
Unrestricted	**(2,280,948,674)**
Total Net Position	**$1,838,017,691**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE UNIVERSITY

For the fiscal year ended June 30, 2018

Revenues	
Operating Revenues:	
Student Tuition and Fees, Net (Note 14)	$438,404,927
Patient Services, Net (Note 14)	481,876,888
Federal Grants and Contracts	711,777,802
State and Local Grants and Contracts	12,753,980
Nongovernmental Grants and Contracts	113,453,000
Sales and Services, Net (Note 14)	447,932,086
Interest Earnings on Loans	2,927,716
Other Operating Revenues	6,777,242
Total Operating Revenues	**$2,215,903,641**

Expenses	
Operating Expenses:	
Salaries and Benefits	$1,730,163,726
Supplies and Materials	178,419,023
Services	784,104,841
Scholarships and Fellowships	129,050,342
Utilities	84,286,803
Depreciation/ Amortization	138,401,493
Total Operating Expenses	**3,044,426,228**
Operating Loss	**($828,522,587)**

Nonoperating Revenues (Expenses)	
State Appropriations	$518,231,277
Noncapital Grants – Student Financial Aid	22,818,468
Noncapital Grants	117,416,984
Noncapital Gifts, Net (Note 14)	172,440,661
Investment Income (Net of Investment Expense of $25,178,982)	292,214,598
Interest and Fees on Debt	(53,539,550)
Federal Interest Subsidy on Debt	2,122,949
Other Nonoperating Revenues (Expenses)	(64,522,219)
Net Nonoperating Revenues	**1,007,183,168**
Income Before Other Revenues, Expenses, Gains, or Losses	**178,660,581**
Capital Appropriations	9,038,073
Capital Grants	13,149,996
Capital Gifts	3,998,933
Additions to Endowments	22,101,488
Increase in Net Position	**$226,949,071**

Net Position	
Net Position – July 1, 2017, as Restated (Note 24)	**$1,611,068,620**
Net Position – June 30, 2018	**$1,838,017,691**

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

STATEMENT OF CASH FLOWS FOR THE UNIVERSITY

For the fiscal year ended June 30, 2018

Cash Flows from Operating Activities	
Received from Customers	$2,238,715,389
Payments to Employees and Fringe Benefits	(1,717,463,141)
Payments to Vendors and Suppliers	(1,050,167,147)
Payments for Scholarships and Fellowships	(129,050,342)
Loans Issued	(5,745,115)
Collection of Loans	5,411,143
Interest Earned on Loans	2,708,710
Other Payments	(58,782,974)
Net Cash Used by Operating Activities	**($714,373,477)**

Cash Flows from Noncapital Financing Activities	
State Appropriations	$518,231,277
Noncapital Grants – Student Financial Aid	22,818,468
Noncapital Grants	117,416,984
Noncapital Gifts	168,092,646
Payments for Annuities and Life Income Payable Under Split-Interest Agreements	(4,854,856)
Additions to Endowments	22,101,488
William D. Ford Direct Lending Receipts	182,334,237
William D. Ford Direct Lending Disbursements	(185,523,113)
Related Activity Agency Receipts	2,145,321,634
Related Activity Agency Disbursements	(1,705,418,980)
Net Cash Provided by Noncapital Financing Activities	**$1,280,519,785**

Cash Flows from Capital Financing and Related Financing Activities	
Proceeds from Capital Debt	$115,225,000
Capital Appropriations	9,038,073
Capital Grants	15,041,900
Acquisition and Construction of Capital Assets	(141,459,616)
Principal Paid on Capital Debt and Leases	(140,284,250)
Interest and Fees Paid on Capital Debt and Leases	(56,919,989)
Federal Interest Subsidy on Debt Received	2,122,949
Net Cash Used by Capital Financing and Related Financing Activities	**($197,235,933)**

Cash Flows from Investing Activities	
Proceeds from Sales and Maturities of Investments	$4,814,415,116
Investment Income	143,828,019
Purchase of Investments and Related Fees	(5,342,204,800)
Change in Obligations Under Reverse Repurchase Agreements	3,989,104
Net Cash Used by Investing Activities	**(379,972,561)**
Net Decrease in Cash and Cash Equivalents	**(11,062,186)**
Cash and Cash Equivalents – July 1, 2017	**758,504,493**
Cash and Cash Equivalents – June 30, 2018	**$747,442,307**

Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	**($828,522,587)**
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/ Amortization Expense	138,401,493
Allowances and Write-Offs	7,519,683
Nonoperating Other Expenses	(64,522,219)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	27,977,953
Inventories	1,442,152
Notes Receivable, Net	473,407
Beneficial Interest in Assets Held by Others	(163,820)
Net Other Postemployment Benefits Asset	(25,949)
Deferred Outflows Related to Pensions	57,815,238
Deferred Outflows Related to Other Postemployment Benefits	(4,401,749)
Other Assets	641,538
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	1,474,172
Unearned Revenue	8,115,745
Net Pension Liability	(36,795,232)
Net Other Postemployment Benefits Liability	(1,067,840,435)
Compensated Absences	11,329,964
U.S. government grants refundable	(7,079,793)
Deferred Inflows for Irrevocable Split-Interest Agreements	2,687,099
Deferred Inflows Related to Pensions	(6,118,151)
Deferred Inflows Related to Other Postemployment Benefits	1,043,218,014
Net Cash Used by Operating Activities	**($714,373,477)**

Reconciliation of Cash and Cash Equivalents	
Current Assets:	
Cash and Cash Equivalents	$337,040,956
Restricted Cash and Cash Equivalents	318,445,131
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	91,956,220
Total Cash and Cash Equivalents – June 30, 2018	**$747,442,307**

Noncash Investing, Capital, and Financing Activities	
Assets Acquired through the Assumption of a Liability	$8,852,089
Assets Acquired through a Gift	3,998,933
Change in Fair Value of Investments	147,210,249
Loss on Disposal of Capital Assets	(6,553,397)
Amortization of Bond Premiums/Discounts	($4,397,085)

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

STATEMENT OF FINANCIAL POSITION FOR COMPONENT UNITS OF THE UNIVERSITY

June 30, 2018

Assets	UNC-CH Arts and Sciences Foundation, Inc.	The Educational Foundation Scholarship Endowment Trust	The Medical Foundation of North Carolina, Inc.
Current Assets:			
Cash and Cash Equivalents	$24,200,471	$10,733,857	$46,140,425
Promises to Give, Net	9,973,865	8,411,307	6,719,974
Contribution Receivable from Split-Interest Agreements		5,134,756	
Accounts Receivable	845,493		
Other Receivables	22,083		
Other Current Assets			691,786
Total Current Assets	**35,041,912**	**24,279,920**	**53,552,185**
Property and Equipment:			
Capital Assets, Net	6,624,537		648,515
Total Property and Equipment	**6,624,537**		**648,515**
Other Assets:			
Investments	257,290,291	242,582,869	280,999,105
Promises to Give, Net	27,209,048		11,243,350
Split-Interest Agreements	1,924,900		
Cash Surrender Value of Life Insurance		2,087,671	
Other Assets			3,942,537
Total Other Assets	**286,424,239**	**244,670,540**	**296,184,992**
Total Assets	**$328,090,688**	**$268,950,460**	**$350,385,692**
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Expenses	$31,126		$843,999
Annuities Payable		$37,844	
Current Portion of Loan Payable	143,258		
Total Current Liabilities	**174,384**	**37,844**	**843,999**
Long-Term Liabilities:			
Deferred Revenue			421,748
Loan Payable	2,520,403		
Liabilities Under Charitable Remainder Trusts			56,307
Total Long-Term Liabilities	**2,520,403**		**478,055**
Total Liabilities	**$2,694,787**	**$37,844**	**$1,322,054**
Net Assets			
Without Donor Restrictions:			
Undesignated			$1,338,326
Designated by the Board for Endowment			10,924,078
Invested in Property and Equipment			648,515
Total Without Donor Restrictions			12,910,919
With Donor Restrictions			336,152,719
Unrestricted	$55,217,359		
Temporarily Restricted	117,475,491	$130,252,304	
Permanently Restricted	152,703,051	138,660,312	
Total Net Assets	**325,395,901**	**268,912,616**	**349,063,638**
Total Liabilities and Net Assets	**$328,090,688**	**$268,950,460**	**$350,385,692**

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR COMPONENT UNITS OF THE UNIVERSITY

For the fiscal year ended June 30, 2018

Support and Revenue	UNC-CH Arts and Sciences Foundation, Inc.	The Educational Foundation Scholarship Endowment Trust	The Medical Foundation of North Carolina, Inc.
Support:			
Contributions	$17,920,703	$14,064,245	$36,411,409
Donated Support	3,348,202		
Change in Value of Split-Interest Agreements	195,100		175,280
Contributed Services			2,044,489
Actuarial Adjustment of Annuities Payable		3,270	
Endowment Investment Return Designated for Current Operations		10,629,342	
Total Support	**21,464,005**	**24,696,857**	**38,631,178**
Revenue:			
Interest and Dividends			3,929,670
Net Unrealized and Realized Gains on Investments	26,126,596		22,173,637
Investment Income	218,874		
Other Income	140,215		851,273
Total Revenue	**26,485,685**		**26,954,580**
Total Support and Revenue	**$47,949,690**	**$24,696,857**	**$65,585,758**
Expenses			
Program Services:			
Grants	$14,825,556		$25,625,462
Scholarship Expense Distribution		$10,622,815	
Annuity Payments		6,527	
Other Expense		282,400	
Total Program Services	**14,825,556**	**10,911,742**	**25,625,462**
Supporting Services:			
Fundraising	2,862,999		4,787,339
Management, Administrative, and General	553,385		1,678,250
Total Supporting Services	**3,416,384**		**6,465,589**
Bad Debt	223,838		
Total Expenses and Bad Debt Expense	**$18,465,778**	**$10,911,742**	**$32,091,051**
Other Changes			
Endowment Investment Return in Excess of Amounts Designated for Current Operations		$13,849,562	
Changes in Net Assets			
Without Donor Restrictions			$1,454,463
With Donor Restrictions			32,040,244
Unrestricted	$4,113,195		
Temporarily Restricted	19,704,363	$13,852,832	
Permanently Restricted	5,666,354	13,781,845	
Total Changes in Net Assets	**29,483,912**	**27,634,677**	**33,494,707**
Net Assets – Beginning of Year	**295,911,989**	**241,277,939**	**315,568,931**
Net Assets – End of Year	**$325,395,901**	**$268,912,616**	**$349,063,638**

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

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Notes to the Financial Statements

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

The accompanying financial statements present all funds belong 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. See below for further discussion of the University's component units. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

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 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), UNC Law Foundation, Inc. (Law Foundation), WUNC Public Radio, LLC (WUNC), Carolina Research Ventures, LLC (Research Ventures), and HVPV Holdings, LLC (HVPV), component units of the University, are reported as if they were part of the University.

The Chapel Hill Investment Fund was established in January 1997 and is classified as a governmental external investment pool. The 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, the Chancellor, the Vice Chancellor for Finance and Operations, and the Vice Chancellor for University Development. 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, nonprofit 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, 2017, the Chapel Hill Investment Fund membership interest was approximately 56 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 Pool, LLC was organized in May 2013 by the University to make available an intermediate-term investment fund for eligible participants. The University is the controlling member. The UNC Intermediate Fund is classified as governmental external investment pool. 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 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 Operations, 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 Operations, and the Vice Chancellor for University Development (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.

On July 1, 2017, the operations of the University of North Carolina at Chapel Hill School of Education Foundation, Inc. merged with the UNC-Chapel Hill Foundation. Information regarding the merger, including the reason for the combination, are available in the UNC-Chapel Hill Foundation's financial statement.

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 Business 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.

WUNC is governed by a board consisting of nine members. Seven members of the board, at least two of which are members of the Board of Trustees of the University, are appointed by the Board of Trustees of the University. The remaining two board members are the University's Vice Chancellor of Communications and the General Manager of the noncommercial educational radio station WUNC-FM. The purposes of WUNC are to support the University by holding FCC licenses of noncommercial radio stations and operating and conducting programming of those radio stations and NC Public Radio, WUNC-FM, furthering the University's efforts to extend knowledge-based and educational services to the citizens of NC and to enhance the quality of life for the people of the State. Because members of the Board of Directors of WUNC are officials or appointed by officials of the University and the primary purpose of WUNC is to benefit the University, its financial statements have been blended with those of the University.

Research Ventures is governed by a board consisting of six designated members and three at-large members. Designated members include the Chief Financial Officer of the University, the Chief Executive Officer of the UNC Management Company, Inc., two members of the Board of Trustees of the University, and two individuals appointed by the Chief Executive Officer of the UNC Health Care System. The at-large members are three members elected by the designated members. Research Ventures supports the educational mission of the University by performing functions to carry out the purposes of the University including creating, acquiring, holding, and disposing of investments on behalf of the University in businesses that commercialize technology and

inventions created at the University or through use of University resources. Carolina Research Venture Investment Fund, LLC is a component unit of Research Venture and is included in its financial statements. Because a majority number of the Board of Directors are officials or appointed by officials of the University, and Research Ventures' primary purpose is to benefit the University, the financial statements of Research Ventures and Carolina Research Ventures Investment Fund have been blended with those of the University.

HVPV is governed by the University as a sole member of HVPV. All decisions with respect to the management of the business and affairs of HVPV are made by the University. The University directs, manages, and controls the business of HVPV. HVPV was formed for the sole benefit of the University and its purposes include holding an investment in limited partnership interests of a venture capital partner and promoting the business thereof. Because the University has complete authority to make decisions, and HVPV's primary purpose is to benefit the University, the financial statements of HVPV have been blended with those of the University.

Separate financial statements for University's blended component units 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 22.

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 corporations 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 of up to 33 elected directors. The board also includes five ex-officio directors. The Dean of the UNC School of Medicine and CEO of UNC Health Care, the Vice Chancellor for University Development and the Associate Dean for Medical Alumni Affairs, UNC School of Medicine all have voting rights. The President of the Medical Foundation and the President of UNC Hospitals do not. Historically, the University's School of Medicine has been the major recipient of financial support from the Medical Foundation rather than UNC Hospitals. Although the University does not control the timing or amount of receipts from the Medical Foundation, the majority of resources or income that the Medical Foundation holds and invests is restricted to the University by the donors. Because these restricted resources held by the Medical Foundation can only be used by, or for the benefit of the University, the Medical Foundation is considered a component unit of the University.

The Arts and Sciences Foundation is governed by a board consisting of five ex-officio directors, 30 elected directors and such number of emeritus directors determined from time to time by the Board of Directors. Staggered terms are set for the elected directors 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, Arts and Sciences Foundation, and Educational Foundation Trust are private, nonprofit organizations that report their financial results under the Financial Accounting Standards Board (FASB) Codification. 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, 2018, the Medical Foundation, Arts and Sciences Foundation, and Educational Foundation Trust distributed $51,073,833 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.

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.

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.

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange, include 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

To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Investments for which a readily determinable fair value does not exist include investments in hedge funds and limited partnerships. These investments are carried at net asset value (NAV) per share 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 NAV of such investments. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the fair value of investments is recognized as a component of investment income.

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 or for a specified period of time, 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 for auxiliary enterprises' sales and services, as well as 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, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

G Inventories

Inventories, consisting of expendable supplies, postage, fuel held for consumption, and other merchandise for resale, are valued at cost.

H Capital Assets

Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. 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 estimated useful life of two or more years except for internally generated software which is capitalized when the value or cost is $1,000,000 or greater and other intangible assets which are capitalized when the value or cost is $100,000 or greater.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings	10–75 years
Machinery and Equipment	3–30 years
General Infrastructure	10–75 years
Computer Software	3–20 years

The University's historic property, artwork, and literary collections are capitalized at cost or acquisition value at the date of donation. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. These collections are considered inexhaustible and therefore are 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, resources legally segregated for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and endowment and other restricted investments.

J Funds Held in Trust for Pool Participants

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

K Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include principal amounts of revenue bonds payable, net pension liability, notes payable, capital lease obligations, annuity and life income payable, compensated absences, worker's compensation, and net other postemployment benefits (OPEB) liability that will not 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 that approximates the effective interest method. Deferred gains and losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight line method and are aggregated as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Issuance costs are expensed in the reporting period in which they are incurred.

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2017 *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 16 for further information regarding the University's policies for recognizing liabilities, expenses, and deferred outflows of resources and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2017 *Comprehensive Annual Financial Report*. This liability represents the University's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 17 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

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.

M Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The University has the following items that qualify for reporting in this category: deferred loss on refunding, the accumulated decrease in fair value of hedging derivatives, deferred outflows related to pensions, and deferred outflows related to other postemployment benefits.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The University has the following items that qualifies for reporting in this category: deferred inflows related to pensions, deferred inflows for irrevocable split-interest agreements, and deferred inflows related to other postemployment benefits.

N Net Position

The University's net position is classified as follows:

Net Investment in Capital Assets — This represents the University's total investment in capital assets, net of outstanding liabilities 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 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 – Nonexpendable — Nonexpendable 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, patient services, sales and services, unrestricted gifts, royalties, and investment income. It also includes the net position of accrued employee benefits such as compensated absences, pension plans, and other postemployment benefits.

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 include consideration of deferred outflows of resources and deferred inflows of resources. See Note 13 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

O Scholarship Discounts

Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between

the gross charge for goods and services provided by the University and the actual amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.

P Revenue and Expense Recognition

The University classifies its revenues and expenses as operating or nonoperating 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 noncapital 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.*

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

Q Internal Sales Activities

Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as utility services, telecommunications, central stores, printing and copy centers, postal services, and repairs and maintenance services. In addition, the University has other miscellaneous sales and service units that operate 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, 2018, the amount shown on the Statement of Net Position as cash and cash equivalents includes $548,520,477, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (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 1.4 years as of June 30, 2018. Assets and shares of the STIF are valued at 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 North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at www.nctreasurer.com in the Audited Financial Statements section.

Cash on hand at June 30, 2018 was $496,580. The carrying amount of the University's deposits not with the State Treasurer was $198,425,250, and the bank balance was $247,216,537. 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, 2018, $159,674,123 of the University's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

B Investments

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

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

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

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

Investments of the University's component units, UNC-Chapel Hill Foundation, UNC Management Company, Chapel Hill Investment Fund, UNC Intermediate Pool, UNC Investment Fund, Business School Foundation, and Law Foundation, 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.

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 as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3.*

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the 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 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 are 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' cash balances are automatically invested in the Temporary Pool. Income distribution is calculated based on the Average Daily Balance (ADB) and distributed monthly. The rate earned by an account is dependent upon its account classification. The rates are set by policy and approved by the Vice Chancellor for Finance and Operations.

The following table presents the Temporary Pool investments by type and investments subject to interest rate risk at June 30, 2018:

TEMPORARY POOL INVESTMENTS

		Investment Maturities (in Years)			
Investment Type	**Amount**	**Less Than 1**	**1 to 5**	**6 to 10**	**More than 10**
Debt Securities:					
Money Market Mutual Funds	$48,712,171	$48,712,171			
U.S. Treasuries	198,545,250	99,371,250	$99,174,000		
U.S. Agencies	44,291,210	1,766,510	1,953,639	$5,997,643	$34,573,418
Asset-Backed Securities	1,625,688		501,410	4,369	1,119,909
Collateralized Mortgage Obligations	2,756,660				2,756,660
Domestic Corporate Bonds	5,211,328	5,211,328			
Total Debt Securities	**$301,142,307**	**$155,061,259**	**$101,629,049**	**$6,002,012**	**$38,449,987**
Other Securities:					
Domestic Equities	30,000				
Total Temporary Pool Investments	**$301,172,307**				

The University has elected to invest $125,030,548 of Temporary Pool assets in the 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 the Chapel Hill Investment Fund.

At June 30, 2018, investments in the Temporary Pool had the following credit quality distribution for securities with credit exposure:

	Amount	**AAA , Aaa**	**AA , Aa**	**A**	**BBB , Baa**	**BB, Ba and below**	**Unrated**
Money Market Mutual Funds	$48,712,171		$48,712,171				
U.S. Agencies	44,291,210		44,291,210				
Asset-Backed Securities	1,625,688			$2		$1,124,276	$501,410
Collateralized Mortgage Obligations	2,756,660				$82,954	1,383,994	1,289,712
Domestic Corporate Bonds	5,211,328	$1,220,688	1,993,880	1,996,760			
Total	**$102,597,057**	**$1,220,688**	**$94,997,261**	**$1,996,762**	**$82,954**	**$2,508,270**	**$1,791,122**

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, 2018, are as follows:

STATEMENT OF NET POSITION

June 30, 2018

	Amount
Assets:	
Cash in Bank	$90,000,047
Accounts Receivable	20,482
Accrued Investment Income	1,499,605
Chapel Hill Investment Fund	125,030,548
Investments	301,172,307
Total Assets	**517,722,989**
Total Liabilities	**–**
Net Position As Held in Trust for All Pool Participants:	
Internal Portion	403,823,931
External Portion	113,899,058
Total Net Position	**$517,722,989**

STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION

For the fiscal year ended June 30, 2018

	Amount
Increase in Net Position from Operations:	
Revenues: Investment Income	$9,641,118
Expenses: Investment Management	(262,216)
Net Increase in Net Position Resulting from Operations	**9,378,902**
Distributions to Participants:	
Distributions Paid and Payable	(9,378,902)
Share Transactions:	
Net Share Purchases	280,518,706
Total Increase in Net Position	**280,518,706**
Net Position:	
Beginning of Year	237,204,283
End of Year	**$517,722,989**

UNC Intermediate Pool, LLC (UNC Intermediate Pool) — The UNC Intermediate Pool 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 Pool is classified as a governmental external investment pool. Eligible participants in the pool 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 pool.

Ownership of the UNC 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 UNC Intermediate Pool 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 UNC Intermediate Pool. The audited financial statements for the UNC Intermediate Pool 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 Pool and provides the University with monthly statements providing income and market value information. UNC Intermediate Pool investments are comprised of (but not limited to) shares in mutual funds, money market accounts, and the UNC Investment Fund.

As of June 30, 2018, the University's membership interest was approximately 53 percent of the UNC Intermediate Pool's total membership interests. An affiliated organization, not included in the University's reporting entity, held the remaining 47 percent membership interest. This external portion of the UNC Intermediate Pool is presented in the accompanying financial statements as Funds Held in Trust for Pool Participants.

The following table presents the UNC Intermediate Pool investments by type and investments subject to interest rate risk at June 30, 2018:

UNC INTERMEDIATE POOL

		Investment Maturities (in Years)			
Investment Type	**Amount**	**Less Than 1**	**1 to 5**	**6 to 10**	**More than 10**
Debt Securities:					
Money Market Mutual Funds	$15,508,343	$15,508,343			
U.S. Treasuries	12,786,220	297,726	$11,155,730	$1,332,764	
U.S. Agencies	13,533,795				$13,533,795
Mortgage Pass-Throughs	2,151,848				2,151,848
Collateralized Mortgage Obligations	60,556,733			7,010,694	53,546,039
Asset-Backed Securities	27,781,761		2,702,347	1,771,905	23,307,509
Debt Mutual Funds	223,011,722	9,947,164	105,205,605	51,753,360	56,105,593
Domestic Corporate Bonds	4,308,513		544,730	3,739,845	23,938
Foreign Corporate Bonds	11,381,555		4,687,854	5,181,952	1,511,749
Foreign Government Bonds	2,422,362	199,490	307,727	1,915,145	
Total Debt Securities	**$373,442,852**	**$25,952,723**	**$124,603,993**	**$72,705,665**	**$150,180,471**
Other Securities:					
Domestic Equities	$3,832				
Foreign Equities	48,310				
Credit Based Comingled Funds	30,331,943				
Real Estate Investment Trusts	102,900				
Total Intermediate Pool Investments	**$403,929,837**				

The University has elected to invest $153,192,234 of assets of the UNC Intermediate Pool in the UNC Investment Pool. The disclosures for these investments are not included in the preceding table. Rather, the disclosures for this portion of UNC Intermediate Pool investments are included in those for the UNC Investment Pool.

At June 30, 2018, investments in the UNC Intermediate Pool had the following credit quality distribution for securities with credit exposure:

	Amount	**AAA , Aaa**	**AA , Aa**	**A**	**BBB, Baa**	**BB, Ba and below**	**Unrated**
Money Market Mutual Funds	$15,508,343		$15,508,343				
U.S. Agencies	13,533,795		13,533,795				
Mortgage Pass Throughs	2,151,848			$1,182,958	$73,840	$895,050	
Collateralized Mortgage Obligations	60,556,733		501,844	1,001,724	8,525,419	45,518,621	$5,009,125
Asset-Backed Securities	27,781,761	$1,664,022	1,824,348	3,505,210	3,405,667	12,082,247	5,300,267
Debt Mutual Funds	223,011,722	7,328,287	31,495,007	122,525,991	8,336	58,181,582	3,472,519
Domestic Corporate Bonds	4,308,513					4,262,838	45,675
Foreign Corporate Bonds	11,381,555	480,470		640,312	4,973,284	5,074,885	212,604
Foreign Government Bonds	2,422,362			617,361	1,047,136	757,865	
Total	**$360,656,632**	**$9,472,779**	**$62,863,337**	**$129,473,556**	**$18,033,682**	**$126,773,088**	**$14,040,190**

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 nonprofit 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, nonprofit 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, 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 56 percent membership in the UNC Investment Fund.

UNC Investment Fund, LLC (UNC Investment Fund) — The UNC Investment Fund is a nonprofit 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, nonprofit 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 56 percent membership interest as of June 30, 2018, 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 UNC Investment Fund investments by type and investments subject to interest rate risk at June 30, 2018:

UNC INVESTMENT FUND INVESTMENTS

		Investment Maturities (in Years)			
Investment Type	**Amount**	**Less Than 1**	**1 to 5**	**6 to 10**	**More than 10**
Debt Securities:					
Money Market Mutual Funds	$153,055,747	$153,055,747			
U.S. Treasuries	20,739,519	1,993,560	$10,296,965	$5,821,324	$2,627,670
U.S. Agencies	71,554,620		2,433,419	8,487,193	60,634,008
Collateralized Mortgage Obligations	35,480,633				35,480,633
Asset-Backed Securities	37,837,855		4,930,973	5,336,602	27,570,280
Debt Mutual Funds	2,153,916				2,153,916
Domestic Corporate Bonds	3,736,930	498,150	1,473,085	1,144,800	620,895
Domestic Municipal Bonds	1,944,000				1,944,000
Total Debt Securities	**$326,503,220**	**$155,547,457**	**$19,134,442**	**$20,789,919**	**$131,031,402**
Other Securities:					
Equity Index Funds	60,222,722				
Domestic Equities	260,523,852				
Foreign Equities	21,713,704				
Real Estate Investment Trusts	38,390,808				
Long Only Hedge Funds	1,537,000,210				
Long/Short Hedge Funds	979,910,000				
Diversifying Hedge Funds	508,304,701				
Hedge Funds in Liquidation	9,098,382				
Credit Based Commingled Funds	180,810,351				
Private Equity Limited Partnerships	2,029,478,346				
Real Assets Limited Partnerships	347,875,103				
Total UNC Investment Fund Pool Investments	**$6,299,831,399**				

At June 30, 2018, investments in the UNC Investment Fund had the following credit quality distribution for securities with credit exposure:

	Amount	AAA, Aaa	AA, Aa	A	BBB, Baa	BB, Ba and below	Unrated
Money Market Mutual Funds	$153,055,747		$153,055,747				
U.S. Agencies	71,554,620		71,554,620				
Collateralized Mortgage Obligations	35,480,633			$7,083,649	$4,418,975	$18,974,212	$5,003,797
Asset-Backed Securities	37,837,855	$2,896,440	1,839,260		6,702,968	18,492,809	7,906,378
Debt Mutual Funds	2,153,916		2,153,916				
Domestic Corporate Bonds	3,736,930		484,480	968,525	1,612,925		671,000
Domestic Municipal Bonds	1,944,000					1,944,000	
Total	**$305,763,701**	**$2,896,440**	**$229,088,023**	**$8,052,174**	**$12,734,868**	**$39,411,021**	**$13,581,175**

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

Foreign Currency Risk: At June 30, 2018, the UNC Investment Fund's exposure to foreign currency risk is as follows:

Investment	Currency	Amount (U.S. dollars)
Private Equity Limited Partnerships	Euro	$105,986,931
Other Hedge Funds	Euro	36,482,094
Real Assets Limited Partnerships	Euro	4,913,005
Total Euro		**147,382,030**
Private Equity Limited Partnerships	British Pound Sterling	52,086,350
Real Assets Limited Partnerships	British Pound Sterling	4,240,236
Total British Pound Sterling		**56,326,586**
International Equities	Canadian Dollar	1,056,982
Private Equity Limited Partnerships	Canadian Dollar	8,228,546
Total Canadian Dollar		**9,285,528**
Private Equity Limited Partnerships	Australian Dollar	468,173
International Equities	Swedish Krona	647,344
Total		**$214,109,661**

Investment Derivatives: At June 30, 2018, the UNC Investment Fund is invested in foreign currency forward contracts with a fair value of $1,806,046 and in U.S. dollar equity index futures with a fair value of ($479,385). In addition, the fund is invested in Equity Put Options and Equity Call Options that have a fair value of $701,878 and ($154,168) respectively. Additional information is provided in Note 11 Derivative Instruments.

Non-Pooled Investments — The following table presents the investments by type and investments subject to interest rate risk at June 30, 2018, for the University's non-pooled investments:

NON-POOLED INVESTMENTS

		Investment Maturities (in Years)			
Investment Type	**Amount**	**< 1**	**1 to 5**	**6 to 10**	**> 10**
Debt Securities:					
U.S. Treasuries	$118,876		$54,545	$64,331	
U.S. Agencies	150				$150
Mortgage Pass Throughs	10,748				10,748
Collateralized Mortgage Obligations	40,071				40,071
Debt Mutual Funds	6,609,107		1,584,295	5,024,812	
Money Market Mutual Funds	424,319	$424,319			
Domestic Corporate Bonds	34,027		34,027		
Foreign Government Bonds	29,849		29,849		
Total Debt Securities	**$7,267,147**	**$424,319**	**$1,702,716**	**$5,089,143**	**$50,969**
Other Securities:					
Equity Mutual Funds	11,545,814				
Investments in Real Estate	3,750,565				
Real Estate Investment Trusts	52,707				
Private Equity Limited Partnerships	9,193,537				
Gifted Insurance Policies	1,654,470				
Domestic Stocks	18,332,957				
Foreign Equities	118,283				
International Mutual Funds	7,857,389				
Total Non-Pooled Investments	**$59,772,869**				

At June 30, 2018, the University's Non-Pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA, Aaa	AA, Aa	BBB, Baa	BB, Ba and Below	Unrated
Money Market Mutual Funds	$424,319	$424,319				
U.S. Agencies	150					$150
Mortgage Pass-Throughs	10,748			$10,658		90
Collateralized Mortgage Obligations	40,071				$34,864	5,207
Debt Mutual Funds	6,609,107	2,927,530	$22,983		1,194,206	2,464,388
Domestic Corporate Bonds	34,027				34,027	
Foreign Government Bonds	29,849				29,849	
Total	**$7,148,271**	**$3,351,849**	**$22,983**	**$10,658**	**$1,292,946**	**$2,469,835**

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

Foreign Currency Risk: At June 30, 2018, the University had nominal direct exposure to foreign currency risk in Non-Pooled Investments.

Total Investments — The following table presents total investments at June 30, 2018:

Investment Type	Amount
Debt Securities:	
Money Market Mutual Funds	$217,700,580
U.S. Treasuries	232,189,865
U.S. Agencies	129,379,775
Mortgage Pass-Throughs	2,162,596
Collateralized Mortgage Obligations	98,834,097
Asset-Backed Securities	67,245,304
Debt Mutual Funds	231,774,745
Domestic Corporate Bonds	13,290,798
Domestic Municipal Bonds	1,944,000
Foreign Corporate Bonds	11,381,555
Foreign Government Bonds	2,452,211
Total Debt Securities	**1,008,355,526**
Other Securities:	
Equity Index/Mutual Funds	71,768,536
International Mutual Funds	7,857,389
Investment in Real Estate	3,750,565
Real Estate Investment Trusts	38,546,415
Long/Short Hedge Funds	979,910,000
Diversifying Hedge Funds	508,304,701
Hedge Funds In Liquidation	9,098,382
Long Only Hedge Funds	1,537,000,210
Credit Based Commingled Funds	211,142,294
Gifted Insurance Policies	1,654,470
Private Equity Limited Partnerships	2,038,671,883
Real Assets Limited Partnerships	347,875,103
Domestic Equities	278,890,641
Foreign Equities	21,880,297
Total Other Securities	**6,056,350,886**
Total Investments	**$7,064,706,412**

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

	Amount
University Statement of Net Position:	
Short-Term Investments	$325,546,982
Restricted Short-Term Investments	181,847,862
Endowment Investments	2,187,028,950
Restricted Investments	3,602,999,945
Other Investments	108,529,345
Subtotal	**6,405,953,084**
Component Units:	
Investments of UNC Investment Fund Held for Component Units that are Discretely Presented in Accompanying Financial Statements	658,753,328
Total Investments	**$7,064,706,412**

The University's reporting entity, including the three discretely presented component units, comprises approximately 49 percent of the UNC Investment Fund.

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

Investment Type	Carrying Value
Money Market Funds	$8,616,906
Common Stock and ETF	23,959,946
Hatteras Venture Partners V, LP	2,419,376
Mutual Funds – Equity Oriented	48,709,432
Mutual Funds – Credit Oriented	15,050,424
Mutual Funds – Alternative	6,540,853
International Equity Fund	9,009,917
Government Securities and Corporate Fixed Income	7,812,083
Total Investments	**$122,118,937**

NOTE 3

Fair Value Measurements

University — To the extent available, the University's investments and derivatives are recorded at fair value as of June 30, 2018. GASB Statement No. 72, *Fair Value Measurement and Application,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 Investments with inputs — other than quoted prices included within Level 1 — that are observable for an asset or liability, either directly or indirectly.

Level 3 Investments classified as Level 3 have unobservable inputs for an asset or liability and may require a degree of professional judgment.

The following table summarizes the University's investments, including deposits in the Short-Term Investment Fund and the discretely presented component units' portion of the UNC Investment Fund, within the fair value hierarchy at June 30, 2018:

		Fair Value Measurements Using		
Investment by Fair Value Level	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt Securities:				
U.S. Treasuries	$232,189,865	$232,189,865		
U.S. Agencies	129,379,775		$129,379,775	
Mortgage Pass-Throughs	2,162,596		2,162,596	
Collateralized Mortgage Obligations	98,834,097		98,834,097	
Municipal Bonds – Domestic	1,944,000		1,944,000	
Asset-Backed Securities	67,245,304		67,245,304	
Debt Mutual Funds	231,774,745	231,774,745		
Money Market Mutual Funds	217,700,580	217,700,580		
Domestic Corporate Bonds	13,290,798	34,026	13,256,772	
Foreign Corporate Bonds	11,381,555		11,381,555	
Foreign Government Bonds	2,452,211		2,452,211	
Total Debt Securities	**1,008,355,526**	**681,699,216**	**326,656,310**	
Other Securities:				
International Mutual Funds	7,857,389	7,857,389		
Equity/Index Mutual Funds	71,768,536	71,768,536		
Domestic Stocks	278,890,641	269,069,054		$9,821,587
Foreign Stocks	21,880,297	21,880,297		
Investments in Real Estate	3,750,565			3,750,565
Gifted Insurance Policies	1,654,470			1,654,470
Real Estate Investment Trust	38,546,415	38,546,415		
Total Investments by Fair Value Level	**$1,432,703,839**	**$1,090,820,907**	**$326,656,310**	**$15,226,622**

Investments Measured at the Net Asset Value (NAV)	**Fair Value**
Long/Short Hedge Funds	$979,910,000
Diversifying Hedge Funds	508,304,701
Hedge Funds in Liquidation	9,098,382
Long Only Hedge Funds	1,537,000,210
Credit Based Commingled Hedge Funds	211,142,294
Private Equity Limited Partnerships	2,038,671,883
Real Assets Limited Partnerships	347,875,103
Total Investments Measured at NAV	**5,632,002,573**
Investments as a Position in an External Investment Pool:	
Short-Term Investment Fund	548,520,477
Total Investments Measured at Fair Value	**$7,613,226,892**

Derivative Instruments	**Fair Value**	**Level 1**	**Level 2**
Hedging Derivative Instruments:			
Pay-Fixed Interest Rate Swaps	($82,927,586)		($82,927,586)
Investment Derivative Instruments:			
Pay-Fixed Interest Rate Swap	(1,976,993)		(1,976,993)
U.S. Dollar Equity Futures	(479,385)	($479,385)	
Foreign Currency Forwards	1,806,046		1,806,046
Call Options	(154,168)		(154,168)
Put Options	701,878		701,878
Total Derivative Instruments	**($83,030,208)**	**($479,385)**	**($82,550,823)**

Short-Term Investment Fund — Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool Investments are measured at fair value in accordance with GASB 72. The University's position in the pool is measured at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Debt and Equity Securities — Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Domestic stocks classified in Level 3 of the fair value hierarchy represent equity interest in start-up technology companies. This amount is valued based on 409A valuation or recent valuations from the companies themselves.

Investments in Real Estate — Investments in real estate classified in Level 3 of the fair value hierarchy are valued using a combination of recent sales or historical appraisals.

Gifted Insurance Policies — Gifted Insurance policies are classified as Level 3 in the fair value hierarchy based on the cash surrender value of the policies.

Derivative Instruments — Investment derivatives classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Interest rate swaps in the hedging and investment derivatives categories classified in Level 2 of the fair value hierarchy are valued based on present value using discounted cash flows technique. Foreign currency forward investment derivatives are classified as Level 2 and are transacted OTC and valued directly from underlying exchange listed exchange rates. Equity Put and Call Options classified as Level 2 are valued using options pricing.

The valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) is presented on the following table:

	Fair Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
Long/Short Hedge Funds A(b)	$979,910,000	$32,976,672	From Weekly to 3+ Years	1 to 365 Days
Diversifying Hedge Funds A(c)	508,304,701		From Weekly to 3+ Years	1 to 365 Days
Hedge Funds in Liquidation A(e)	9,098,382		From Weekly to 3+ Years	1 to 365 Days
Long Only Equity Hedge Funds A(a)	1,537,000,210		From Weekly to 3+ Years	1 to 365 Days
Credit-Based Commingled Hedge Funds A(d)	211,142,294		From Weekly to 3+ Years	1 to 365 Days
Private Equity Limited Partnerships B	2,038,671,883	913,818,628	Not Eligible	10-15 Years
Real Assets Limited Partnerships C	347,875,103	267,660,603	Not Eligible	10-15 Years
Total Investments Measured at the NAV	**$5,632,002,573**			

A Hedge Funds

For hedge funds, a combination of the following asset strategies is used:

(a) Long Biased Equity — Long biased equity managers are characterized by managers who adopt an investment strategy to primarily hold long positions in publicly listed equity securities to gain equity market exposure globally. The managers can from time to time use equity index futures, options on equity index futures, and specific risk options.

(b) Long/Short Equity — Long/short equity managers are characterized by a manager's ability to buy and/or sell short individual securities that they believe the market has mispriced relative to their fundamental intrinsic value. The long and short positions are generally independent of one another and typically result in an overall net long exposure to equities. The managers can from time to time use equity index futures, options on equity index futures, and specific risk options.

(c) Diversifying Strategies — Diversifying strategy managers use strategies that tend to be uncorrelated with major equity market indices. Diversifying strategies managers may use derivatives such as fixed income and equity futures both as a hedging tool and to gain exposure to specific markets. They may also enter into various swap agreements to manage exposure to specific securities and markets.

(d) Fixed Income/Credit-Based Commingled Strategies — Fixed income fund managers include credit-based commingled hedge funds and generally use strategies that are focused on income generation and provide diversification to the portfolio. They may use futures and options on global fixed income and currency markets and can enter into various swap agreements. These vehicles are used purely to hedge exposure to a given market or to gain exposure to an illiquid market.

(e) Hedge Funds in Liquidation — Hedge funds in liquidation represent funds that are either in the process of being terminated or have received notice of termination.

B Private Equity Limited Partnerships

Private equity managers typically invest in equity investments and transactions in private companies (i.e., companies that are not publicly listed on any stock exchange). Private equity investments are illiquid and expected to provide higher returns than public equity investments over the long term, as well as controlling volatility.

The energy subsection of the private equity strategy is primarily used to hedge against unanticipated inflation. This can include direct energy investments, energy security investments, and limited partnerships. The principal attraction of these investments is the lack of correlation with the balance of the portfolio.

C Real Assets Limited Partnerships

Real estate managers primarily serve as a hedge against unanticipated general price inflation but are also a source of current income. Investments in this area include private portfolio investments focusing on specific niche markets within the real estate sector. Such sectors may include investments in public Real Estate Investment Trusts (REIT's) that provide a more liquid means of gaining exposure to the asset class.

Component Units — Discretely presented component units' financial data are reported in separate financial statements because of their use of different reporting models. Complete financial statements including applicable disclosures for The Medical Foundation of North Carolina, Inc., The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc., and The Educational Foundation Scholarship Endowment Trust can be obtained from the University Controller's Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370.

NOTE 4

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 also appropriate expenditures from eligible nonexpendable 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 nonexpendable 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, 2018, accumulated income and appreciation of $815,568,709 was available in the University's pooled endowment funds of which $659,870,515 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 5

Receivables

Receivables at June 30, 2018, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$9,093,545	$2,632,639	$6,460,906
Patients	197,459,196	110,429,080	87,030,116
Accounts	30,691,001	97,492	30,593,509
Intergovernmental	95,259,446		95,259,446
Pledges	38,620,490	1,441,351	37,179,139
Investment Earnings	3,747,055		3,747,055
Interest on Loans	1,558,012		1,558,012
Other	944,033		944,033
Total Current Receivables	**377,372,778**	**114,600,562**	**262,772,216**
Noncurrent Receivables:			
Pledges	**39,226,385**	**980,660**	**38,245,725**
Notes Receivable – Current:			
Federal Loan Programs	3,432,724	154,455	3,278,269
UNC Health Care System	1,765,737		1,765,737
Institutional Student Loan Programs	1,176,526	120,153	1,056,373
Total Notes Receivable — Current	**6,374,987**	**274,608**	**6,100,379**
Notes Receivable – Noncurrent:			
Federal Loan Programs	24,776,586	1,066,322	23,710,264
UNC Health Care System	12,521,492		12,521,492
Institutional Student Loan Programs	9,517,816	542,757	8,975,059
Total Notes Receivable – Noncurrent	**$46,815,894**	**$1,609,079**	**$45,206,815**

Pledges are receivable over varying time periods ranging from one to 10 years and have been discounted based on a projected interest rate of 1.38 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
2019	$38,620,755
2020	11,265,648
2021	7,482,268
2022	5,311,184
2023	4,250,105
2024–2028	15,931,394
Total Pledge Receipt Expected	**82,861,354**
Less Discount Rate Amount Representing Interest (1.38% Rate of Interest)	5,014,479
Present Value of Pledges Receivable Expected	**77,846,875**
Less Allowance for Doubtful Accounts	2,422,011
Pledges Receivable	**$75,424,864**

NOTE 6

Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2018, is presented as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
	(as restated)			
Capital Assets, Nondepreciable:				
Land	$68,045,933	$2,266,054		$70,311,987
Art, Literature, and Artifacts	144,187,253	5,069,817	$11,180	149,245,890
Construction in Progress	81,307,387	102,036,207	12,888,111	170,455,483
Other Intangible Assets	2,300,000		122,223	2,177,777
Total Capital Assets, Nondepreciable	**295,840,573**	**109,372,078**	**13,021,514**	**392,191,137**
Capital Assets, Depreciable:				
Buildings	3,097,619,740	13,156,047		3,110,775,787
Machinery and Equipment	433,075,949	41,995,836	19,975,742	455,096,043
General Infrastructure	975,874,846	10,003	1,843,289	974,041,560
Computer Software	121,673,239			121,673,239
Total Capital Assets, Depreciable	**4,628,243,774**	**55,161,886**	**21,819,031**	**4,661,586,629**
Less Accumulated Depreciation/Amortization for:				
Buildings	1,130,769,680	79,429,538		1,210,199,218
Machinery and Equipment	246,452,450	24,602,430	14,591,237	256,463,643
General Infrastructure	426,062,775	28,055,637	376,863	453,741,549
Computer Software	29,942,789	6,313,888	297,536	35,959,141
Total Accumulated Depreciation/Amortization	**1,833,227,694**	**138,401,493**	**15,265,636**	**1,956,363,551**
Total Capital Assets, Depreciable, Net	**2,795,016,080**	**(83,239,607)**	**6,553,396**	**2,705,223,078**
Capital Assets, Net	**$3,090,856,653**	**$26,132,471**	**$19,574,909**	**$3,097,414,215**

The July 1, 2017, balances of depreciable capital assets and corresponding accumulated depreciation were restated to reflect reclassifications among categories made after the end of the prior fiscal year. These reclassifications have no impact on the total net capital assets.

During the year ended June 30, 2018, the University incurred $51,025,037 in interest costs related to the acquisition and construction of capital assets. All of these costs are included in interest expense.

The University has pledged Granville Towers, with a carrying value of $35,073,813 as security for the loan from Nationwide Life Insurance Company. Additional information regarding the loan can be found in Note 10.

NOTE 7

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2018, were as follows:

	Amount
Accounts Payable	$74,573,232
Accounts Payable – Capital Assets	13,699,437
Accrued Payroll	56,120,694
Contract Retainage	4,786,609
Intergovernmental Payables	16,101,911
Investment Derivatives Liability	2,610,546
Total Accounts Payable and Accrued Liabilities	**$167,892,429**

NOTE 8

Reverse Repurchase Agreements

Under the University's authority to purchase and sell securities, it has entered into fixed coupon reverse repurchase (reverse repurchase) agreements; that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. If the dealers default on their obligations to resell these securities to the University or provide securities or cash of equal value, the University would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. This credit exposure at year-end was $2,136,752.

All sales of investments under reverse repurchase agreements are for fixed terms. In investing the proceeds of reverse repurchase agreements, the University's practice is for the term to maturity of the investment to be the same as the term of the reverse repurchase agreement. The University's investments in the underlying securities and the securities purchased with proceeds from the reverse repurchase agreements are in accordance with the statutory requirements as noted. The interest earnings and interest cost arising from reverse repurchase agreement transactions are reported at gross amounts on the accompanying financial statements.

NOTE 9

Short-Term Debt

Short-term debt activity for the year ended June 30, 2018, was as follows:

Commercial Paper Program	
Balance July 1, 2017	$63,000,000
Draws	5,000,000
Repayments	53,000,000
Balance June 30, 2018	$15,000,000

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.

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 under this program to $250,000,000. This resolution does not impact NCSU. Contingent liquidity needs for the entire CP program are provided by the University and supported by a pledge of the University's available funds.

During the fiscal year, the University continued to use its commercial paper program to provide low-cost bridge financing for capital projects with the intent to refinance all or a portion of the funding, through the issuance of long-term bonds. On November 28, 2017, the University issued $5,000,000 of taxable commercial paper to fund the Media and Communications Studio project for the Athletics Department. $50,000,000 of the commercial paper paid off during the fiscal year was accomplished through refunding occurring within the General Revenue 2017 issuance dated September 21, 2017. An additional $3,000,000 of commercial paper was paid in cash. Commercial paper debt was $15,000,000 at June 30, 2018 and $63,000,000 at June 30, 2017.

NOTE 10

Long-Term Liabilities

A Changes in Long-Term Liabilities

A summary of changes in the long-term liabilities for the year ended June 30, 2018, is presented as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
	(as restated)				
Revenue Bonds Payable	$1,313,920,000	$110,225,000	$84,720,000	$1,339,425,000	$90,497,916
Plus: Unamortized Premium	7,304,652		6,055,162	1,249,490	
Less: Accretion of Discount on Capital Appreciation Bonds	(4,346,652)		(1,658,077)	(2,688,575)	
Total Revenue Bonds Payable, Net	**1,316,878,000**	**110,225,000**	**89,117,085**	**1,337,985,915**	**90,497,916**
Notes Payable	58,411,633		1,762,467	56,649,166	1,835,766
Line of Credit	3,914,347		309,955	3,604,392	
Capital Leases Payable	1,147,206	689,752	491,827	1,345,131	498,425
Compensated Absences	151,347,078	113,356,370	102,026,406	162,677,042	7,816,100
Workers Compensation	16,379,877		280,307	16,099,570	2,681,878
Net Pension Liability	284,334,716		36,795,232	247,539,484	
Net OPEB Liability	3,153,296,023		1,067,840,435	2,085,455,588	
Annuity and Life Income Payable	49,601,499	2,500,762	4,854,855	47,247,405	958,579
Total Long-Term Liabilities, Net	**$5,035,310,379**	**$226,771,884**	**$1,303,478,569**	**$3,958,603,692**	**$104,288,664**

Additional information regarding capital lease obligations is included in Note 12.
Additional information regarding the net pension liability is included in Note 16.
Additional information regarding OPEB liability is included in Note 17.

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, 2018	Accretion on Capital Appreciation Bonds	Principal Outstanding June 30, 2018	See Table Below
General Revenue Bonds Payable:								
	2001B	4.862%*	12/01/2025	$54,970,000	$37,395,000		$17,575,000	
	2001C	3.454%	12/01/2025	54,970,000	37,395,000		17,575,000	
	2009A	3.250%-5.000%	12/01/2019	97,735,000	87,750,000		9,985,000	
	2009B	5.757%**	12/01/2039	112,805,000			112,805,000	
	2012B	4.775%	12/01/2041	100,000,000			100,000,000	
	2012C	1.455%-3.596%	12/01/2033	127,095,000	20,710,000		106,385,000	
	2012D	3.090%	06/01/2042	30,000,000			30,000,000	
	2014	1.317%-3.847%	12/01/2034	265,600,000	6,155,000		259,445,000	
	2016A	4.295%*	12/01/2041	100,000,000			100,000,000	
	2016B	1.850%*	12/01/2034	50,000,000			50,000,000	
	2016C	0.800%-3.327%	12/01/2036	400,950,000	9,170,000		391,780,000	
	2017	1.653%-2.847%	12/01/2038	110,225,000			110,225,000	
Total General Revenue Bonds				**1,504,350,000**	**198,575,000**		**1,305,775,000**	
Utilities System	1997	5.400-5.500%	08/01/2021	30,379,142	50,485,000	$51,067,283	30,961,425	(1)
Total Revenue Bonds Payable (principal only)				**$1,534,729,142**	**$249,060,000**	**$51,067,283**	**$1,336,736,425**	
Plus: Unamortized Premium							1,249,490	
Total Revenue Bonds Payable, Net							**$1,337,985,915**	

* For variable rate debt, interest rates in effect at June 30, 2018, 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 Reinvestment Act and to receive a cash subsidy from the U.S. Treasury equal to 33 percent 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:

			Current Year			
Ref	**Revenue Source**	**Total Future Revenues Pledged**	**Revenues Net of Expenses**	**Principal**	**Interest**	**Estimate of % of Revenues Pledged**
(1)	Utilities Revenue	$33,650,000	$25,271,960	$8,410,000		7%

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 either does not intend to exercise such agreement or no legal agreement exists 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 a seven day 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 standby liquidity agreements in the amount of $200.0 million with Wells Fargo Bank, N.A., $100.0 million with Royal Bank of Canada, and $100.0 million with U.S. Bank, N.A. on September 19, 2014. As of September 19, 2017, the standby liquidity agreement previously held with U.S. Bank, N.A. was replaced with a $100 million standby liquidity agreement with TD Bank, N.A. 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 standby liquidity 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 standby liquidity agreement 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 S&P Global (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**	**TD Bank**
AA+ or higher	AA+ or higher	Aa1 or higher	0.35%	0.27%	0.26%
AA	AA	Aa2	0.40%	0.32%	0.31%
AA-	AA-	Aa3	0.50%	0.37%	0.36%
A+	A+	A1	0.60%	0.47%	0.46%
A	A	A2	0.70%	0.57%	0.56%
A- or lower	A- or lower	A3 or lower	1.70%	1.57%	1.56%

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 standby liquidity 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.

The standby liquidity agreement with Wells Fargo Bank, N.A., Royal Bank of Canada, and TD Bank, N.A. expire on September 19, 2018, September 18, 2019, and September 19, 2022 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, 2018, no purchase drawings had been made under the standby liquidity agreements. The University established a replacement standby liquidity agreement upon expiration of the agreement with Wells Fargo Bank, N.A., as disclosed in Note 25 – Subsequent Event.

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 $30.0 million and extending the maturity to June 1, 2042. 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 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. As of June 30, 2018, the accrued interest payable for the 2012D bond was $1,726,890 of which $717,316 was recorded in fiscal year 2018. 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 bond issue includes capital appreciation bonds with an original issue amount of $30,379,142. These bonds are recorded in the amount of $30,961,425 ($84,135,000 ultimate maturity less $2,688,575 discount less $50,485,000 principal paid) which is the accreted value at June 30, 2018. The Series 1997 Utility System bond matures in 2021.

E Annual Requirements

The annual requirements to pay principal and interest on the long-term obligations at June 30, 2018, are as follows:

	Revenue Bonds Payable			Notes Payable	
Fiscal Year	**Principal**	**Interest**	**Interest Rate Swaps, Net***	**Principal**	**Interest**
2019	$30,370,000	$40,431,442	$6,261,952	$1,835,766	$2,359,020
2020	29,890,000	39,935,444	6,144,858	1,911,909	2,282,877
2021	30,755,000	39,463,008	6,040,311	1,991,678	2,203,108
2022	32,295,000	39,014,114	5,935,134	2,074,562	2,120,225
2023	32,150,000	38,431,343	5,824,624	2,160,913	2,033,873
2024–2028	180,930,000	179,905,436	27,591,906	9,440,917	8,949,934
2029–2033	296,815,000	146,761,525	27,092,825	11,192,691	6,800,763
2034–2038	427,660,000	64,073,476	26,136,059	26,040,730	3,334,974
2039–2043	278,560,000	17,877,615	15,244,479		
Total Requirements	**$1,339,425,000**	**$605,893,403**	**$126,272,148**	**$56,649,166**	**$30,084,774**

Interest on the variable rate General Revenue Bonds 2001B is calculated at 1.50 percent at June 30, 2018.
Interest on the variable rate General Revenue Bonds 2001C is calculated at 1.54 percent at June 30, 2018.
Interest on the variable rate General Revenue Bonds 2012B is calculated at 1.80 percent at June 30, 2018.
Interest on the variable rate General Revenue Bonds 2016A is calculated at 1.85 percent at June 30, 2018.
Interest on the variable rate General Revenue Bonds 2016B is calculated at 1.85 percent at June 30, 2018.
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 rate on General Revenue Bonds 2012 Series B is based on 67 percent of the 1-month LIBOR index rate plus an interest rate spread of 40 basis points.
Interest rates on General Revenue Bonds 2016 Series A and B are based on 67 percent of the 1-month LIBOR index rate plus an interest rate spread of 45 basis points.

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 11 Derivative Instruments.
*Computed using (5.240 percent-1.510 percent) x $14,010,000 notional amount; (3.314 percent-1.400 percent) x $71,140,000 notional amount; and, (4.375 percent-1.400 percent) x $150,000,000 notional amount.
The fiscal year 2019 principal requirements exclude demand bonds classified as current liabilities (See Note 10C).

General Revenue, Series 2012B

The 2012B Bond has a maturity date of December 1, 2041. However, the bond was issued initially in the Index Mode extending to the initial index tender date of December 1, 2017 and as of November 9, 2017 was successfully remarketed establishing the new index tender date for the new Index Mode of November 9, 2022. Previously, the 2012B bond bore an interest rate at the index rate per annum determined monthly equal to 67.0 percent of one Month LIBOR plus an applicable spread of 0.75 percent (75 basis points) and following remarket the bond bears interest at the index rate, which is the rate per annum determined monthly equal to 67.0 percent of one Month LIBOR plus an applicable spread of 0.40 percent (40 basis points).

The Series 2012B Bond in an Index Mode is 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, to and including such index tender date, at a redemption price equal to 100 percent of the principal amount 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 2012B Bonds, the interest rate can be reset which would trigger a redemption requirement and a remarketing.

If the funds available to purchase the 2012B Bonds tendered on an index tender date are not sufficient to pay the purchase price, a Delayed Remarketing Period will commence on such index tender date and the failure to purchase tendered 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 2012B Bonds are successfully remarketed or (b) the date on which all of such 2012B Bonds have been deemed to have been paid and are no longer outstanding.

During a Delayed Remarketing Period for a Series of 2012B Bonds, unless the 2012B Bonds of such Series have been remarketed, the 2012B 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 2012B 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 schedule presents the 2012B Bonds as amortizing to full maturity. In the event of a failed remarket the 2012B bonds would become due 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. Under the failed remarket scenario total principal payments would increase by $16,666,667, $33,333,333, $33,333,333, and $16,666,667 in fiscal years 2023, 2024, 2025, and 2026 respectively.

General Revenue, Series 2016ABC

On behalf of the University, the Board of Governors for the University of North Carolina System issued General Revenue Bonds Series 2016ABC on March 1, 2016. The 2016A Bonds have a maturity date of December 1, 2041 and the 2016B Bonds have a maturity date of December 1, 2034. However, both Series 2016A and 2016B Bonds are issued initially in the Index Mode extending to the initial index tender date of March 1, 2019. 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).

On March 1, 2019, the Series 2016AB Bonds are subject to redemption. In addition, at the option of the University, the Series 2016AB Bonds may be redeemed in whole or in part, on any business day during the period beginning six months prior to the index tender date for such 2016AB Bonds, up to and including such index tender date, at a redemption price equal to 100 percent of the principal amount of 2016AB Bonds called for redemption, plus accrued interest, if any, to the date of redemption. As of June 30, 2018, the University maintains and intends to execute standby liquidity agreements covering the entire principal balance of $150 million that would come due under a failed remarket scenario for both Series 2016AB Bonds.

The University entered into standby liquidity agreements in the amount of $200 million with Wells Fargo Bank, N.A., $100 million with Royal Bank of Canada, and $100 million with U.S. Bank, N.A. on September 19, 2014. As of September 19, 2017, the standby liquidity agreement previously held with U.S. Bank, N.A. was replaced with a $100 million standby liquidity agreement with TD Bank, N.A. Under each standby liquidity 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 standby liquidity agreement, the University may, at any time and for any reason, reduce the commitment by any amount upon 30 days prior written notice.

The University is required to pay a quarterly facility fee for each standby liquidity agreement 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 S&P Global Ratings (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**	**TD Bank**
AA+ or higher	AA+ or higher	Aa1 or higher	0.35%	0.27%	0.26%
AA	AA	Aa2	0.40%	0.32%	0.31%
AA-	AA-	Aa3	0.50%	0.37%	0.36%
A+	A+	A1	0.60%	0.47%	0.46%
A	A	A2	0.70%	0.57%	0.56%
A- or lower	A- or lower	A3 or lower	1.70%	1.57%	1.56%

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 standby liquidity 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. In the event of a failed remarket of the 2016AB bonds beyond March 1, 2019 these payments would equal $50,000,000, $50,000,000, and $50,000,000 in fiscal years 2020, 2021, and 2022 respectively.

The standby liquidity agreements with Wells Fargo Bank, N.A., Royal Bank of Canada, and TD Bank, N.A. expire on September 19, 2018, September 18, 2019, and September 19, 2022 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, 2018, no purchase drawings had been made under the standby liquidity agreements. The University established a replacement standby liquidity agreement upon expiration of the agreement with Wells Fargo Bank, N.A., as disclosed in Note 25 – Subsequent Event.

F Bond Defeasance

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

On September 21, 2017, the Board of Governors of the University of North Carolina, on behalf of the University of North Carolina at Chapel Hill, issued $110,225,000 in General Revenue refunding bonds, Series 2017 (2017) refunding bonds. Of the 2017 issue, $59,630,000 was issued with an average interest rate of 2.64 percent to advance refund $54,925,000 of certain maturities of the outstanding General Revenue Series 2009A bonds with an average interest rate of 4.75 percent. The remaining balance of $50,595,000 related to the 2017 issue was used to refund $50,000,000 worth of Commercial Paper issued under Series 2002A. The net proceeds of the refunding bonds along with an escrow deposit of $798,959 representing the University's contribution of accrued interest related to 2009A were deposited into an irrevocable trust to provide for debt service payments on the refunded bonds beyond the call date of December 1, 2019. As a result, the related portion of refunded bonds are considered to be defeased and the liability has been removed from the University's Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments related to General Revenue Series 2009A by $61,461,938 over the next 11 years and resulted in an economic gain of $3,480,934. At June 30, 2018, the outstanding balance was $54,925,000 for the portion of defeased General Revenue Series 2009A bonds.

G Notes Payable

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

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 6/30/2018	Principal Outstanding 6/30/2018
Real Property Purchase	Bank of America	3.55%	02/14/2024	$9,250,000	$6,198,756	$3,051,244
Real Property Purchase	Nationwide	4.26%	02/01/2037	55,300,000	1,702,078	53,597,922
Total Notes Payable				**$64,550,000**	**$7,900,834**	**$56,649,166**

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 Bank of America, N.A. for $45.8 million to fund the acquisition of student housing and rental real property.

In December 2011, Real Estate Holdings formed a new North Carolina limited liability company called Granville Towers, LLC (the Company). Real Estate Holdings is the sole manager and member of the Company and transferred the Granville Towers condominium unit to the single purpose Company (that purpose being to own and operate Granville Towers). On December 15, 2011, the Company obtained a $36.5 million loan from Aviva Life and Annuity Company. The proceeds were used to pay down the original Bank of America $45.8 million loan, decreasing the outstanding balance to $9.3 million.

On February 14, 2014, the Borrowers executed a modification agreement with Bank of America, N.A. with respect to the original loan amount of $45.8 million which had an outstanding balance of $9.3 million. The loan was paid down by $4.3 million, and the remaining $5.0 million was refinanced at a fixed rate of 3.55 percent for the term with no change to the provision whereby the University Foundation and the Corporation are joint obligors to the Bank. The final maturity date is February 14, 2024. Interest and principal payments are made monthly.

On January 30, 2017, Granville Towers LLC obtained a loan from Nationwide Life Insurance Company (the "Lender") in the amount of $55.3 million. The proceeds were used to pay the outstanding principal of $33.5 million Aviva Life and Annuity Company note and related financing expenses. The remaining balance of the proceeds is retained to fund strategic projects approved by the Board of Chapel Hill Foundation Real Estate Holdings, Inc.

The principal and interest payments for the note to the Lender are made in two hundred and forty (240) consecutive monthly installments, calculated with an amortization period of twenty-five (25) years, the sum of $299,891 paid on the 1st day of March 2017, and on the first day of each month thereafter until the first day of February 2037, on which date the entire balance of principal and interest then unpaid is due and payable. The interest rate is calculated at the rate of 4.26 percent per annum. The loan is secured by a first deed of trust on the Granville Towers Property and, with certain exceptions, carries limited recourse to the University Foundation and Real Estate Holdings.

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 are calculated using the 2012 IAR mortality table, thus taking into consideration beneficiary's age and the amount of the gift.

Line of Credit

The UNC-Chapel Hill Foundation (the "Foundation"), part of the University's reporting entity, has a line of credit agreement issued by Bank of America, N.A. to finance the costs of projects approved by the Board of Directors of the Foundation. On November 10, 2016, the Foundation increased the commitment amount of the line of credit from $4.0 million to $7.0 million. On April 27, 2018 the $7.0 million line of credit was amended and renewed. Under the commitment, advances under the line of credit accrue interest at the variable rate of the LIBOR Market Index plus 0.95 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. Outstanding draws against the line of credit totaled $3.9 million at June 30, 2017. In fiscal year 2018 the Foundation paid down $0.3 million on the line. The line of credit commitment has a maturity date of April 30, 2021. The June 30, 2018 outstanding balance of $3.6 million is excluded from current liabilities.

NOTE 11

Derivative Instruments

Derivative instruments held at June 30, 2018, are as follows:

		Change in Fair Value		Fair Value at June 30, 2018	
Type	**Notional Amount**	**Classification**	**Increase (Decrease)**	**Classification**	**Asset (Liability)**
Hedging Derivative Instruments Cash Flow Hedges:					
Pay-Fixed Interest Rate Swap	$100,000,000	Deferred Outflow of Resources	$6,696,284	Hedging Derivative Liability	($19,919,407)
Pay-Fixed Interest Rate Swap	150,000,000	Deferred Outflow of Resources	13,301,213	Hedging Derivative Liability	(63,008,179)
Total			**$19,997,497**		**($82,927,586)**
Investment Derivative Instruments:					
Pay-Fixed Interest Rate Swap 2001B Bonds	14,010,000	Investment Income	1,002,586	Accounts Payable	(1,976,993)
U.S. Dollar Equity Futures	25,719,120	Investment Income	2,054,417	Accounts Payable	(479,385)
Foreign Currency Forwards	(101,308,532)	Investment Income	1,739,411	Other Assets	1,806,046
Equity Call Options	(5,236,000)	Investment Income	584,632	Accounts Payable	(154,168)
Equity Put Options	5,236,000	Investment Income	118,108	Other Assets	701,878
Total			**$5,499,154**		**($102,622)**

Hedging derivative instruments held at June 30, 2018, are as follows:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms
Pay-Fixed Interest Rate Swap	Hedge Changes in Cash Flows on Variable Rate Debt	$100,000,000	12/01/2007	12/01/2036	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	12/01/2011	12/01/2041	Pay 4.375%, Receive 67% 1 Mo. LIBOR

The fair values of interest rate swaps at the University were provided by a financial advisor. The method used by the financial advisor calculates the future net settlement payments required by the swap and assumes 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 on hypothetical zero-coupon bonds due on the date of each future net settlement of 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, 2018. The fair values are calculated as of June 30, 2018. 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 $1,976,993 as of June 30, 2018. 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, 2018. 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, 2018, SIFMA was 1.51 percent. The interest rate swap has a notional amount of $14,010,000 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. Forward 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. The University's foreign currency investment derivatives are denominated in U.S. dollars. See Note 2 Deposits and Investments for further information about the University's exposure to foreign currency risk.

Credit Risk: At June 30, 2018, investment derivatives reported as assets expose the University to credit risk as follows:

				Counterparty Credit Ratings	
Investment Derivative Instrument	**Value**	**Counterparty**	**Collateral Held**	**S&P/Fitch**	**Moody's**
Foreign Currency Forwards	$1,093,415	State Street Bank		A	A1
Foreign Currency Forwards	712,631	Bank of America		A-	A3
Equity Options Contracts	701,878	BNP Paribas		A	Aa3
Total [1]	**$2,507,924**				
Less: Netting Arrangement Liability	(154,168)	BNP Paribas			
Net Exposure to Credit Risk	**$2,353,756**				

[1] The value total represents the maximum risk of loss that would be recognized at the reporting date if all counterparties failed to perform as contracted, without respect to any collateral or netting arrangement.

The University does not have a formal policy regarding requiring collateral or other security to support investment derivative instruments subject to credit risk. The University does not have a formal policy regarding entering into master netting arrangements.

NOTE 12

Lease Obligations

A Capital Lease Obligations

Capital lease obligations relating to 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, 2018:

Fiscal Year	Amount
2019	$498,425
2020	511,715
2021	174,304
2022	174,304
Total Minimum Lease Payments	1,358,748
Amount Representing Interest (2.13%)	13,617
Present Value of Future Lease Payments	**$1,345,131**

Machinery and equipment acquired under capital leases amounted to $2,106,589 at June 30, 2018. Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital leases totaled $179,326 at June 30, 2018.

B Operating Lease Obligations

The University entered into operating leases for equipment, buildings, and land. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2018:

Fiscal Year	Amount
2019	$13,376,992
2020	13,112,857
2021	12,722,160
2022	11,897,363
2023	10,314,925
2024–2028	40,032,486
2029–2033	281,923
Total Minimum Lease Payments	**$101,738,706**

Rental expense for all operating leases during the year was $28,962,136.

NOTE 13

Unrestricted Net Position

The unrestricted net position amount of ($2,280,948,674) has been significantly affected by transactions that resulted in the recognition of deferred outflows of resources and deferred inflows of resources. A summary of the balances reported within unrestricted net position relating to the reporting of net pension liability and net other postemployment benefit (OPEB) liability, and the related deferred outflows of resources and deferred inflows of resources is presented as follows:

	TSERS	Retiree Health Benefit Fund	Total
Deferred Outflows Related to Pensions	$135,842,816		$135,842,816
Deferred Outflows Related to OPEB		$69,324,559	69,324,559
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net Pension Liability	(247,539,484)		(247,539,484)
Net OPEB Liability		(2,085,455,588)	(2,085,455,588)
Deferred Inflows:			
Deferred Inflows Related to Pensions	(9,351,543)		(9,351,543)
Deferred Inflows Related to OPEB		(1,043,152,040)	(1,043,152,040)
Effect on Unrestricted Net Position	**($121,048,211)**	**($3,059,283,069)**	**($3,180,331,280)**

See Notes 16 and 17 for detailed information regarding the amortization of the Deferred Outflows of Resources and Deferred Inflows of Resources relating to pensions and OPEB, respectively.

NOTE 14

Revenues

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

Operating Revenues	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Less Indigent Care and Contractual Adjustments	Net Revenues
Student Tuition and Fees, Net	**$557,260,230**		**$118,380,464**	**$474,839**		**$438,404,927**
Patient Services, Net	**$1,071,742,775**			**($1,269,791)**	**$591,135,678**	**$481,876,888**
Sales and Services:						
Professional Services	126,162,798	4,027,471				122,135,327
Athletics	72,978,513					72,978,513
Residential Life	84,492,923		11,797,252			72,695,671
Dining	37,093,498	213,483				36,880,015
Parking	32,755,024	478,606				32,276,418
Utilities	137,880,105	112,076,275				25,803,830
Other	88,645,216	65,318,605	601,462			22,725,149
UNC Management Company	17,497,686					17,497,686
Trademark	13,059,278					13,059,278
Health & Recreation Services	9,873,963					9,873,963
Printing	5,962,508	657,606				5,304,902
Rental Property	2,991,632					2,991,632
Gene Therapy Center	3,286,271	575,968				2,710,303
Rizzo Center	2,269,698					2,269,698
Finley Golf	1,925,293					1,925,293
Performing Arts Series	1,508,708					1,508,708
Morehead Planetarium	1,437,488					1,437,488
Playmakers Repertory Company	1,416,036					1,416,036
ERP Student Fees	1,413,484					1,413,484
Telecommunications	18,028,831	17,258,322				770,509
Student Union Services	601,488	343,305				258,183
Total Sales and Services, Net	**$661,280,441**	**$200,949,641**	**$12,398,714**			**$447,932,086**
Nonoperating – Noncapital Gifts, Net	**$172,443,332**			**$2,671**		**$172,440,661**

NOTE 15

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/ Amortization	Total
Instruction	$ 598,505,446	$22,226,228	$128,509,774		$79,886		$749,321,334
Research	337,137,824	45,550,536	219,146,316		55,722		601,890,398
Public Service	68,763,092	7,672,386	71,950,338		193,138		148,578,954
Academic Support	87,598,354	20,935,735	23,740,031		94,627		132,368,747
Student Services	24,022,797	1,051,591	19,375,233		47,251		44,496,872
Institutional Support	114,492,078	4,087,706	79,448,149		83,236		198,111,169
Operations and Maintenance of Plant	49,693,866	1,248,366	19,245,826		72,214,564		142,402,622
Student Financial Aid				$129,050,342			129,050,342
Auxiliary Enterprises	449,950,269	75,646,475	222,689,174		11,518,379		759,804,297
Depreciation/Amortization						$138,401,493	138,401,493
Total Operating Expenses	**$1,730,163,726**	**$178,419,023**	**$784,104,841**	**$129,050,342**	**$84,286,803**	**$138,401,493**	**$3,044,426,228**

NOTE 16

Pension Plans

A Defined Benefit Plan

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 that elect to join the Retirement System. 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 annual pay. The contribution rate for employers is set each year by the North Carolina 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, 2018 was 10.78 percent of covered payroll. Employee contributions to the pension plan were $29,887,852, and the University's contributions were $53,698,508 for the year ended June 30, 2018.

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 2017 *Comprehensive Annual Financial Report.* An electronic version of this report is available on the North Carolina Office of the State Controller's website at www.osc.nc.gov 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 External Investment Pool. TSERS and other pension plans of the State of North Carolina are the sole participants in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. 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 External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2017 *Comprehensive Annual Financial Report.*

Net Pension Liability: At June 30, 2018, the University reported a liability of $247,539,484 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. 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, 2017, the University's proportion was 3.11981 percent, which was an increase of 0.02620 from its proportion measured as of June 30, 2016 which was 3.09361 percent.

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	12/31/2016
Inflation	3.00%
Salary Increases*	3.50%–8.10%
Investment Rate of Return**	7.20%

* Salary increases include 3.5 percent inflation and productivity factor.
** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

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 mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

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, 2017 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05 percent. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Pool as of June 30, 2017 is 1.3 percent.

Discount Rate: The discount rate used to measure the total pension liability was lowered from 7.25 percent to 7.20 percent for the December 31, 2016 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory rate and that contributions from employers will be made at contractually 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 at June 30, 2017 calculated using the discount rate of 7.20 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 (6.20 percent) or 1-percentage point higher (8.20 percent) than the current rate:

Net Pension Liability	
1% Decrease (6.20%)	$509,538,725
Current Discount Rate (7.20%)	$247,539,484
1% Increase (8.20%)	$28,017,516

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2018, the University recognized pension expense of $67,911,586. At June 30, 2018, 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:

Asset Class	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$5,366,198	$8,098,309
Changes of Assumptions	39,107,505	
Net Difference Between Projected and Actual Earnings on Plan Investments	33,500,489	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	4,170,116	1,253,234
Contributions Subsequent to the Measurement Date	53,698,508	
Total	**$135,842,816**	**$9,351,543**

The amount of $53,698,508 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as 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
2019	$14,676,581
2020	47,807,956
2021	23,715,486
2022	(13,407,258)
Total	**$72,792,765**

B Defined Contribution Plan

The Optional Retirement Program (ORP) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Faculty and staff of the University may join the ORP instead of the TSERS. The Board of Governors of The University of North Carolina is responsible for the administration of the ORP and designates the companies authorized to offer investment products or the trustee responsible for the investment of contributions under the ORP and approves the form and contents of the contracts and trust agreements.

Participants in the ORP are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the ORP. 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. Member and employer contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2018, these rates were set at 6 percent of covered payroll for members and 6.84 percent of covered payroll for employers. The University assumes no liability other than its contribution.

For the current fiscal year, the University had a total payroll of $1,354,940,192, of which $647,729,603 was covered under the ORP. Total employee and employer contributions for pension benefits for the year were $38,863,776 and $44,304,705, respectively. The amount of expense recognized in the current year related to ORP is equal to the employer contributions less forfeitures of $1,299,183.

NOTE 17

Other Postemployment Benefits

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' 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 2017 *Comprehensive Annual Financial Report.* An electronic version of this report is available on the North Carolina Office of the State Controller's website at www.osc.nc.gov or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. The fiduciary net position of each plan was determined using the same basis as the other postemployment benefit (OPEB) plans.

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit 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 2017 *Comprehensive Annual Financial Report.*

B Plan Descriptions

Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of

eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 18. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50 percent of the State Health Plan's total noncontributory premium.

The Plan's and RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. The University's contractually-required contribution rate for the year ended June 30, 2018 was 6.05 percent of covered payroll. The University's contributions to the RHBF were $69,324,559 for the year ended June 30, 2018.

Disability Income

Plan Administration: As discussed in Note 18, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina system, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65 percent of one-twelfth of an employee's annual base rate of

compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of $3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than $10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2018 was 0.14 percent of covered payroll. The University's contributions to DIPNC were $1,604,205 for the year ended June 30, 2018.

C Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2018, the University reported a liability of $2,085,455,588 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total OPEB liability to June 30, 2017. The University's proportion of the net OPEB 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, 2017, the University's proportion was 6.36069 percent, which was a decrease of 0.88770 from its proportion measured as of June 30, 2016, which was 7.24839 percent.

Net OPEB Asset: At June 30, 2018, the University reported an asset of ($4,162,076) for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2017. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total OPEB asset to June 30, 2017. The University's proportion of the net OPEB asset 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, 2017, the University's proportion was 6.80968 percent, which was an increase of 0.14925 from its proportion measured as of June 30, 2016, which was 6.66043 percent.

Actuarial Assumptions: The total OPEB liabilities (assets) for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities (assets) were then rolled forward to June 30, 2017, utilizing updated procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/16	12/31/16
Inflation	2.75%	3.00%
Salary Increases*	3.50%–8.10%	3.50%–8.10%
Investment Rate of Return**	7.20%	3.75%
Healthcare Cost Trend Rate – Medical	5.00%–6.50%	N/A
Healthcare Cost Trend Rate – Prescription Drug	5.00%–7.25%	N/A
Healthcare Cost Trend Rate – Medicare Advantage	4.00%–5.00%	N/A
Healthcare Cost Trend Rate – Administrative	3.00%	N/A

* Salary increases include 3.5 percent inflation and productivity factor.
** Investment rate of return is net of pension plan investment expense, including inflation.
N/A – Not Applicable

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

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the 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 projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2017.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2017, (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05 percent. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2017, (the valuation date) was 1.3 percent.

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

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

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

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

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of an actuarial experience study prepared as of December 31, 2014.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.58 percent. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58 percent was used as the discount rate used to measure the total OPEB liability. The 3.58 percent rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

The discount rate used to measure the total OPEB asset for DIPNC was 3.75 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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the University's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

NET OPEB LIABILITY (ASSET)

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
RHBF	$2,487,828,693	$2,085,455,588	$1,766,316,544

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	($3,538,378)	($4,162,076)	($4,787,205)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Medical	4.00–5.50%	5.00–6.50%	6.00–7.50%
Pharmacy	4.00–6.25%	5.00–7.25%	6.00–8.25%
Med. Advantage	3.00–4.00%	4.00–5.00%	5.00–6.00%
Administrative	2.00%	3.00%	4.00%
RHBF Net OPEB Liability	**$1,703,625,138**	**$2,085,455,588**	**$2,592,956,968**
DIPNC Net OPEB Asset	**N/A**	**N/A**	**N/A**

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the University recognized OPEB expense of $39,689,329 for RHBF and $2,189,316 for DIPNC. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

EMPLOYER BALANCES OF DEFERRED OUTFLOWS OF RESOURCES RELATED TO OPEB BY CLASSIFICATION

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience		$1,141,166	$1,141,166
Changes of Assumptions			
Net Difference Between Projected and Actual Earnings on Plan Investments		912,293	912,293
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions			
Contributions Subsequent to the Measurement Date	69,324,559	1,604,205	70,928,764
Total	**$69,324,559**	**$3,657,664**	**$72,982,223**

EMPLOYER BALANCES OF DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB BY CLASSIFICATION

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$149,531,002		$149,531,002
Changes of Assumptions	574,324,948		574,324,948
Net Difference Between Projected and Actual Earnings on Plan Investments	775,045		775,045
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	318,521,045	65,974	318,587,019
Total	**$1,043,152,040**	**$65,974**	**$1,043,218,014**

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB 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 OPEB EXPENSE

Year Ended June 30:	RHBF	DIPNC
2019	($208,669,160)	$586,590
2020	(208,669,160)	586,590
2021	(208,669,160)	586,385
2022	(208,669,160)	227,920
2023	(208,475,400)	
Total	**($1,043,152,040)**	**$1,987,485**

NOTE 18

Risk Management

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

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

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

Fire and Other Property Loss — The University is required to maintain fire and lightning coverage on all state owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund, such as housing units or athletic facilities, 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 state owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are $1,000,000 per claim and $10,000,000 per occurrence. The University pays premiums to the North Carolina Department of Insurance for the coverage.

Employee Dishonesty 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 $100,000 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.

Statewide Workers' Compensation Program — 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, 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 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, 2017 through June 30, 2018, 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, 2018, 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, 2018, University assets in the Trust Fund totaled $21,538,266 while University liabilities totaled $19,944,285 resulting in net position of $1,593,981.

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 1007, Chapel Hill, NC 27517.

State Health Plan — University employees 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 is funded by employer contributions. Certain plans also require contributions from employees. The Plan has contracted with third parties to process claims. See Note 17, Other Postemployment Benefits, for additional information regarding retiree health benefits.

Death Benefit Plan of North Carolina — 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.

Disability Income Plan — Short-term and long-term disability benefits are provided to University employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the University up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. As discussed in Note 17, long-term disability benefits are payable as other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

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

NOTE 19

Commitments and Contingencies

A Commitments

The University has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $72,424,071 at June 30, 2018.

The 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, 2018, the UNC Investment Fund had approximately $1,205,129,205 unfunded committed capital. There was also unfunded committed capital related to other private equity investments outside of the UNC Investment Fund, LLC noted above in the amount of $9,326,698 as of June 30, 2018.

B Pending Litigation and Claims

The University is a party to litigation and claims in the ordinary course of its operations. For litigation and claims wherein it is not possible to predict the ultimate outcome, no provision for any liability has been made in the financial statements. University management is of the opinion 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 generally accepted accounting principles 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 June 30, 2018, are as follows:

Purpose	Amount
Pledges to Permanent Endowments	$35,469,662

NOTE 20

Related Parties

There are 13 separately incorporated nonprofit 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 Media and Journalism Foundation of North Carolina, Inc., The University of North Carolina at Chapel Hill Public Health Foundation, Incorporated, The University of North Carolina at Chapel Hill School of Nursing Foundation, Inc., The School of Social Work 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 $35,695,867 for the year ended June 30, 2018.

NOTE 21

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 $9,564,900. The University is partners with Michigan State University, U.S. National Optical Astronomy Observatory, and the Ministry of Science and Technology of the Federal Republic of Brazil. SOAR designed, constructed, and now operates a 4.1-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 equity method and valued at $622,249. 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 equity method and valued at $410,820. 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.

The University is a member of Qura Therapeutics, a joint venture accounted for under the equity method and valued at $3,376,376. The University partners with GSK and has a 50.0 percent share. The joint venture accelerates the search for an HIV cure. 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 22

Blended Component Units

Condensed combining information for the University's blended component units for the year ended June 30, 2018, is presented as follows:

CONDENSED STATEMENT OF NET POSITION

June 30, 2018

	UNC-CH	UNC Investment Fund, LLC	UNC-CH Foundation Investment Fund, Inc.	UNC-CH Foundation, Inc.	UNC Intermediate Pool, LLC	Other Blended Component Units*	Eliminations	Total
Assets:								
Current Assets	$1,213,386,835	$163,635,319		$49,842,236	$16,837,894	$71,134,862	($29,131,175)	$1,485,705,971
Capital Assets, Net	3,006,202,008			88,712,812		2,499,395		3,097,414,215
Other Noncurrent Assets	2,786,611,114	6,138,452,161	$3,429,241,945	384,125,023	541,613,729	185,828,728	(7,372,240,292)	6,093,632,408
Total Assets	**7,006,199,957**	**6,302,087,480**	**3,429,241,945**	**522,680,071**	**558,451,623**	**259,462,985**	**(7,401,371,467)**	**10,676,752,594**
Total Deferred Outflows of Resources	**302,954,154**							**302,954,154**
Liabilities:								
Current Liabilities	385,638,220	9,260,767	2,176,008	8,533,132	3,323,622	9,570,392		418,502,141
Long-Term Liabilities, Net	3,738,527,644			113,448,005		2,339,379		3,854,315,028
Other Noncurrent Liabilities	906,988,494					8,569,525	2,881,936,684	3,797,494,703
Total Liabilities	**5,031,154,358**	**9,260,767**	**2,176,008**	**121,981,137**	**3,323,622**	**20,479,296**	**2,881,936,684**	**8,070,311,872**
Total Deferred Inflows of Resources	**1,054,248,789**			**17,128,396**				**1,071,377,185**
Net Position:								
Net Investment in Capital Assets	1,639,124,873			33,844,975		2,499,395		1,675,469,243
Restricted – Nonexpendable	594,919,434	6,292,826,713	3,427,065,937	157,790,548	555,128,001	126,294,051	(10,283,308,151)	870,716,533
Restricted – Expendable	1,356,197,953			143,705,941		72,876,695		1,572,780,589
Unrestricted	(2,366,491,296)			48,229,074		37,313,548		(2,280,948,674)
Total Net Position	**$1,223,750,964**	**$6,292,826,713**	**$3,427,065,937**	**$383,570,538**	**$555,128,001**	**$238,983,689**	**($10,283,308,151)**	**$1,838,017,691**

*Other Blended Component Units include UNC Management Company, Inc., The Kenan-Flagler Business School Foundation, UNC Law Foundation, Inc., WUNC Public Radio, LLC, HVPV Holdings, LLC, and Carolina Research Ventures, LLC.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the fiscal year ended June 30, 2018

	UNC-CH	UNC Investment Fund, LLC	UNC-CH Foundation Investment Fund, Inc.	UNC-CH Foundation, Inc.	UNC Intermediate Pool, LLC	Other Blended Component Units*	Eliminations	Total
Operating Revenues:								
Student Tuition and Fees, Net	$429,404,927					$9,000,000		$438,404,927
Grants and Contracts	835,994,782					1,990,000		837,984,782
Sales and Services, Net	897,744,789			$14,374,433		17,689,752		929,808,974
Other Operating Revenues	14,509,232					4,195,726	($9,000,000)	9,704,958
Total Operating Revenues	**2,177,653,730**			**14,374,433**		**32,875,478**	**(9,000,000)**	**2,215,903,641**
Operating Expenses:								
Operating Expenses	2,865,358,378	$1,554,486		11,988,449		37,023,648	(9,900,226)	2,906,024,735
Depreciation	137,058,809			1,263,431		79,253		138,401,493
Total Operating Expenses	**3,002,417,187**	**1,554,486**		**13,251,880**		**37,102,901**	**(9,900,226)**	**3,044,426,228**
Operating Income (Loss)	**(824,763,457)**	**(1,554,486)**		**1,122,553**		**(4,227,423)**	**900,226**	**(828,522,587)**
Nonoperating Revenues (Expenses):								
Investment Income (Loss), Net	239,227,454	769,019,702	$379,454,593	33,295,564	$28,631,143	18,770,625	(1,176,184,483)	292,214,598
Other, Net	712,633,811	68,857,349	3,420,117	(7,187,684)	(53,328,134)	16,840,386	(26,267,275)	714,968,570
Net Nonoperating Revenues (Expenses)	**951,861,265**	**837,877,051**	**382,874,710**	**26,107,880**	**(24,696,991)**	**35,611,011**	**(1,202,451,758)**	**1,007,183,168**
Capital Appropriations	9,038,073							9,038,073
Capital Grants	13,149,996							13,149,996
Capital Gifts	3,998,933							3,998,933
Additions to Endowments	7,856,920			12,087,556		3,229,226	(1,072,214)	22,101,488
Increase (Decrease) in Net Position	**$161,141,730**	**$836,322,565**	**$382,874,710**	**$39,317,989**	**($24,696,991)**	**$34,612,814**	**($1,202,623,746)**	**$226,949,071**
Net Position:								
Net Position, July 1, 2017, as Restated	**$1,062,609,234**	**$5,456,504,148**	**$3,044,191,227**	**$344,252,549**	**$579,824,992**	**$204,370,875**	**($9,080,684,405)**	**$1,611,068,620**
Net Position, June 30, 2018	**$1,223,750,964**	**$6,292,826,713**	**$3,427,065,937**	**$383,570,538**	**$555,128,001**	**$238,983,689**	**($10,283,308,151)**	**$1,838,017,691**

*Other Blended Component Units include UNC Management Company, Inc., The Kenan-Flagler Business School Foundation, UNC Law Foundation, Inc., WUNC Public Radio, LLC, HVPV Holdings, LLC, and Carolina Research Ventures, LLC.

CONDENSED STATEMENT OF CASH FLOWS

For the fiscal year ended June 30, 2018

	UNC-CH	UNC-CH Foundation, Inc.	Other Blended Component Units*	Total
Net Cash Used by Operating Activities	($702,621,347)	($7,546,801)	($4,205,329)	($714,373,477)
Net Cash Provided by Noncapital Financing Activities	1,254,402,943	10,654,733	15,462,109	1,280,519,785
Net Cash Used by Capital and Related Financing Activities	(188,545,819)	(8,545,093)	(145,021)	(197,235,933)
Net Cash Provided (Used) by Investing Activities	(392,771,630)	9,511,337	3,287,732	(379,972,561)
Net Increase (Decrease) in Cash and Cash Equivalents	**(29,535,853)**	**4,074,176**	**14,399,491**	**(11,062,186)**
Cash and Cash Equivalents, July 1, 2017	666,838,592	46,820,665	44,845,236	758,504,493
Cash and Cash Equivalents, June 30, 2018	**$637,302,739**	**$50,894,841**	**$59,244,727**	**$747,442,307**

*Other Blended Component Units include UNC Management Company, Inc., The Kenan-Flagler Business School Foundation, UNC Law Foundation, Inc., WUNC Public Radio, LLC, HVPV Holdings, LLC, and Carolina Research Ventures, LLC.

NOTE 23

Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2018, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 85, *Omnibus 2017*

GASB Statement No. 75 improves accounting and financial reporting requirements by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

GASB Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB).

NOTE 24

Net Position Restatements

As of July 1, 2017, net position as previously reported was restated as follows:

July 1, 2017 Net Position as Previously Reported	$ 4,724,148,448
Restatements:	
Record the University's Net OPEB Asset and Liability and OPEB related Deferred Outflows and Inflows of Resources Per GASB 75 Requirements	(3,080,579,422)
Record the University's Irrevocable Split Interest Agreement Asset and Liability and related Deferred Inflows of Resources Per GASB 81 Requirements	(16,120,529)
Record the University's Workers Compensation Liability	(16,379,877)
July 1, 2017 Net Position as Restated	$1,611,068,620

NOTE 25

Subsequent Events

The Board of Governors, on behalf of the University of North Carolina at Chapel Hill (the "University"), had a standby liquidity support agreement (an "agreement") in the amount of $200 million with Wells Fargo, National Association, that expired on September 19, 2018. On September 19, 2018, the University closed two replacement standby liquidity support agreements, also in the name of the Board of Governors on behalf of the University. One agreement is with Bank of America, N.A., in the amount of $100 million which carries a three-year term and the other agreement is with Branch Banking and Trust Company in the amount of $100 million which carries a five-year term with expiration dates of September 19, 2021 and September 19, 2023, respectively.

See Note 10 for additional information regarding the University's standby liquidity support agreements.


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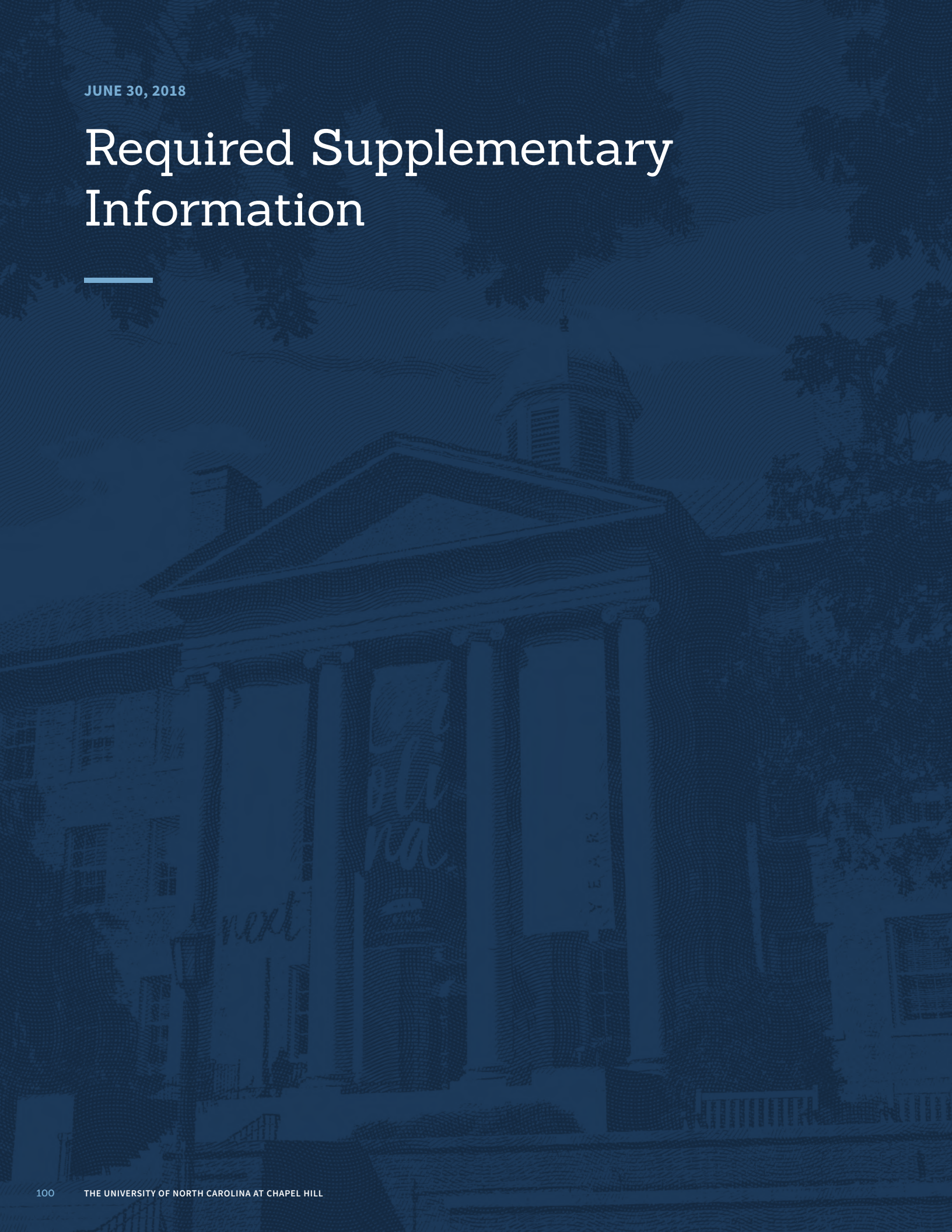
Required Supplementary Information



Required Supplementary Information

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

Last five fiscal years

	2017	2016	2015	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	3.12%	3.09%	3.12%	3.22%	3.20%
Proportionate Share of TSERS Collective Net Pension Liability	$247,539,484	$284,334,716	$115,061,832	$37,801,432	$194,278,679
Covered Payroll	$480,647,184	$460,471,749	$451,281,663	$457,366,996	$460,281,538
Net Pension Liability as a Percentage of Covered Payroll	51.50%	61.75%	25.50%	8.27%	42.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.51%	87.32%	94.64%	98.24%	90.60%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as amended.

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

Last ten fiscal years

	2018	2017	2016	2015	2014
Contractually Required Contribution	$53,698,508	$47,968,589	$42,133,165	$41,292,272	$39,745,192
Contributions in Relation to the Contractually Determined Contribution	53,698,508	47,968,589	42,133,165	41,292,272	39,745,192
Contribution Deficiency (Excess)					
Covered Payroll	**$498,130,872**	**$480,647,184**	**$460,471,749**	**$451,281,663**	**$457,366,996**
Contributions as a Percentage of Covered Payroll	**10.78%**	**9.98%**	**9.15%**	**9.15%**	**8.69%**

	2013	2012	2011	2010	2009
Contractually Required Contribution	$38,341,452	$33,975,672	$23,308,729	$16,632,618	$15,756,451
Contributions in Relation to the Contractually Determined Contribution	38,341,452	33,975,672	23,308,729	16,632,618	15,756,451
Contribution Deficiency (Excess)					
Covered Payroll	**$460,281,538**	**$456,662,258**	**$472,793,699**	**$465,899,657**	**$468,941,991**
Contributions as a Percentage of Covered Payroll	**8.33%**	**7.44%**	**4.93%**	**3.57%**	**3.36%**

Note: Changes in benefit terms, methods and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

Notes to Required Supplementary Information

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

Changes of benefit terms

Cost of Living Increase									
2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
N/A	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%

Changes of assumptions. In 2015, the actuarial assumptions were updated to more closely reflect actual experience. In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement systems' actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience. The discount rate for Teachers' and State Employees' Retirement System was lowered from 7.25 percent to 7.20 percent for the December 31, 2016 valuation.

The Board of Trustees also adopted a new asset valuation method for the Teachers' and State Employees' Retirement System. For determining plan funding requirements, these plans now use a five-year smoothing method with a reset of the actuarial value of assets to market value as of December 31, 2014.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2017 *Comprehensive Annual Financial Report.*

SCHEDULE OF THE PROPORTIONATE NET OPEB LIABILITY (ASSET) COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

Last two fiscal years

	2017	2016
Retiree Health Benefit Fund:		
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	6.36%	7.25%
Proportionate Share of Collective Net OPEB Liability (Asset)	$2,085,455,588	$3,153,296,023
Covered Payroll	$1,091,925,969	$1,058,316,661
Net OPEB Liability as a Percentage of Covered Payroll	190.99%	297.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	3.52%	2.41%
Disability Income Plan of North Carolina:		
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	6.81%	6.66%
Proportionate Share of Collective Net OPEB Liability (Asset)	($4,162,076)	($4,163,127)
Covered Payroll	$1,091,925,969	$1,058,316,661
Net OPEB Liability as a Percentage of Covered Payroll	(0.38%)	(0.39%)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	116.23%	116.06%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

SCHEDULE OF UNIVERSITY CONTRIBUTIONS COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS

Last ten fiscal years

Retiree Health Benefit Fund	2018	2017	2016	2015	2014
Contractually Required Contribution	$69,324,559	$63,440,899	$59,265,733	$55,554,649	$53,247,759
Contributions in Relation to the Contractually Determined Contribution	69,324,559	63,440,899	59,265,733	55,554,649	53,247,759
Contribution Deficiency (Excess)	0	0	0	0	0
Covered Payroll	$1,145,860,475	$1,091,925,969	$1,058,316,661	$1,011,924,390	$986,069,611
Contributions as a Percentage of Covered Payroll	6.05%	5.81%	5.60%	5.49%	5.40%
	2013	**2012**	**2011**	**2010**	**2009**
Contractually Required Contribution	$51,582,373	$47,027,478	$46,527,281	$41,953,228	$37,956,143
Contributions in Relation to the Contractually Determined Contribution	51,582,373	47,027,478	46,527,281	41,953,228	37,956,143
Contribution Deficiency (Excess)	0	0	0	0	0
Covered Payroll	$973,252,321	$940,549,560	$949,536,347	$932,293,956	$925,759,585
Contributions as a Percentage of Covered Payroll	5.30%	5.00%	4.90%	4.50%	4.10%

Disability Income Plan of North Carolina	2018	2017	2016	2015	2014
Contractually Required Contribution	$1,604,205	$4,149,319	$4,339,098	$4,148,890	$4,338,706
Contributions in Relation to the Contractually Determined Contribution	1,604,205	4,149,319	4,339,098	4,148,890	4,338,706
Contribution Deficiency (Excess)	0	0	0	0	0
Covered Payroll	$1,145,860,475	$1,091,925,969	$1,058,316,661	$1,011,924,390	$986,069,611
Contributions as a Percentage of Covered Payroll	0.14%	0.38%	0.41%	0.41%	0.44%
	2013	**2012**	**2011**	**2010**	**2009**
Contractually Required Contribution	$4,282,310	$4,890,858	$4,937,589	$4,847,929	$4,813,950
Contributions in Relation to the Contractually Determined Contribution	4,282,310	4,890,858	4,937,589	4,847,929	4,813,950
Contribution Deficiency (Excess)	0	0	0	0	0
Covered Payroll	$973,252,321	$940,549,560	$949,536,347	$932,293,956	$925,759,585
Contributions as a Percentage of Covered Payroll	0.44%	0.52%	0.52%	0.52%	0.52%

Note: Changes in benefit terms, methods and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the OPEB RSI tables.

Notes to Required Supplementary Information

SCHEDULE OF UNIVERSITY CONTRIBUTIONS COST-SHARING, MULTI-EMPLOYER DEFINED BENEFIT OPEB PLANS

Last ten fiscal years

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums and deductibles were changed for three of four options of the Retiree Health Benefit Fund. Most of the changes were an increase in the amount from the previous year.

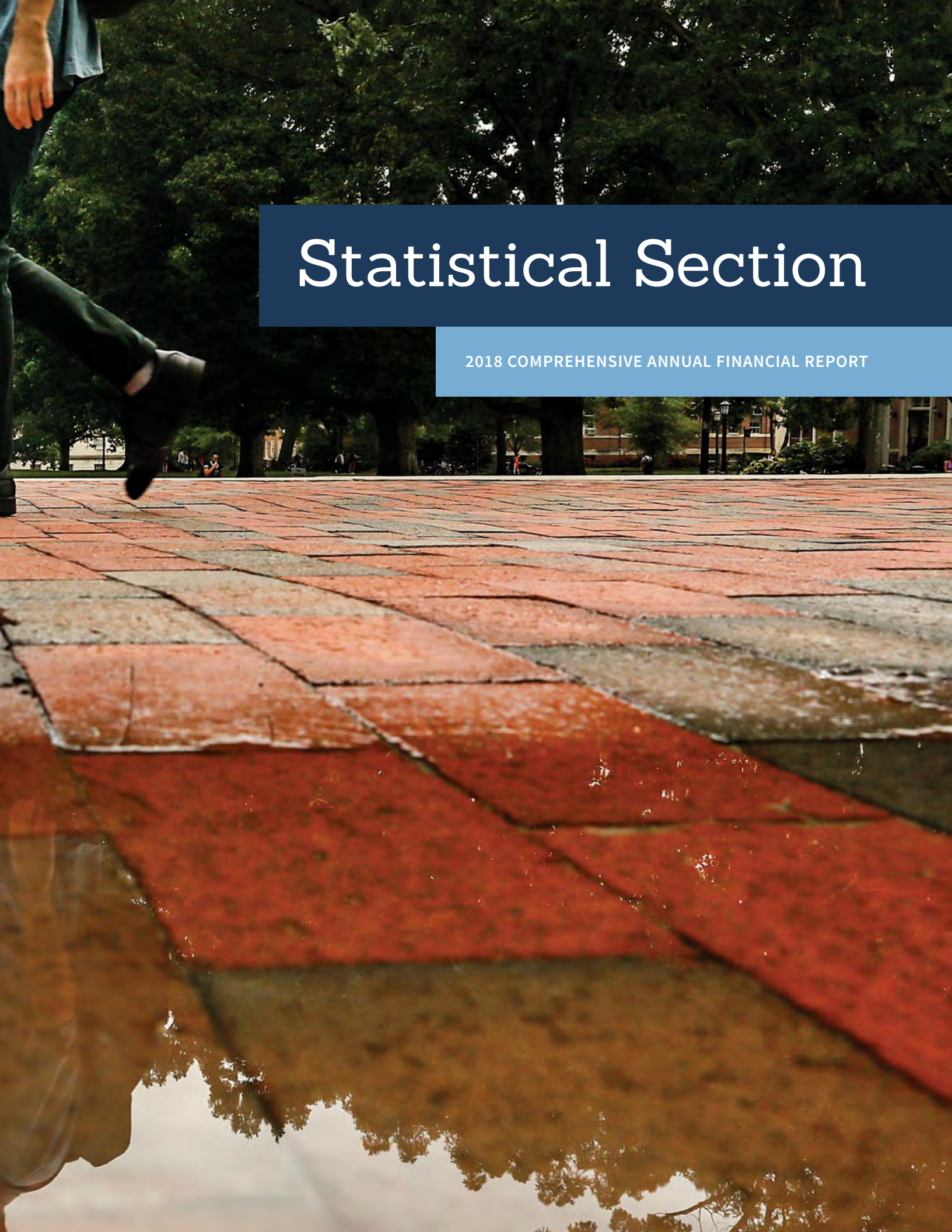
Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of four options of the Retiree Health Benefit Fund. Most of the changes were an increase in the amount from the previous year.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months following the date of the valuation results for the Retiree Health Benefit Fund. The actuarially determined contribution rates in the Schedule of employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the Disability Income Plan of North Carolina. See Note 17 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the State Health Plan adopted a number of new actuarial assumptions and methods for the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement and rates of termination from active employment were reduced to more closely reflect actual experience.

In 2017, the medical and prescription health trend rates used in the December 31, 2016 actuarial valuation of the Retiree Health Benefit Fund were reduced based upon the plan's most recent experience.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2017 *Comprehensive Annual Financial Report.*



Statistical Section

2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Narrative to the Statistical Section

Financial Trends

NET POSITION BY COMPONENT

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
		(as restated)	*(as restated)*		*(as restated)*					
Net Investment in Capital Assets	$1,675,469	$1,653,505	$1,655,895	$1,686,949	$1,694,842	$1,632,515	$1,645,959	$1,587,446	$1,420,104	$1,338,833
Restricted, Nonexpendable	870,717	824,210	787,682	773,548	724,605	702,225	700,687	656,723	621,873	586,175
Restricted, Expendable	1,572,781	1,554,230	1,372,533	1,453,008	1,390,715	1,193,821	990,908	1,007,536	891,182	837,154
Unrestricted	(2,280,949)	(2,420,876)	763,370	753,407	766,194	972,888	896,092	851,254	778,439	700,280
Total Net Position	**$1,838,018**	**$1,611,069**	**$4,579,480**	**$4,666,912**	**$4,576,356**	**$4,501,449**	**$4,233,646**	**$4,102,959**	**$3,711,598**	**$3,462,442**

expressed as a percent of the total

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%	%	%	%	%
		(as restated)	*(as restated)*		*(as restated)*					
Net Investment in Capital Assets	91.2	102.6	36.2	36.2	37.1	36.3	38.9	38.7	38.3	38.7
Restricted, Nonexpendable	47.4	51.2	17.2	16.6	15.8	15.6	16.5	16.0	16.7	16.9
Restricted, Expendable	85.6	96.5	30.0	31.1	30.4	26.5	23.4	24.6	24.0	24.2
Unrestricted	(124.2)	(150.3)	16.6	16.1	16.7	21.6	21.2	20.7	21.0	20.2
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,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%	%	%	%	%
		(as restated)	*(as restated)*		*(as restated)*					
Net Investment in Capital Assets	1.3	(0.1)	(1.8)	(0.5)	3.8	(0.8)	3.7	11.8	6.1	3.8
Restricted, Nonexpendable	5.6	4.6	1.8	6.8	3.2	0.2	6.7	5.6	6.1	6.9
Restricted, Expendable	1.2	13.2	(5.5)	4.5	16.5	20.5	(1.7)	13.1	6.5	(30.2)
Unrestricted	(5.8)	(417.1)	1.3	(1.7)	(21.2)	8.6	5.3	9.4	11.2	4.2
Total Net Position	**14.1**	**(64.8)**	**(1.9)**	**2.0**	**1.7**	**6.3**	**3.2**	**10.5**	**7.2**	**(6.7)**

CHANGES IN NET POSITION

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
			(as restated)		*(as restated)*					
Operating Revenues:										
Student Tuition and Fees, Net	$438,405	$426,856	$405,808	$395,005	$361,771	$348,049	$320,535	$289,897	$249,083	$236,960
Patient Services, Net	481,877	442,460	416,811	323,700	312,054	291,277	280,671	280,035	242,757	237,966
Federal Grants and Contracts	711,778	643,953	639,351	716,564	707,514	587,220	578,702	571,288	530,368	471,680
State and Local Grants and Contracts	12,754	19,600	29,433	17,227	37,613	41,471	41,953	38,251	37,679	29,091
Nongovernmental Grants and Contracts	113,453	147,670	160,714	106,762	158,133	132,506	105,191	146,081	120,674	123,649
Sales and Services, Net	447,932	427,270	416,013	461,580	458,458	429,243	400,480	373,706	354,439	321,505
Interest Earnings on Loans	2,928	1,432	1,450	1,167	823	730	849	842	790	801
Other Operating Revenues	6,777	14,962	17,632	9,280	2,872	8,198	8,148	4,836	6,485	7,835
Total Operating Revenues	**2,215,904**	**2,124,203**	**2,087,212**	**2,031,285**	**2,039,238**	**1,838,694**	**1,736,529**	**1,704,936**	**1,542,275**	**1,429,487**
Operating Expenses:										
Salaries and Benefits	1,730,164	1,697,183	1,544,504	1,505,426	1,622,395	1,435,472	1,375,758	1,379,178	1,340,749	1,309,862
Supplies and Materials	178,419	191,162	216,969	188,308	159,907	160,698	164,899	162,999	156,404	174,501
Services	784,105	782,162	722,677	886,631	872,702	650,516	617,589	614,928	538,784	533,023
Scholarships and Fellowships	129,050	123,739	122,816	119,453	112,450	104,557	96,871	91,140	69,083	58,557
Utilities	84,287	79,081	83,711	88,373	85,157	83,265	80,832	81,471	81,210	77,636
Depreciation and Amortization	138,401	140,085	136,572	136,493	130,438	117,968	113,530	102,724	90,861	70,747
Total Operating Expenses	**3,044,426**	**3,013,412**	**2,827,249**	**2,924,684**	**2,983,049**	**2,552,476**	**2,449,479**	**2,432,440**	**2,277,091**	**2,224,326**
Operating Loss	**(828,522)**	**(889,209)**	**(740,037)**	**(893,399)**	**(943,811)**	**(713,782)**	**(712,950)**	**(727,504)**	**(734,816)**	**(794,839)**
Nonoperating Revenues (Expenses):										
State Appropriations	518,231	500,212	493,923	479,186	482,728	515,121	486,492	520,198	509,691	518,276
State Aid – Federal Recovery Funds								14,480	32,062	20,051
Noncapital Grants – Federal Student Financial Aid	22,818	15,992	19,607	36,232	18,622	18,011	17,899	18,946	17,099	10,170
Noncapital Grants	117,417	118,754	75,956	88,597	122,611	164,790	163,440	175,600	155,014	143,846
Noncapital Gifts, Net	172,441	179,000	123,456	155,065	97,416	67,641	99,446	93,166	75,881	87,226
Investment income (Loss), Net	292,215	267,070	(50,950)	195,407	258,372	191,969	33,134	208,184	103,605	(296,904)
Interest and Fees on Debt	(53,540)	(56,960)	(62,561)	(67,459)	(66,217)	(70,118)	(64,321)	(56,765)	(64,261)	(52,465)
Federal Interest Subsidy on Debt	2,123	2,116	2,118	2,107	2,109	2,174	2,274	2,273	1,130	
Other Nonoperating Revenues (Expenses)	(64,522)	(42,929)	27,520	32,631	(6,162)	(1,600)	(6,053)	(2,670)	(14,219)	2,359
Net Nonoperating Revenues	**1,007,183**	**983,255**	**629,069**	**921,766**	**909,479**	**887,988**	**732,311**	**973,412**	**816,002**	**432,559**
Income (Loss) Before Other Revenues	**178,661**	**94,046**	**(110,968)**	**28,367**	**(34,332)**	**174,206**	**19,361**	**245,908**	**81,186**	**(362,280)**
Capital Appropriations	9,038	12,869	8,767	1,600	4,313	2,285				12,539
Refund of Prior Years Capital Appropriations								(81)	(444)	(3,317)
Capital Grants	13,150	3,790	8,997	29,631	41,507	44,177	78,133	91,864	86,117	27,124
Capital Gifts	3,999	16,996		11,261	6,064	23,182	5,630	9,149	50,688	34,686
Additions to Endowments	22,101	16,967	12,428	19,697	25,609	23,953	27,563	44,521	31,609	44,255
Increase (Decrease) in Net Position	**$226,949**	**$144,669**	**($80,776)**	**$90,556**	**$43,161**	**$267,803**	**$130,687**	**$391,361**	**$249,156**	**($246,993)**
Total Revenues	$3,389,437	$3,257,969	$2,859,984	$3,082,699	$3,098,589	$2,891,998	$2,650,540	$2,883,317	$2,605,171	$2,330,019
Total Expenses	3,162,488	3,113,301	2,940,760	2,992,143	3,055,428	2,624,195	2,519,853	2,491,956	2,356,015	2,577,012
Increase (Decrease) in Net Position	**$226,949**	**$144,669**	**($80,776)**	**$90,556**	**$43,161**	**$267,803**	**$130,687**	**$391,361**	**$249,156**	**($246,993)**

CHANGES IN NET POSITION (CONTINUED)

Last ten fiscal years

expressed as a percent of total revenues / total expenses

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%	%	%	%	%
			(as restated)		*(as restated)*					
Operating Revenues:										
Student Tuition and Fees, Net	12.9	13.1	14.2	12.8	11.7	12.0	12.1	10.1	9.6	10.2
Patient Services, Net	14.2	13.6	14.6	10.5	10.1	10.1	10.6	9.7	9.3	10.2
Federal Grants and Contracts	21.1	19.8	22.4	23.2	22.8	20.4	21.8	19.8	20.5	20.4
State and Local Grants and Contracts	0.4	0.6	1.0	0.6	1.2	1.4	1.6	1.3	1.4	1.2
Nongovernmental Grants and Contracts	3.3	4.5	5.6	3.5	5.1	4.6	4.0	5.1	4.6	5.3
Sales and Services, Net	13.2	13.1	14.5	15.0	14.8	14.8	15.1	13.0	13.6	13.8
Interest Earnings on Loans	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Operating Revenues	0.2	0.5	0.6	0.3	0.1	0.3	0.3	0.2	0.2	0.3
Total Operating Revenues	**65.4**	**65.2**	**73.0**	**65.9**	**65.8**	**63.6**	**65.5**	**59.1**	**59.2**	**61.4**
Operating Expenses:										
Salaries and Benefits	54.7	54.5	52.5	50.3	53.1	54.7	54.6	55.3	56.9	50.8
Supplies and Materials	5.6	6.1	7.4	6.3	5.2	6.1	6.5	6.5	6.6	6.8
Services	24.8	25.1	24.6	29.6	28.6	24.8	24.5	24.7	22.9	20.7
Scholarships and Fellowships	4.1	4.0	4.2	4.0	3.7	4.0	3.8	3.7	2.9	2.3
Utilities	2.7	2.5	2.8	3.0	2.8	3.2	3.2	3.3	3.4	3.0
Depreciation and Amortization	4.4	4.5	4.6	4.6	4.3	4.5	4.5	4.1	3.9	2.7
Total Operating Expenses	**89.8**	**92.5**	**98.9**	**94.9**	**96.3**	**88.3**	**92.4**	**84.4**	**87.4**	**95.5**
Operating Loss	**(24.4)**	**(27.3)**	**(25.9)**	**(29.0)**	**(30.5)**	**(24.7)**	**(26.9)**	**(25.3)**	**(28.2)**	**(34.1)**
Nonoperating Revenues (Expenses):										
State Appropriations	15.3	15.4	17.3	15.5	15.6	17.8	18.4	18.0	19.6	22.2
State Aid – Federal Recovery Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	1.2	0.9
Noncapital grants – Federal Student Financial Aid	0.7	0.5	0.7	1.2	0.6	0.6	0.7	0.7	0.7	0.4
Noncapital Grants	3.5	3.6	2.7	2.9	4.0	5.7	6.2	6.1	6.0	6.2
Noncapital Gifts, Net	5.1	5.5	4.3	5.0	3.1	2.3	3.8	3.2	2.9	3.7
Investment Income (Loss), Net	8.6	8.2	(1.7)	6.3	8.3	6.6	1.3	7.2	4.0	(11.5)
Interest and Fees on Debt	(1.7)	(1.8)	(2.1)	(2.3)	(2.2)	(2.7)	(2.6)	(2.3)	(2.7)	(2.0)
Federal Interest Subsidy on Debt	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Other Nonoperating Revenues (Expenses)	2.0	(1.4)	1.0	1.1	(0.2)	(0.1)	(0.2)	(0.1)	(0.6)	0.1
Net Nonoperating Revenues	**29.7**	**30.2**	**22.0**	**29.9**	**29.4**	**30.7**	**27.6**	**33.9**	**31.3**	**18.6**
Income Before Other Revenues	**5.3**	**2.9**	**(3.9)**	**0.9**	**(1.1)**	**6.0**	**0.7**	**8.6**	**3.1**	**(15.5)**
Capital appropriations	0.3	0.4	0.3	0.1	0.1	0.1	0.0	0.0	0.0	0.5
Refund of Prior Years Capital Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)
Capital Grants	0.3	0.1	0.4	0.9	1.4	1.6	3.0	3.2	3.3	0.9
Capital Gifts	0.1	0.5	0.0	0.4	0.2	0.8	0.2	0.3	1.9	1.5
Additions to Endowments	0.7	0.5	0.4	0.6	0.8	0.8	1.0	1.5	1.2	1.9
Increase (Decrease) in Net Position	**6.7**	**4.4**	**(2.8)**	**2.9**	**1.4**	**9.3**	**4.9**	**13.6**	**9.6**	**(10.6)**

CHANGES IN NET POSITION (CONTINUED)

Last ten fiscal years

percentage increase (decrease) from prior year

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%	%	%	%	%
			(as restated)		*(as restated)*					
Operating Revenues:										
Student Tuition and Fees, Net	2.7	5.2	2.7	9.2	3.9	8.6	10.6	16.4	5.1	8.3
Patient Services, Net	8.9	6.2	28.8	3.7	7.1	3.8	0.2	15.4	2.0	10.8
Federal Grants and Contracts	10.5	0.7	(10.8)	1.3	20.5	1.5	1.3	7.7	12.4	5.3
State and Local Grants and Contracts	(34.9)	(33.4)	70.9	(54.2)	(9.3)	(1.1)	9.7	1.5	29.5	(43.2)
Nongovernmental Grants and Contracts	(23.2)	(8.1)	50.5	(32.5)	19.3	26.0	(28.0)	21.1	(2.4)	7.0
Sales and Services, Net	4.8	2.7	(9.9)	0.7	6.8	7.2	7.2	5.4	10.2	(8.0)
Interest Earnings on Loans	104.5	(1.2)	24.3	41.8	12.7	(14.0)	0.8	6.6	(1.4)	20.3
Other Operating Revenues	(54.7)	(15.1)	90.0	223.1	(65.0)	0.6	68.5	(25.4)	(17.2)	25.7
Total Operating Revenues	**4.3**	**1.8**	**2.8**	**(0.4)**	**10.9**	**5.9**	**1.9**	**10.5**	**7.9**	**1.8**
Operating Expenses:										
Salaries and Benefits	1.9	9.9	2.6	(7.2)	13.0	4.3	(0.2)	2.9	2.4	8.2
Supplies and Materials	(6.7)	(11.9)	15.2	17.8	(0.5)	(2.5)	1.2	4.2	(10.4)	8.2
Services	0.2	8.2	(18.5)	1.6	34.2	5.3	0.4	14.1	1.1	1.2
Scholarships and Fellowships	4.3	0.8	2.8	6.2	7.5	7.9	6.3	31.9	18.0	0.9
Utilities	6.6	(5.5)	(5.3)	3.8	2.3	3.0	(0.8)	0.3	4.6	17.3
Depreciation and Amortization	(1.2)	2.6	0.1	4.6	10.6	3.9	10.5	13.1	28.4	6.5
Total Operating Expenses	**1.0**	**6.6**	**(3.3)**	**(2.0)**	**16.9**	**4.2**	**0.7**	**6.8**	**2.4**	**6.5**
Operating Loss	**(6.8)**	**20.2**	**(17.2)**	**(5.3)**	**32.2**	**0.1**	**(2.0)**	**(1.0)**	**(7.6)**	**16.0**
Nonoperating Revenues (Expenses):										
State Appropriations	3.6	1.3	3.1	(0.7)	(6.3)	5.9	(6.5)	2.1	(1.7)	(4.6)
State Aid – Federal Recovery Funds	0.0	0.0	0.0	0.0	0.0	0.0	(100.0)	(54.8)	59.9	
Noncapital Grants – Federal Student Financial Aid	42.7	(18.4)	(45.9)	94.6	3.4	0.6	(5.5)	10.8	68.1	N/A
Noncapital Grants	(1.1)	56.3	(14.3)	(27.7)	(25.6)	0.8	(6.9)	13.3	7.8	39.7
Noncapital Gifts, Net	(3.7)	45.0	(20.4)	59.2	44.0	(32.0)	6.7	22.8	(13.0)	(22.9)
Investment Income (Loss), Net	9.4	624.2	(126.1)	(24.4)	34.6	479.4	(84.1)	100.9	134.9	(302.5)
Interest and Fees on Debt	(6.0)	(9.0)	(7.3)	1.9	(5.6)	9.0	13.3	(11.7)	22.5	(1.6)
Federal Interest Subsidy on Debt	0.3	(0.1)	0.5	(0.1)	(3.0)	(4.4)	0.0	101.2		
Other Nonoperating Revenues (Expenses)	50.3	(256.0)	(15.7)	629.6	285.1	(73.6)	126.7	(81.2)	(702.8)	177.2
Net Nonoperating Revenues	**2.4**	**56.3**	**(31.8)**	**1.4**	**2.4**	**21.3**	**(24.8)**	**19.3**	**88.6**	**(49.3)**
Income Before Other Revenues	**90.0**	**(184.9)**	**(491.2)**	**(182.6)**	**(119.7)**	**799.8**	**(92.1)**	**202.9**	**122.4**	**(315.0)**
Capital Appropriations	(29.8)	46.8	447.9	(62.9)	88.8	0.0	0.0	0.0	(100.0)	(73.4)
Refund of Prior Years Capital Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	(100.0)	(81.8)	(86.6)	
Capital Grants	247.0	(57.9)	(69.6)	(28.6)	(6.0)	(43.5)	(14.9)	6.7	217.5	110.5
Capital Gifts	(76.5)		(100.0)	85.7	(73.8)	311.8	(38.5)	(82.0)	46.1	199.1
Additions to Endowments	30.3	36.5	(36.9)	(23.1)	6.9	(13.1)	(38.1)	40.8	(28.6)	(26.5)
Increase (Decrease) in Net Position	**56.9**	**(279.1)**	**(189.2)**	**109.8**	**(83.9)**	**104.9**	**(66.6)**	**57.1**	**200.9**	**(182.2)**

CHANGES IN NET POSITION ADJUSTED FOR INFLATION

Last ten fiscal years (2009 dollars)

in thousands

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
			(as restated)		*(as restated)*					
Operating Revenues:										
Student Tuition and Fees, Net	$364,152	$363,556	$359,832	$350,252	$326,925	$323,028	$304,508	$280,878	$246,553	$236,960
Patient Services, Net	400,261	376,846	369,588	287,026	281,997	270,337	266,637	271,323	240,291	237,966
Federal Grants and Contracts	591,224	548,458	566,915	635,380	639,366	545,005	549,767	553,515	524,981	471,680
State and Local Grants and Contracts	10,594	16,693	26,098	15,275	33,990	38,490	39,855	37,061	37,296	29,091
Nongovernmental Grants and Contracts	94,237	125,771	142,506	94,666	142,902	122,980	99,931	141,536	119,448	123,649
Sales and Services, Net	372,066	363,908	368,880	409,285	414,299	398,385	380,456	362,080	350,839	321,505
Interest Earnings on Loans	2,432	1,220	1,286	1,035	744	678	807	816	782	801
Other Operating Revenues	5,629	12,743	15,634	8,229	2,595	7,609	7,741	4,686	6,419	7,835
Total Operating Revenues	**1,840,595**	**1,809,195**	**1,850,739**	**1,801,148**	**1,842,818**	**1,706,512**	**1,649,702**	**1,651,895**	**1,526,609**	**1,429,487**
Operating Expenses:										
Salaries and Benefits	1,437,126	1,445,500	1,369,518	1,334,867	1,466,125	1,332,277	1,306,970	1,336,272	1,327,131	1,309,862
Supplies and Materials	148,200	162,814	192,387	166,973	144,505	149,146	156,654	157,928	154,815	174,501
Services	651,301	666,172	640,800	786,179	788,643	603,751	586,710	595,798	533,311	533,023
Scholarships and Fellowships	107,193	105,389	108,901	105,919	101,619	97,040	92,027	88,305	68,381	58,557
Utilities	70,011	67,354	74,227	78,361	76,955	77,279	76,790	78,936	80,385	77,636
Depreciation and Amortization	114,960	119,311	121,099	121,029	117,874	109,487	107,854	99,528	89,938	70,747
Total Operating Expenses	**2,528,791**	**2,566,540**	**2,506,932**	**2,593,328**	**2,695,721**	**2,368,980**	**2,327,005**	**2,356,767**	**2,253,961**	**2,224,326**
Operating Loss	**(688,196)**	**(757,345)**	**(656,193)**	**(792,180)**	**(852,903)**	**(662,468)**	**(677,303)**	**(704,872)**	**(727,352)**	**(794,839)**
Nonoperating Revenues (Expenses):										
State Appropriations	430,458	426,033	437,963	424,896	436,231	478,089	462,167	504,015	504,514	518,276
State Aid – Federal Recovery Funds								14,030	31,736	20,051
Noncapital Grants – Federal Student Financial Aid	18,953	13,620	17,386	32,127	16,828	16,716	17,004	18,357	16,925	10,170
Noncapital Grants	97,530	101,143	67,350	78,559	110,801	152,943	155,268	170,137	153,439	143,846
Noncapital Gifts, Net	143,235	152,455	109,469	137,497	88,033	62,778	94,474	90,268	75,110	87,226
Investment Income (Loss), Net	242,722	227,465	(45,178)	173,268	233,485	178,168	31,477	201,707	102,553	(296,904)
Interest and Fees on Debt	(44,472)	(48,513)	(55,473)	(59,816)	(59,839)	(65,077)	(61,105)	(54,999)	(63,608)	(52,465)
Federal Interest Subsidy on Debt	1,763	1,802	1,878	1,868	1,906	2,018	2,160	2,202	1,119	
Other Nonoperating Revenues (Expenses)	(53,594)	(36,563)	24,402	28,934	(5,568)	(1,485)	(5,750)	(2,587)	(14,075)	2,359
Net Nonoperating Revenues	**836,595**	**837,442**	**557,797**	**817,333**	**821,877**	**824,150**	**695,695**	**943,130**	**807,713**	**432,559**
Income Before Other Revenues	**148,399**	**80,097**	**(98,396)**	**25,153**	**(31,026)**	**161,682**	**18,392**	**238,258**	**80,361**	**(362,280)**
Capital Appropriations	7,507	10,961	7,774	1,419	3,898	2,121				12,539
Refund of Prior Years Capital Appropriations								(78)	(439)	(3,317)
Capital Grants	10,923	3,228	7,978	26,274	37,509	41,001	74,226	89,006	85,242	27,124
Capital Gifts	3,322	14,476		9,985	5,480	21,515	5,349	8,864	50,173	34,686
Additions to Endowments	18,358	14,452	11,020	17,465	23,142	22,231	26,185	43,136	31,288	44,255
Increase (Decrease) in Net Position	**$188,509**	**$123,214**	**($71,624)**	**$80,296**	**$39,003**	**$248,550**	**$124,152**	**$379,186**	**$246,625**	**($246,993)**
Higher Education Price Index (HEPI)	363.7	354.7	340.7*	340.7	334.3	325.5	318.0	311.8	305.2	302.1

*The 2016 Index is not available. The 2015 Index is being used in its place.

CHANGES IN NET POSITION ADJUSTED FOR INFLATION (CONTINUED)

Last ten fiscal years (2009 dollars)

percentage increase (decrease) from prior year

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%	%	%	%	%
			(as restated)		*(as restated)*					
Operating Revenues:										
Student Tuition and Fees, Net	0.2	1.0	2.7	7.1	1.2	6.1	8.4	13.9	4.0	8.3
Patient Services, Net	6.2	2.0	28.8	1.8	4.3	1.4	(1.7)	12.9	1.0	10.8
Federal Grants and Contracts	7.8	(3.3)	(10.8)	(0.6)	17.3	(0.9)	(0.7)	5.4	11.3	5.3
State and Local Grants and Contracts	(36.5)	(36.0)	70.9	(55.1)	(11.7)	(3.4)	7.5	(0.6)	28.2	(43.2)
Nongovernmental Grants and Contracts	(25.1)	(11.7)	50.5	(33.8)	16.2	23.1	(29.4)	18.5	(3.4)	7.0
Sales and Services, Net	2.2	(1.3)	(9.9)	(1.2)	4.0	4.7	5.1	3.2	9.1	(8.0)
Interest Earnings on Loans	99.3	(5.1)	24.3	39.1	9.7	(16.0)	(1.1)	4.3	(2.4)	20.3
Other Operating Revenues	(55.8)	(18.5)	90.0	217.1	(65.9)	(1.7)	65.2	(27.0)	(18.1)	25.7
Total Operating Revenues	**1.7**	**(2.2)**	**2.8**	**(2.3)**	**8.0**	**3.4**	**(0.1)**	**8.2**	**6.8**	**1.8**
Operating Expenses:										
Salaries and Benefits	(0.6)	5.5	2.6	(9.0)	10.0	1.9	(2.2)	0.7	1.3	8.2
Supplies and Materials	(9.0)	(15.4)	15.2	15.5	(3.1)	(4.8)	(0.8)	2.0	(11.3)	8.2
Services	(2.2)	4.0	(18.5)	(0.3)	30.6	2.9	(1.5)	11.7	0.1	1.2
Scholarships and Fellowships	1.7	(3.2)	2.8	4.2	4.7	5.4	4.2	29.1	16.8	0.9
Utilities	3.9	(9.3)	(5.3)	1.8	(0.4)	0.6	(2.7)	(1.8)	3.5	17.3
Depreciation and Amortization	(3.6)	(1.5)	0.1	2.7	7.7	1.5	8.4	10.7	27.1	6.5
Total Operating Expenses	**(1.5)**	**2.4**	**(3.3)**	**(3.8)**	**13.8**	**1.8**	**(1.3)**	**4.6**	**1.3**	**6.5**
Operating Loss	**(9.1)**	**15.4**	**(17.2)**	**(7.1)**	**28.7**	**(2.2)**	**(3.9)**	**(3.1)**	**(8.5)**	**16.0**
Nonoperating Revenues (Expenses):										
State Appropriations	1.0	(2.7)	3.1	(2.6)	(8.8)	3.4	(8.3)	(0.1)	(2.7)	(4.6)
State Aid – Federal Recovery Funds	0.0	0.0	0.0	0.0	0.0	0.0	(100.0)	(55.8)	58.3	100.0
Noncapital Grants – Federal Student Financial Aid	39.2	(21.7)	(45.9)	90.9	0.7	(1.7)	(7.4)	8.5	66.4	100.0
Noncapital Grants	(3.6)	50.2	(14.3)	(29.1)	(27.6)	(1.5)	(8.7)	10.9	6.7	39.7
Noncapital Gifts, Net	(6.0)	39.3	(20.4)	56.2	40.2	(33.5)	4.7	20.2	(13.9)	(22.9)
Investment Income (Loss), Net	6.7	(603.5)	(126.1)	(25.8)	31.0	466.0	(84.4)	96.7	(134.5)	(302.5)
Interest and Fees on Debt	(8.3)	(12.5)	(7.3)	(0.0)	(8.0)	6.5	11.1	(13.5)	21.2	(1.6)
Federal Interest Subsidy on Debt	(2.2)	(4.0)	0.5	(2.0)	(5.6)	(6.6)	(1.9)	96.8	N/A	N/A
Other Nonoperating Revenues (Expenses)	46.6	(249.8)	(15.7)	(619.6)	274.9	(74.2)	122.3	(81.6)	(696.7)	177.2
Net Nonoperating Revenues	**(0.1)**	**50.1**	**(31.8)**	**(0.6)**	**(0.3)**	**18.5**	**(26.2)**	**16.7**	**86.7**	**(49.3)**
Income Before Other Revenues	**85.3**	**(181.4)**	**(491.2)**	**(181.1)**	**(119.2)**	**779.1**	**(92.3)**	**196.5**	**122.2**	**(315.0)**
Capital Appropriations	(31.5)	41.0	447.9	(63.6)	83.8	0.0	0.0	0.0	(100.0)	(73.4)
Refund of Prior Years Capital Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	(100.0)	(82.2)	(86.8)	(100.0)
Capital Grants	238.4	(59.5)	(69.6)	(30.0)	(8.5)	(44.8)	(16.6)	4.4	214.3	110.5
Capital Gifts	(77.1)	0.0	(100.0)	82.2	(74.5)	302.2	(39.7)	(82.3)	44.6	199.1
Additions to Endowments	27.0	31.1	(36.9)	(24.5)	4.1	(15.1)	(39.3)	37.9	(29.3)	(26.5)
Increase (Decrease) in Net Position	**53.0**	**(272.0)**	**(189.2)**	**105.9**	**(84.3)**	**100.2**	**(67.3)**	**53.8**	**199.9**	**(182.2)**

OPERATING EXPENSES BY FUNCTION

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
			(as restated)		*(as restated)*					
Instruction	$749,322	$721,569	$728,243	$683,793	$675,822	$694,692	$682,857	$698,770	$684,836	$674,942
Research	601,890	595,219	546,228	714,093	703,621	529,102	472,102	468,685	431,317	398,754
Public Service	148,579	142,315	164,235	152,661	134,917	133,059	122,989	137,279	138,044	126,427
Academic Support	132,369	137,947	137,657	110,417	118,680	114,371	111,719	105,883	107,806	107,371
Student Services	44,497	45,506	39,162	35,845	32,807	27,565	25,992	28,320	26,961	27,967
Institutional Support	198,111	186,342	139,743	130,905	100,238	93,852	84,400	91,558	83,962	89,954
Operations and Maintenance of Plant	142,403	193,988	152,396	162,016	150,013	135,314	140,417	145,270	136,008	145,550
Student Financial Aid	129,050	123,740	122,816	119,453	112,450	104,557	96,871	91,140	69,083	58,557
Auxiliary Enterprises	759,804	726,701	660,197	662,094	669,423	601,996	598,602	562,811	508,213	524,057
Depreciation and Amortization	138,401	140,085	136,572	136,493	130,439	117,968	113,530	102,724	90,861	70,747
Pension Expense*				16,914	154,639					
Total Operating Expenses by Function	**$3,044,426**	**$3,013,412**	**$2,827,249**	**$2,924,684**	**$2,983,049**	**$2,552,476**	**$2,449,479**	**$2,432,440**	**$2,277,091**	**$2,224,326**

expressed as a percent of the total

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%	%	%	%	%
			(as restated)		*(as restated)*					
Instruction	24.6	23.9	25.8	23.4	22.7	27.2	27.9	28.7	30.1	30.4
Research	19.8	19.8	19.3	24.4	23.6	20.7	19.3	19.3	18.9	17.9
Public Service	4.9	4.7	5.8	5.2	4.4	5.2	5.0	5.6	6.1	5.7
Academic Support	4.3	4.6	4.9	3.8	4.0	4.5	4.6	4.4	4.7	4.8
Student Services	1.5	1.5	1.4	1.2	1.1	1.1	1.1	1.2	1.2	1.3
Institutional Support	6.5	6.2	4.9	4.5	3.4	3.7	3.4	3.8	3.7	4.0
Operations and Maintenance of Plant	4.7	6.4	5.4	5.5	5.0	5.3	5.7	6.0	6.0	6.5
Student Financial Aid	4.2	4.1	4.3	4.1	3.8	4.1	4.0	3.7	3.0	2.6
Auxiliary Enterprises	25.0	24.1	23.4	22.6	22.4	23.6	24.4	23.1	22.3	23.6
Depreciation and Amortization	4.5	4.7	4.8	4.7	4.4	4.6	4.6	4.2	4.0	3.2
Pension Expense*	0.0	0.0	0.0	0.6	5.2	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,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%	%	%	%	%
			(as restated)		*(as restated)*					
Instruction	3.8	(0.9)	6.5	1.2	(2.7)	1.7	(2.3)	2.0	1.5	1.9
Research	1.1	9.0	(23.5)	1.5	33.0	12.1	0.7	8.7	8.2	11.3
Public Service	4.4	(13.3)	7.6	13.2	1.4	8.2	(10.4)	(0.6)	9.2	32.2
Academic Support	(4.0)	0.2	24.7	(7.0)	3.8	2.4	5.5	(1.8)	0.4	0.7
Student Services	(2.2)	16.2	9.3	9.3	19.0	6.1	(8.2)	5.0	(3.6)	(1.6)
Institutional Support	6.3	33.3	6.8	30.6	6.8	11.2	(7.8)	9.0	(6.7)	3.9
Operations and Maintenance of Plant	(26.6)	27.3	(5.9)	8.0	10.9	(3.6)	(3.3)	6.8	(6.6)	9.4
Student Financial Aid	4.3	0.8	2.8	6.2	7.5	7.9	6.3	31.9	18.0	0.9
Auxiliary Enterprises	4.6	10.1	(0.3)	(1.1)	11.2	0.6	6.4	10.7	(3.0)	6.1
Depreciation and Amortization	(1.2)	2.6	0.1	4.6	10.6	3.9	10.5	13.1	28.4	6.5
Pension Expense*			(100.0)	(89.1)						
Total Operating Expenses by Function	**1.0**	**6.6**	**(3.3)**	**(2.0)**	**16.9**	**4.2**	**0.7**	**6.8**	**2.4**	**6.5**

*Effective 2016 Pension Expense is not a separate line item but is distributed between functional categories.

Revenue Capacity

REVENUE BASE

Last ten fiscal years

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
			(as restated)		*(as restated)*					
National Institutes of Health:										
Total Appropriations (000's)	$37,311,349	$34,229,139	$32,311,349	$30,559,349	$30,075,730	$29,151,462	$30,689,990	$30,986,200	$31,246,200	$30,553,298
% Increase (Decrease) from Prior Year	9.00%	5.94%	5.73%	1.61%	3.17%	(5.01%)	(0.96%)	(0.83%)	2.27%	3.69%
National Science Foundation:										
Total Appropriations (000's)	$6,653,000	$7,472,000	$7,463,000	$7,344,205	$7,171,920	$6,884,110	$7,033,000	$6,859,870	$6,926,400	$6,490,400
% Increase (Decrease) from Prior Year	(10.96%)	0.12%	1.62%	2.40%	4.18%	(2.12%)	2.52%	(0.96%)	6.72%	7.02%

Sources: National Institutes of Health, National Science Foundation.

ACADEMIC YEAR TUITION AND REQUIRED FEES

Last ten fiscal years

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
			(as restated)		*(as restated)*					
UNC-Chapel Hill vs Association of American Universities (AAU):										
Resident Undergraduate – UNC-CH	$9,005	$8,834	$8,591	$8,336	$8,340	$7,693	$7,009	$6,665	$5,625	$5,397
% Increase (Decrease) from Prior Year	1.94%	2.83%	3.06%	(0.05%)	8.41%	9.76%	5.15%	18.50%	4.23%	1.07%
AAU Public Universities (Mean)	$12,277	$11,833	$12,285	$11,465	$11,318	$11,142	$10,642	$9,786	$8,806	$8,283
% Increase (Decrease) from Prior Year	3.75%	(3.68%)	7.15%	1.30%	1.58%	4.70%	8.75%	11.13%	6.31%	6.59%
Non-Resident Undergraduate – UNC-CH	$34,588	$33,916	$33,673	$33,418	$30,122	$28,445	$26,834	$25,280	$23,513	$22,295
% Increase from Prior Year	1.98%	0.72%	0.76%	10.94%	5.90%	6.00%	6.14%	7.52%	5.46%	6.23%
AAU Public Universities (Mean)	$34,533	$32,890	$31,026	$30,618	$29,668	$28,991	$28,031	$26,577	$24,775	$23,104
% Increase from Prior Year	5.00%	6.01%	1.33%	3.20%	2.34%	3.42%	5.47%	7.27%	7.23%	5.88%
Resident Graduate – UNC-CH	$11,929	$11,606	$11,074	$10,594	$10,248	$9,692	$8,646	$8,202	$7,162	$6,693
% Increase from Prior Year	2.78%	4.80%	4.53%	3.38%	5.74%	12.10%	5.42%	14.52%	7.01%	7.33%
AAU Public Universities (Mean)	$14,355	$13,848	$13,751	$13,415	$13,189	$12,849	$12,364	$11,367	$10,795	$10,133
% Increase from Prior Year	3.66%	0.71%	2.50%	1.71%	2.65%	3.92%	8.77%	5.30%	6.53%	7.43%
Non-Resident Graduate – UNC-CH	$29,140	$28,817	$28,285	$27,805	$27,459	$25,782	$24,333	$22,932	$21,560	$21,091
% Increase from Prior Year	1.11%	1.87%	1.72%	1.25%	6.49%	5.95%	6.11%	6.36%	2.22%	4.23%
AAU Public Universities (Mean)	$29,507	$28,609	$28,182	$27,495	$26,793	$26,145	$25,381	$24,085	$23,002	$21,912
% Increase from Prior Year	3.14%	1.52%	2.50%	2.62%	2.48%	3.01%	5.38%	4.71%	4.97%	6.28%

Sources: "Academic Year Tuition and Required Fees, AAU Public Universities," coordinated by Univ. of Missouri System; 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,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
			(as restated)		*(as restated)*					
State and Local Grants and Contracts	$12,754	$19,600	$29,433	$17,227	$37,613	$41,471	$41,953	$38,251	$37,679	$29,091
State Appropriations and State Aid	518,231	500,212	493,923	479,186	482,728	515,121	486,492	534,678	541,753	538,327
Capital Appropriations	9,038	12,869	8,767	1,600	4,313	2,285	0	0	0	12,539
Capital Grants	13,150	3,790	8,997	29,631	41,507	44,177	78,133	91,864	86,117	27,124
NC State Government	**$553,173**	**$536,471**	**$541,120**	**$527,644**	**$566,161**	**$603,054**	**$606,578**	**$664,793**	**$665,549**	**$607,081**
% Increase (Decrease) from Prior Year	**3.11%**	**(0.86%)**	**2.55%**	**(6.80%)**	**(6.12%)**	**(0.58%)**	**(8.76%)**	**(0.11%)**	**9.63%**	**(7.26%)**
Federal Grants and Contracts	$711,778	$643,953	$639,351	$716,564	$707,514	$587,220	$578,702	$571,288	$530,368	$471,680
Noncapital Grants	140,235	134,746	95,563	124,829	141,233	182,801	181,339	194,546	172,113	154,016
Federal Government	**$852,013**	**$778,699**	**$734,914**	**$841,393**	**$848,747**	**$770,021**	**$760,041**	**$765,834**	**$702,481**	**$625,696**
% Increase (Decrease) from Prior Year	**9.41%**	**5.96%**	**(12.66%)**	**(0.87%)**	**10.22%**	**1.31%**	**(0.76%)**	**9.02%**	**12.27%**	**13.61%**

Debt Capacity

LONG-TERM DEBT

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
					(as restated)					
General Revenue Debt	$1,305,775	$1,271,860	$1,293,735	$1,288,640	$1,302,255	$1,319,835	$1,088,320	$1,112,480	$1,135,545	$943,585
Plus Unamortized Discount/Premium	1,282	7,345	7,688	18,008	28,855	30,189	34,312	36,068	37,824	30,438
Less Unamortized Loss on Refunding						(3,234)	(1,829)	(2,231)	(2,633)	(3,034)
Net General Revenue Debt	**1,307,057**	**1,279,205**	**1,301,423**	**1,306,648**	**1,331,110**	**1,346,790**	**1,120,803**	**1,146,317**	**1,170,736**	**970,989**
Revenue Bonds	30,961	37,713	44,116	50,152	59,866	68,952	77,449	77,903	82,944	79,734
Plus Unamortized Discount/Premium	(32)	(40)	(48)	(56)	(92)	(128)	(164)	(200)	(243)	(287)
Net Revenue Bonds	**30,929**	**37,673**	**44,068**	**50,096**	**59,774**	**68,824**	**77,285**	**77,703**	**82,701**	**79,447**
Total Bonds Payable	1,337,986	1,316,878	1,345,491	1,356,744	1,390,884	1,415,614	1,198,088	1,224,020	1,253,437	1,050,436
Notes Payable and Line of Credit	60,254	62,326	71,739	58,125	44,829	45,257	45,941	45,750	46,100	675
Capital Leases Payable	1,345	1,147		192	485	765	54	814	3,462	1,710
Total	**$1,399,585**	**$1,380,351**	**$1,417,230**	**$1,415,061**	**$1,436,198**	**$1,461,636**	**$1,244,083**	**$1,270,584**	**$1,302,999**	**$1,052,821**
Long Term Debt (Whole dollars):										
per Student FTE	$50,305	$50,156	$52,728	$52,464	$53,214	$53,997	$46,357	$47,022	$48,789	$39,946
per Dollar of Total Grants and Contracts	$1.43	$1.46	$1.53	$1.47	$1.38	$1.55	$1.37	$1.34	$1.51	$1.35
per Dollar of State Appropriations and State Aid	$2.70	$2.76	$2.87	$2.95	$2.98	$2.84	$2.56	$2.38	$2.41	$1.96

in thousands

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net General Revenue Debt	$1,307,057	$1,279,205	$1,301,423	$1,306,648	$1,331,110	$1,346,790	$1,120,803	$1,146,317	$1,170,736	$970,989
Commercial Paper Program	15,000	63,000	33,000	28,000	18,000	18,000	132,650	73,650	59,784	148,291
Total General Revenue Debt	**$1,322,057**	**$1,342,205**	**$1,334,423**	**$1,334,648**	**$1,349,110**	**$1,364,790**	**$1,253,453**	**$1,219,967**	**$1,230,520**	**$1,119,280**
General Revenue Debt (whole dollars):										
per Student FTE	$47,518	$48,770	$49,647	$49,483	$49,987	$50,419	$46,706	$45,149	$46,075	$42,468
per Dollar of Total Grants and Contracts	$1.35	$1.42	$1.44	$1.38	$1.29	$1.45	$1.38	$1.28	$1.43	$1.44
per Dollar of State Appropriations and State Aid	$2.55	$2.68	$2.70	$2.79	$2.79	$2.65	$2.58	$2.28	$2.27	$2.08

Data Used in the Above Calculations										
Total Student FTE	27,822	27,521	26,878	26,972	26,989	27,069	26,837	27,021	26,707	26,356
State Appropriations and State Aid	$518,231	$500,212	$493,923	$479,186	$482,728	$515,121	$486,492	$534,678	$541,753	$538,327
Federal Grants and Contracts	711,778	643,953	639,351	716,564	707,514	587,220	578,702	571,288	530,368	471,680
State and Local Grants and Contracts	12,754	19,600	29,433	17,227	37,613	41,471	41,953	38,251	37,679	29,091
Nongovernmental Grants and Contracts	113,453	147,670	160,714	106,762	158,133	132,506	105,191	146,081	120,674	123,649
Noncapital Grants	140,235	134,746	95,563	124,829	141,233	182,801	181,339	194,546	172,113	154,016
Total Grants and Contracts	**$978,220**	**$945,969**	**$925,061**	**$965,382**	**$1,044,493**	**$943,998**	**$907,185**	**$950,166**	**$860,834**	**$778,436**

SUMMARY OF RATIOS

Last ten fiscal years

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
		(as restated)	*(as restated)*	*(as restated)*	*(as restated)*					
Composite Financial Index:										
+ Primary Reserve Ratio	0.96 x	0.91 x	0.92 x	0.93 x	0.84 x	0.96 x	0.87 x	0.87 x	0.83 x	0.79 x
/ Strength Factor	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Ratio / Strength Factor	7.22	6.86	6.95	7.01	6.32	7.20	6.51	6.54	6.24	5.94
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	2.53	2.39	2.43	2.46	2.21	2.53	2.29	2.29	2.18	2.08
= Ratio 10.00 Cap Subtotal	2.53	2.39	2.43	2.46	2.21	2.53	2.29	2.29	2.18	2.08
+ Return on Net Position Ratio	14.1%	3.2%	(1.7%)	2.0%	1.0%	6.3%	3.2%	10.5%	7.2%	6.7%
/ 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	7.05	1.60	(0.85)	1.00	0.50	3.15	1.60	5.25	3.60	(3.35)
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	1.41	0.32	(0.17)	0.20	0.10	0.63	0.32	1.05	0.72	(0.67)
= Ratio 10.00 Cap Subtotal	1.41	0.32	(0.17)	0.20	0.10	0.63	0.32	1.05	0.72	(0.67)
+ Net Operating Revenues Ratio	5.4%	2.9%	(4.0%)	1.0%	(1.1%)	6.2%	0.8%	9.0%	3.3%	18.9%
/ Strength Factor	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
= Ratio / Strength Factor	7.71	4.14	(5.71)	1.43	(1.67)	8.86	1.14	12.86	4.71	(27.00)
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.77	0.41	(0.57)	0.14	(0.16)	0.89	0.11	1.29	0.47	(2.70)
= Ratio 10.00 Cap Subtotal	0.77	0.41	(0.57)	0.14	(0.16)	0.89	0.11	1.00	0.47	(2.70)
+ Viability Ratio	2.1 x	1.9 x	1.8 x	1.9 x	1.8 x	1.7 x	1.6 x	1.6 x	1.4 x	1.5 x
/ Strength Factor	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Ratio / Strength Factor	5.04	4.67	4.49	4.54	4.32	4.07	3.84	3.84	3.36	3.60
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	1.76	1.63	1.57	1.59	1.51	1.43	1.34	1.34	1.18	1.26
= Ratio 10.00 Cap Subtotal	1.76	1.63	1.57	1.59	1.51	1.43	1.34	1.34	1.18	1.26
Composite Financial Index	**6.47**	**4.76**	**3.26**	**4.38**	**3.65**	**5.48**	**4.05**	**5.97**	**4.55**	**(0.03)**
Composite Financial Index with 10.00 Cap	**6.47**	**4.76**	**3.26**	**4.38**	**3.65**	**5.48**	**4.05**	**5.68**	**4.55**	**(0.03)**

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. It is important to read disclosures included with the detailed ratio calculations on subsequent pages.

SUMMARY OF RATIOS (CONTINUED)

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
		(as restated)	*(as restated)*	*(as restated)*	*(as restated)*					
Primary Reserve Ratio:										
Unrestricted Net Position*	$895,791	$774,189	$862,613	$883,668	$766,194	$972,888	$896,092	$851,254	$778,439	$700,280
Unrestricted Net Assets – Component Units **	68,128	60,885	54,446	50,784	46,701	40,075	35,651	37,848	26,543	23,334
Expendable Restricted Net Position	1,572,781	1,545,891	1,372,533	1,453,008	1,390,715	1,193,821	990,908	1,007,536	891,182	837,154
Temporarily Restricted Net Assets – Component Units **	449,747	425,424	372,368	401,177	362,695	307,147	269,856	278,740	245,187	237,867
Expendable Net Position and Net Assets	$2,986,447	$2,806,389	$2,661,960	$2,788,637	$2,566,305	$2,513,931	$2,192,507	$2,175,378	$1,941,351	$1,798,635
Operating Expenses	$3,044,426	$3,013,412	$2,827,249	$2,924,684	$2,983,049	$2,552,476	$2,449,479	$2,432,440	$2,277,091	$2,224,326
Interest and Fees on Debt	53,540	56,960	62,561	67,459	66,218	70,119	64,321	56,765	64,261	52,465
Total Expenses	$3,097,966	$3,070,372	$2,889,810	$2,992,143	$3,049,267	$2,622,595	$2,513,800	$2,489,205	$2,341,352	$2,276,791
Expendable Net Position and Net Assets	$2,986,447	$2,806,389	$2,661,960	$2,788,637	$2,566,305	$2,513,931	$2,192,507	$2,175,378	$1,941,351	$1,798,635
Total Expenses	$3,097,966	$3,070,372	$2,889,810	$2,992,143	$3,049,267	$2,622,595	$2,513,800	$2,489,205	$2,341,352	$2,276,791
Ratio	**0.96 x**	**0.91 x**	**0.92 x**	**0.93 x**	**0.84 x**	**0.96 x**	**0.87 x**	**0.87 x**	**0.83 x**	**0.79 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.

*The unrestricted net position included in this calculation excludes the impact of the Pension and OPEB liability since these do not have an impact on the University's ability to pay debt. Please see Note 13 for additional information.

**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,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
			(as restated)		*(as restated)*					
Return on Net Assets Ratio:										
Change in Net Position	$226,949	$144,669	($80,776)	$90,556	$43,161	$267,803	$130,687	$391,361	$249,156	($246,993)
Total Net Position (Beginning of Year)	$1,611,069	$4,579,480	$4,660,256	$4,576,356	$4,533,195	$4,233,646	$4,102,959	$3,711,598	$3,462,442	$3,709,435
Ratio	**14.1%**	**3.2%**	**(1.7%)**	**2.0%**	**1.0%**	**6.3%**	**3.2%**	**10.5%**	**7.2%**	**(6.7%)**

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. The increase in return on net assets ratio shown for 2018 reflects the impact of the Pension and OPEB liability restatements to the beginning balance.

in thousands

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
					(as restated)					
Net Operating Revenues Ratio:										
Total Operating Revenues	$2,215,904	$2,124,203	$2,087,212	$2,031,285	$2,039,238	$1,838,694	$1,736,529	$1,704,936	$1,542,275	$1,429,487
State Appropriations and State Aid	518,231	500,212	493,923	479,186	482,728	515,121	486,492	534,678	541,753	538,327
Non-capital Gifts and Grants, Net	312,676	313,746	219,019	279,894	238,649	250,442	280,785	287,712	247,994	241,242
Investment Income (Loss), Net	292,215	267,070	(50,950)	195,407	258,372	191,969	33,134	208,184	103,605	(296,904)
Adjusted Net Operating Revenues	$3,339,026	$3,205,231	$2,749,204	$2,985,772	$3,018,987	$2,796,226	$2,536,940	$2,735,510	$2,435,627	$1,912,152
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$178,661	$94,046	($110,968)	$28,367	($34,332)	$174,205	$19,361	$245,908	$81,186	($362,280)
Adjusted Net Operating Revenues	$3,339,026	$3,205,231	$2,749,204	$2,985,772	$3,018,987	$2,796,226	$2,536,940	$2,735,510	$2,435,627	$1,912,152
Ratio	**5.4%**	**2.9%**	**(4.0%)**	**1.0%**	**(1.1%)**	**6.2%**	**0.8%**	**9.0%**	**3.3%**	**(18.9%)**

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,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
		(as restated)	*(as restated)*	*(as restated)*	*(as restated)*					
Viability Ratio:										
Unrestricted Net Position*	$895,791	$774,189	$862,613	$883,668	$766,194	$972,888	$896,092	$851,254	$778,439	$700,280
Unrestricted Net Assets – Component Units **	68,128	60,885	54,446	50,784	46,701	40,075	35,651	37,848	26,543	23,334
Expendable Restricted Net Position	1,572,781	1,545,891	1,372,533	1,453,008	1,390,715	1,193,821	990,908	1,007,536	891,182	837,154
Temporarily Restricted Net Assets – Component Units **	449,747	425,424	372,368	401,177	362,695	307,147	269,856	278,740	245,187	237,867
Expendable Net Position and Net Assets	$2,986,447	$2,806,389	$2,661,960	$2,788,637	$2,566,305	$2,513,931	$2,192,507	$2,175,378	$1,941,351	$1,798,635
Bonds	$1,337,986	$1,316,878	$1,345,491	$1,356,744	$1,390,884	$1,415,614	$1,198,088	$1,224,020	$1,253,437	$1,050,436
Commercial Paper	15,000	63,000	33,000	28,000	18,000	18,000	132,650	73,650	59,784	148,291
Capital Leases	1,345	1,147		192	485	765	54	814	3,462	1,710
Notes	60,254	62,326	71,739	58,125	44,829	45,257	45,941	45,750	46,100	675
Notes – Component Units **	2,520	2,444	1,943	2,000		420	625	850	850	1,400
Total Adjusted University Debt	$1,417,105	$1,445,795	$1,452,173	$1,445,061	$1,454,198	$1,480,056	$1,377,358	$1,345,084	$1,363,633	$1,202,512
Expendable Net Position and Net Assets	$2,986,447	$2,806,389	$2,661,960	$2,788,637	$2,566,305	$2,513,931	$2,192,507	$2,175,378	$1,941,351	$1,798,635
Total Adjusted University Debt	$1,417,105	$1,445,795	$1,452,173	$1,445,061	$1,454,198	$1,480,056	$1,377,358	$1,345,084	$1,363,633	$1,202,512
Ratio	**2.1 x**	**1.9 x**	**1.8 x**	**1.9 x**	**1.8 x**	**1.7 x**	**1.6 x**	**1.6 x**	**1.4 x**	**1.5 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.

*The unrestricted net position included in this calculation excludes the impact of the Pension and OPEB liability since these do not have an impact on the University's ability to pay debt. Please see Note 13 for additional information.

**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.

in thousands

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
					(as restated)					
Operating Margin Excluding Gifts And Grants:										
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$178,661	$94,046	($110,968)	$28,367	($34,332)	$174,205	$19,361	$245,908	$81,186	($362,280)
Less: Non-capital Gifts and Grants, Net	(312,676)	(313,746)	(219,019)	(279,894)	(238,649)	(250,442)	(280,785)	(287,712)	(247,994)	(241,242)
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses	($134,015)	($219,700)	($329,987)	($251,527)	($272,981)	($76,237)	($261,424)	($41,804)	($166,808)	($603,522)
Total Operating Revenues	$2,215,904	$2,124,203	$2,087,212	$2,031,285	$2,039,238	$1,838,694	$1,736,529	$1,704,936	$1,542,275	$1,429,487
State Appropriations and State Aid	518,231	500,212	493,923	479,186	482,728	515,121	486,492	534,678	541,753	538,327
Investment Income (Loss), Net	292,215	267,070	(50,950)	195,407	258,372	191,969	33,134	208,184	103,605	(296,904)
Adjusted Net Operating Revenues less Gifts	$3,026,350	$2,891,485	$2,530,185	$2,705,878	$2,780,338	$2,545,784	$2,256,155	$2,447,798	$2,187,633	$1,670,910
Adjusted Income (Loss) Before Other Revenues, Expenses, Gains or Losses	($134,015)	($219,700)	($329,987)	($251,527)	($272,981)	($76,237)	($261,424)	($41,804)	($166,808)	($603,522)
Adjusted Net Operating Revenues less Gifts	$3,026,350	$2,891,485	$2,530,185	$2,705,878	$2,780,338	$2,545,784	$2,256,155	$2,447,798	$2,187,633	$1,670,910
Ratio	**(4.4%)**	**(7.6%)**	**(13.0%)**	**(9.3%)**	**(9.8%)**	**(3.0%)**	**(11.6%)**	**(1.7%)**	**(7.6%)**	**(36.1%)**

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,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
		(as restated)	*(as restated)*	*(as restated)*	*(as restated)*					
Total Financial Resources to Direct Debt:										
Unrestricted Net Position*	$895,791	$774,189	$862,613	$883,668	$766,194	$972,888	$896,092	$851,254	$778,439	$700,280
Non-expendable Restricted Net Position	870,717	824,210	787,682	773,548	724,605	702,225	700,687	656,723	621,873	586,175
Expendable Restricted Net Position	1,572,781	1,545,891	1,372,533	1,453,008	1,390,715	1,193,821	990,908	1,007,536	891,182	837,154
Total Financial Resources	$3,339,289	$3,144,290	$3,022,828	$3,110,224	$2,881,514	$2,868,934	$2,587,687	$2,515,513	$2,291,494	$2,123,609
Total Financial Resources	$3,339,289	$3,144,290	$3,022,828	$3,110,224	$2,881,514	$2,868,934	$2,587,687	$2,515,513	$2,291,494	$2,123,609
Total Notes, Bonds, Capital Leases and Commercial Paper	$1,414,586	$1,443,352	$1,450,230	$1,443,061	$1,454,198	$1,479,636	$1,376,733	$1,344,233	$1,362,783	$1,201,112
Ratio	**2.4 x**	**2.2 x**	**2.1 x**	**2.2 x**	**2.0 x**	**1.9 x**	**1.9 x**	**1.9 x**	**1.7 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.

*The unrestricted net position included in this calculation excludes the impact of the Pension and OPEB liability since these do not have an impact on the University's ability to pay debt. Please see Note 13 for additional information.

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
					(as restated)					
Direct Debt to Adjusted Cash Flow:										
Net Cash Used by Operating Activities	($714,373)	($629,015)	($747,146)	($712,679)	($654,291)	($658,048)	($608,177)	($598,111)	($626,420)	($679,012)
State Appropriations and State Aid	518,231	500,212	493,923	479,186	482,728	515,121	486,492	534,678	541,753	538,327
Grants for Other than Capital Purposes	140,235	134,746	95,563	124,829	141,233	182,801	181,339	194,546	172,113	154,016
Non-capital Gifts	172,441	179,000	123,456	155,065	97,416	67,641	99,446	93,166	75,881	87,226
Adjusted Cash Flow from Operations	$116,535	$184,943	($34,204)	$46,401	$67,086	$107,515	$159,100	$224,279	$163,327	$100,557
Total Notes, Bonds, Capital Leases and Commercial Paper	$1,414,585	$1,443,351	$1,450,229	$1,443,061	$1,454,198	$1,479,636	$1,376,733	$1,344,233	$1,362,783	$1,201,112
Adjusted Cash Flow from Operations	$116,535	$184,943	($34,204)	$46,401	$67,086	$107,515	$159,100	$224,279	$163,327	$100,557
Ratio	**12.1 x**	**7.8 x**	**(42.4)x**	**31.1 x**	**21.7 x**	**13.8 x**	**8.7 x**	**6.0 x**	**8.3 x**	**11.9 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.

SUMMARY OF RATIOS (CONTINUED)

Last ten fiscal years

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
					(as restated)					
Debt Burden Ratio:										
Interest and Fees Paid on Debt and Leases	$53,540	$56,960	$62,561	$58,235	$72,031	$67,685	$58,903	$55,699	$53,180	$53,010
Principal Paid on Debt and Leases	86,482	99,119	555,598	293,282	35,618	273,155	66,730	47,647	148,637	46,462
Less: Principal Paid from Gifts and Excess Funds		(68,829)	(1,328)	(1,149)	(5,133)	(684)	(221)	(16,484)	(17,639)	(20,866)
Less: Principal Paid from Refinancing Activities	(54,925)		(527,055)	(261,000)		(241,645)	(36,500)		(104,858)	
Debt Service	$85,097	$87,250	$89,776	$89,368	$102,516	$98,511	$88,912	$86,862	$79,320	$78,606
Operating Expenses	$3,044,426	$3,013,412	$2,827,249	$2,924,684	$2,983,049	$2,552,476	$2,449,479	$2,432,440	$2,277,091	$2,224,326
Interest and Fees on Debt		56,960	62,561	67,459	66,218	70,119	64,321	56,765	64,261	52,465
Less: Depreciation and Amortization Expense	(138,401)	(140,085)	(136,572)	(136,493)	(130,439)	(117,968)	(113,530)	(102,724)	(90,861)	(70,747)
Plus: Principal Paid on Debt and Leases		99,119	555,598	293,282	35,618	273,155	66,730	47,647	148,637	46,462
Less: Principal Paid from Gifts and Excess Funds		(68,829)	(1,328)	(1,149)	(5,133)	(684)	(221)	(16,484)	(17,639)	(20,866)
Less: Principal Paid from Refinancing Activities			(527,055)	(261,000)		(241,645)	(36,500)		(104,858)	
Total Expenditures	$2,906,025	$2,960,577	$2,780,453	$2,886,783	$2,949,313	$2,535,453	$2,430,279	$2,417,644	$2,276,631	$2,231,640
Debt Service	$85,097	$87,250	$89,776	$89,368	$102,516	$98,511	$88,912	$86,862	$79,320	$78,606
Total Expenditures	$2,906,025	$2,960,577	$2,780,453	$2,886,783	$2,949,313	$2,535,453	$2,430,279	$2,417,644	$2,276,631	$2,231,640
Ratio	**2.9%**	**2.9%**	**3.2%**	**3.1%**	**3.5%**	**3.9%**	**3.7%**	**3.6%**	**3.5%**	**3.5%**

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

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
					(as restated)					
Debt Service To Operations:										
Interest and Fees Paid on Debt and Leases	$53,540	$56,960	$62,561	$58,235	$72,031	$67,685	$58,903	$55,699	$53,180	$53,010
Less: Interest and Fees Paid – U.S. EPA Project Bonds *					(5)	(5)	(5)	(5)	(6)	(360)
Principal Paid on Debt and Leases	86,482	99,119	555,598	293,282	35,618	273,155	66,730	47,647	148,637	46,462
Less: Non-contractual Principal Paid from Gifts and Excess Funds		(68,829)	(1,328)	(1,149)	(5,133)	(684)	(221)	(16,484)	(17,639)	(20,866)
Less: Principal Paid from Refinancing Activities	(54,925)		(527,055)	(261,000)		(241,645)	(36,500)		(104,858)	
Less: Principal Paid – U.S. EPA Project Bonds *				(4,210)	(4,210)	(4,210)	(4,215)	(4,215)	(4,215)	(3,860)
Debt Service	$85,097	$87,250	$89,776	$85,158	$98,301	$94,296	$84,692	$82,642	$75,099	$74,386
Operating Expenses	$3,044,426	$3,013,412	$2,827,249	$2,924,684	$2,983,049	$2,552,476	$2,449,479	$2,432,440	$2,277,091	$2,224,326
Debt Service	$85,097	$87,250	$89,776	$85,158	$98,301	$94,296	$84,692	$82,642	$75,099	$74,386
Operating Expenses	$3,044,426	$3,013,412	$2,827,249	$2,924,684	$2,983,049	$2,552,476	$2,449,479	$2,432,440	$2,277,091	$2,224,326
Ratio	**2.8%**	**2.9%**	**3.2%**	**2.9%**	**3.3%**	**3.7%**	**3.5%**	**3.4%**	**3.3%**	**3.3%**

Measures the financial strength of the institution.

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

SUMMARY OF RATIOS (CONTINUED)

Last ten fiscal years

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
					(as restated)					
Research Expenses to Total Operating Expenses:										
Operating Expenses	$3,044,426	$3,013,412	$2,827,249	$2,924,684	$2,983,049	$2,552,476	$2,449,479	$2,432,440	$2,277,091	$2,224,326
Interest and Fees on Debt	53,540	56,960	62,561	67,459	66,218	70,119	64,321	56,765	64,261	52,465
Total Adjusted Operating Expenses	$3,097,966	$3,070,372	$2,889,810	$2,992,143	$3,049,267	$2,622,595	$2,513,800	$2,489,205	$2,341,352	$2,276,791
Research Expenses	$601,890	$595,219	$546,228	$714,093	$546,752	$529,102	$472,102	$468,685	$431,317	$398,753
Total Adjusted Operating Expenses	$3,097,966	$3,070,372	$2,889,810	$2,992,143	$3,049,267	$2,622,595	$2,513,800	$2,489,205	$2,341,352	$2,276,791
Ratio	**19.4%**	**19.4%**	**18.9%**	**23.9%**	**17.9%**	**20.2%**	**18.8%**	**18.8%**	**18.4%**	**17.5%**

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

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
					(as restated)					
Net Tuition Per Student:										
Student Tuition and Fees, Net	$438,405	$426,856	$405,808	$395,005	$361,771	$348,049	$320,535	$289,897	$249,083	$236,960
Less: Scholarships and Fellowships	(129,050)	(123,740)	(122,816)	(119,453)	(112,449)	(104,556)	(96,871)	(91,140)	(69,083)	(58,557)
Net Tuition and Fees	$309,355	$303,116	$282,992	$275,552	$249,322	$243,493	$223,664	$198,757	$180,000	$178,403
Net Tuition and Fees	$309,355	$303,116	$282,992	$275,552	$249,322	$243,493	$223,664	$198,757	$180,000	$178,403
Undergraduate, Graduate and Professional FTE	27,822	27,521	26,878	26,972	26,989	27,069	26,837	27,021	26,707	26,356
Net Tuition per Student (whole dollars)	**$11,119**	**$11,014**	**$10,529**	**$10,216**	**$9,238**	**$8,995**	**$8,334**	**$7,356**	**$6,740**	**$6,769**

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

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
					(as restated)					
State Appropriations And State Aid Per Student:										
State Appropriations and State Aid	$518,231	$500,212	$493,923	$479,186	$482,728	$515,121	$486,492	$534,678	$541,753	$538,327
Undergraduate, Graduate and Professional FTE	27,822	27,521	26,878	26,972	26,989	27,069	26,837	27,021	26,707	26,356
State Appropriation per Student (whole dollars)	**$18,627**	**$18,176**	**$18,376**	**$17,766**	**$17,886**	**$19,030**	**$18,128**	**$19,787**	**$20,285**	**$20,425**

Measures the institution's dependency on state appropriations.

> We stand at a moment of great change. A moment where everything making us unique is on the line and when we must push ourselves even harder to achieve the hopes and dreams I hear every day.
>
> **Chancellor Carol L. Folt,** addressing attendees at the For All Kind: the Campaign for Carolina Gala Celebration, October 2017

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,	2018	2017	2016	2015	2014
		(as restated)	*(as restated)*		*(as restated)*
Specific Revenue Bond Coverage:					
Gross Operating Revenues	$127,645	$127,344	$131,807	$130,501	$134,421
Direct Operating Expenses	102,373	101,484	105,950	102,288	90,534
Net Revenue Available for Debt Service	**$25,272**	**$25,860**	**$25,857**	**$28,213**	**$43,887**
Principal	$8,410	$8,415	$8,410	$12,625	$12,625
Interest	0	0	0	0	0
Specific Revenue Debt Service Requirements	**$8,410**	**$8,415**	**$8,410**	**$12,625**	**$12,625**
Coverage	**3.00**	**3.07**	**3.07**	**2.23**	**3.48**
Available Funds General Revenue Bonds:					
Total Unrestricted Revenue	$2,311,918	$2,448,814	$1,247,665	$1,709,235	$1,830,170
Less:					
State Appropriations and State Aid	($518,231)	($500,212)	($493,923)	($479,186)	($482,728)
Tuition and Fees	($438,405)	($426,856)	($405,808)	($395,005)	($361,771)
Specific Revenue Debt Service Requirements	($8,410)	($8,415)	($8,410)	($12,625)	($12,625)
Plus:					
Adjusted Beginning Unrestricted Net Position*	774,189	862,613	883,668	766,194	972,888
Total Available Funds	**$2,121,061**	**$2,375,944**	**$1,223,192**	**$1,588,613**	**$1,945,934**
Annual Increase (Decrease)	**($254,883)**	**$1,152,752**	**($365,421)**	**($357,321)**	**$129,602**
% Increase (Decrease)	**(10.7%)**	**94.2%**	**(23.0%)**	**(18.4%)**	**7.1%**
General Revenue Bond Coverage:					
Total Available Funds	**$2,121,061**	**$2,375,944**	**$1,223,192**	**$1,588,613**	**$1,945,934**
Principal	$21,385	$21,875	$18,805	$18,215	$17,580
Interest	38,040	34,310	45,542	48,951	48,764
General Revenue Debt Service Requirements	**$59,425**	**$56,185**	**$64,347**	**$67,166**	**$66,344**
Coverage	**35.69**	**42.29**	**19.01**	**23.65**	**29.33**

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.

*The adjusted beginning unrestricted net position included in this calculation excludes the impact of the Pension and OPEB liability since these do not have an impact on the University's ability to pay debt. See Note 13 for additional information.

SPECIFIC REVENUE AND GENERAL REVENUE BOND COVERAGE (CONTINUED)

Last ten fiscal years

in thousands

For The Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Specific Revenue Bond Coverage:					
Gross Operating Revenues	$131,607	$186,052	$213,554	$204,725	$195,265
Direct Operating Expenses	91,321	121,734	132,525	129,049	144,364
Net Revenue Available for Debt Service	**$40,286**	**$64,318**	**$81,029**	**$75,676**	**$50,901**
Principal	$12,625	$5,090	$5,450	$5,890	$5,515
Interest	0	22	84	168	588
Specific Revenue Debt Service Requirements	**$12,625**	**$5,112**	**$5,534**	**$6,058**	**$6,103**
Coverage	**3.19**	**12.58**	**14.64**	**12.49**	**8.34**
Available Funds General Revenue Bonds:					
Total Unrestricted Revenue	$1,796,035	$1,708,396	$1,670,027	$1,572,416	$1,483,607
Less:					
State Appropriations and State Aid	(515,121)	(486,492)	(534,678)	(541,753)	(538,327)
Tuition and Fees	(348,049)	(320,535)	(289,897)	(249,083)	(236,960)
Specific Revenue Debt Service Requirements	(12,625)	(5,112)	(5,534)	(6,058)	(6,103)
Plus:					
Adjusted Beginning Unrestricted Net Assets	896,092	851,254	778,439	699,458	671,970
Total Available Funds	**$1,816,332**	**$1,747,511**	**$1,618,357**	**$1,474,980**	**$1,374,187**
Annual Increase (Decrease)	**$68,821**	**$129,154**	**$143,377**	**$100,793**	**($13,418)**
% Increase (Decrease)	**3.9%**	**8.0%**	**9.7%**	**7.3%**	**(1.0%)**
General Revenue Bond Coverage:					
Total Available Funds	**$1,816,332**	**$1,747,511**	**$1,618,357**	**$1,474,980**	**$1,374,187**
Principal	$49,265	$24,160	$23,065	$18,580	$17,695
Interest	49,204	52,385	53,310	48,596	44,876
General Revenue Debt Service Requirements	**$98,469**	**$76,545**	**$76,375**	**$67,176**	**$62,571**
Coverage	**18.45**	**22.83**	**21.19**	**21.96**	**21.96**

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

*The adjusted beginning unrestricted net position included in this calculation excludes the impact of the Pension and OPEB liability since these do not have an impact on the University's ability to pay debt. See Note 13 for additional information.

Demographic and Economic Information

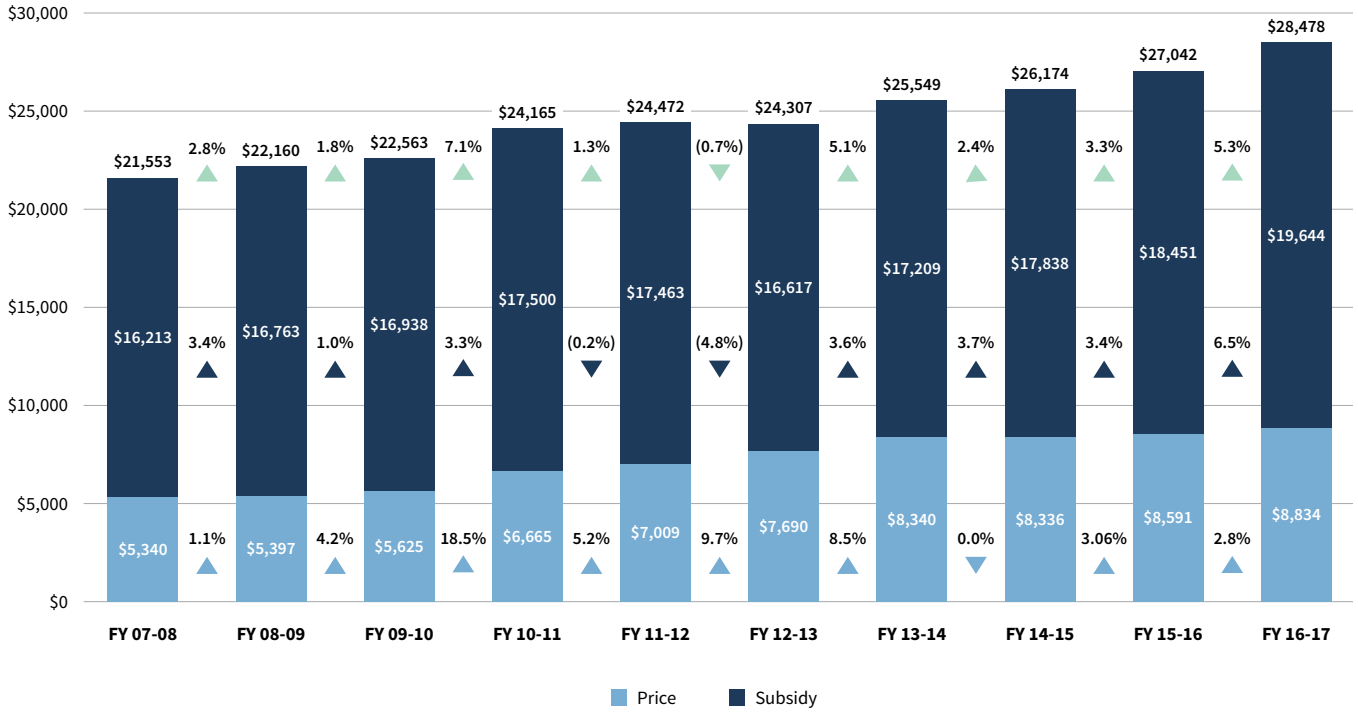
ANNUAL UNDERGRADUATE EDUCATIONAL COSTS PER STUDENT

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.

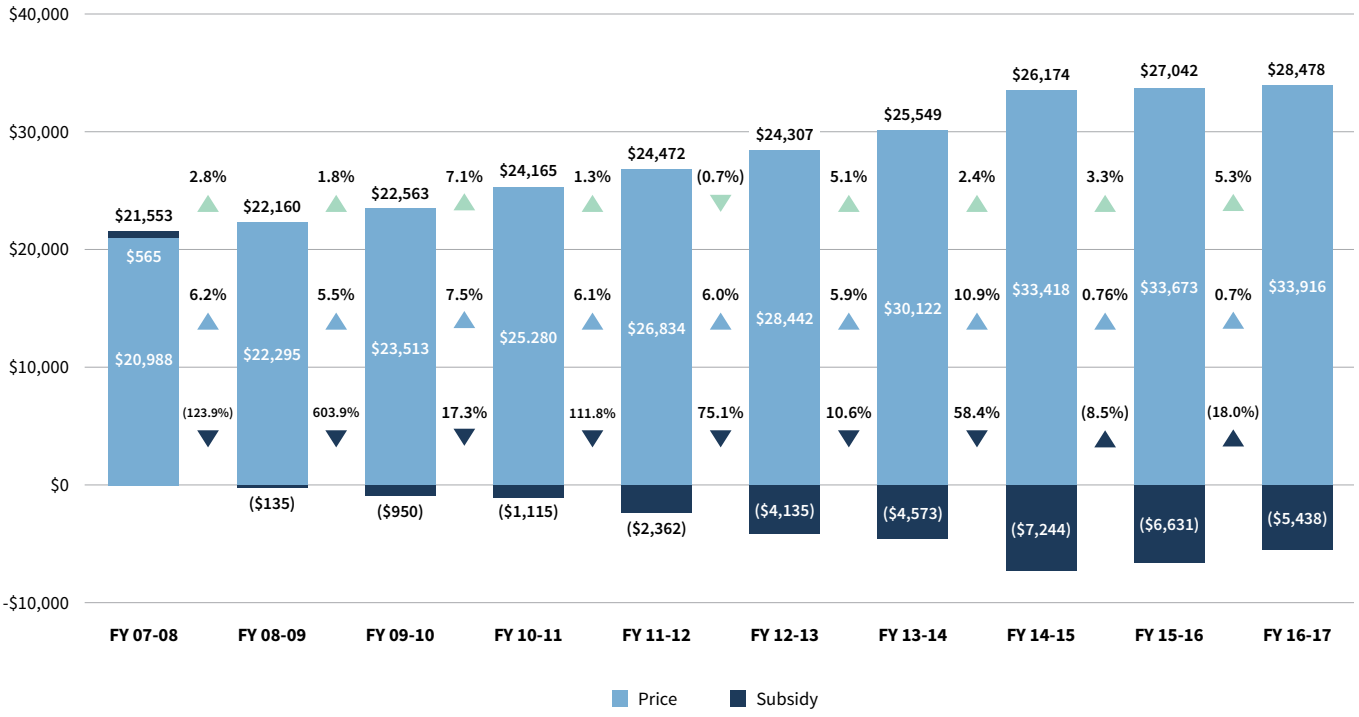
ANNUAL UNDERGRADUATE EDUCATIONAL COSTS PER STUDENT

Resident undergraduate students



ANNUAL UNDERGRADUATE EDUCATIONAL COSTS PER STUDENT

Non-resident undergraduate students



ADMISSIONS, ENROLLMENT AND DEGREES EARNED

Fall enrollment last ten fiscal years

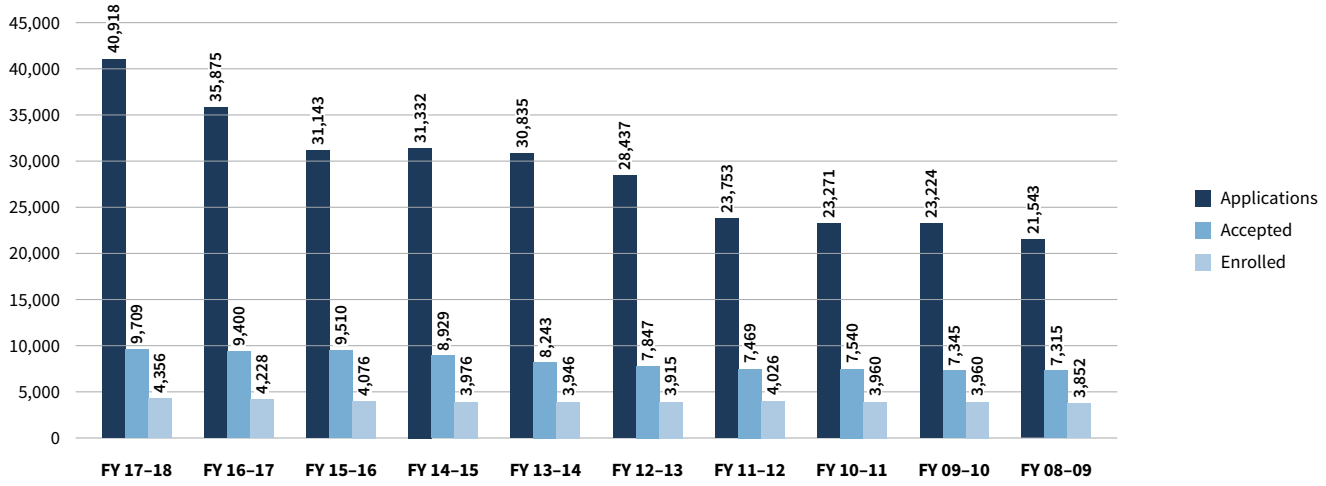
	2017–18	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12	2010–11	2009–10	2008–09
Admissions – First-Years:										
Applications	40,918	35,875	31,143	31,332	30,835	28,437	23,753	23,271	23,224	21,543
Accepted	9,709	9,400	9,510	8,929	8,243	7,847	7,469	7,540	7,345	7,315
Enrolled	4,356	4,228	4,076	3,976	3,946	3,915	4,026	3,960	3,960	3,852
Accepted as a Percentage of Applications	23.7%	26.2%	30.5%	28.5%	26.7%	27.6%	31.4%	32.4%	31.6%	34.0%
Enrolled as a Percentage of Accepted	44.9%	45.0%	42.9%	44.5%	47.9%	49.9%	53.9%	52.5%	53.9%	52.7%
Average SAT Scores – Total*	1,358	1,344	1,360	1,364	1,371	1,365	1,363	1,362	1,368	1,367
Evidence-Based Reading and Reading	674	673	682	685	687	685	682	682	684	683
Math	684	671	678	679	684	680	681	680	684	684
Average ACT Composite Scores*	30	30	29	29	29	29	29	29	29	29
Enrollment:										
Undergraduate, Graduate and Professional FTE	27,822	27,521	26,878	26,972	26,989	27,069	26,837	27,021	26,707	26,356
Undergraduate, Graduate and Professional Headcount	29,911	29,469	29,084	29,135	29,127	29,278	29,137	29,390	28,916	28,567
Men (Headcount)	12,737	12,642	12,514	12,654	12,442	12,283	12,169	12,083	11,825	11,825
Percentage of Total	42.6%	42.9%	43.0%	43.4%	42.7%	42.0%	41.8%	41.1%	40.9%	41.4%
Women (Headcount)	17,174	16,827	16,570	16,481	16,685	16,995	16,968	17,307	17,091	16,742
Percentage of Total	57.4%	57.1%	57.0%	56.6%	57.3%	58.0%	58.2%	58.9%	59.1%	58.6%
African American (Headcount)	2,918	2,342	2,353	2,374	2,403	2,486	2,556	2,504	2,793	2,820
Percentage of Total	9.8%	7.9%	8.1%	8.1%	8.3%	8.5%	8.8%	8.6%	9.8%	9.9%
White (Headcount)	21,105	18,257	18,252	18,791	18,967	19,106	19,205	19,587	19,616	19,788
Percentage of Total	70.6%	62.0%	62.8%	64.5%	65.1%	65.3%	65.9%	66.6%	67.8%	69.3%
Other (Headcount)	5,888	8,870	8,479	7,970	7,757	7,686	7,376	7,299	6,507	5,959
Percentage of Total	19.7%	30.1%	29.2%	27.4%	26.6%	26.2%	25.3%	24.8%	22.4%	20.8%
*Degrees Earned:***										
Bachelor's	4,628	4,557	4,525	4,624	4,566	4,627	4,445	4,654	4,396	4,236
Master's	2,178	2,187	2,188	2,141	2,090	2,043	2,006	1,924	1,837	1,825
Doctoral	501	566	542	519	557	530	495	506	513	458
Professional	707	683	703	700	672	673	684	666	642	643

Source: The University of North Carolina at Chapel Hill Fact Book, Student Data Mart.

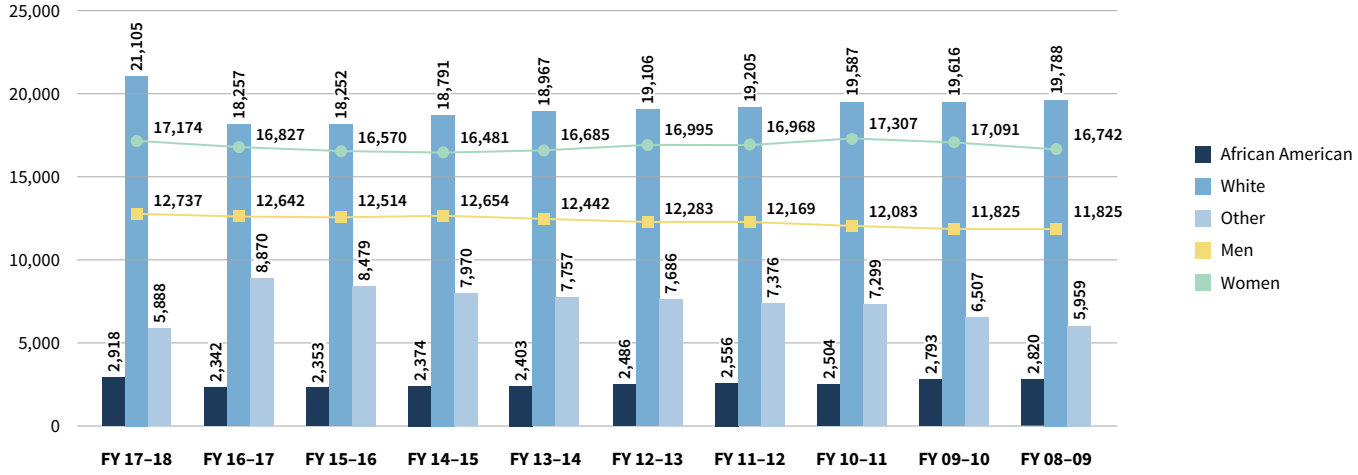
*Averages calculated using only the highest reported scores for enrolled first-time, first-year students. Also, beginning with the 2017 Cohort, SAT scores are reported using the new scoring scale and any old SAT score submitted have been converted to the new scale. Prior to the 2017 Cohort, any new SAT scores submitted have been converted to the old scoring scale.

**Degrees Earned information is now reported based on fiscal year instead of academic year. Prior years have been updated based on the new methodology.

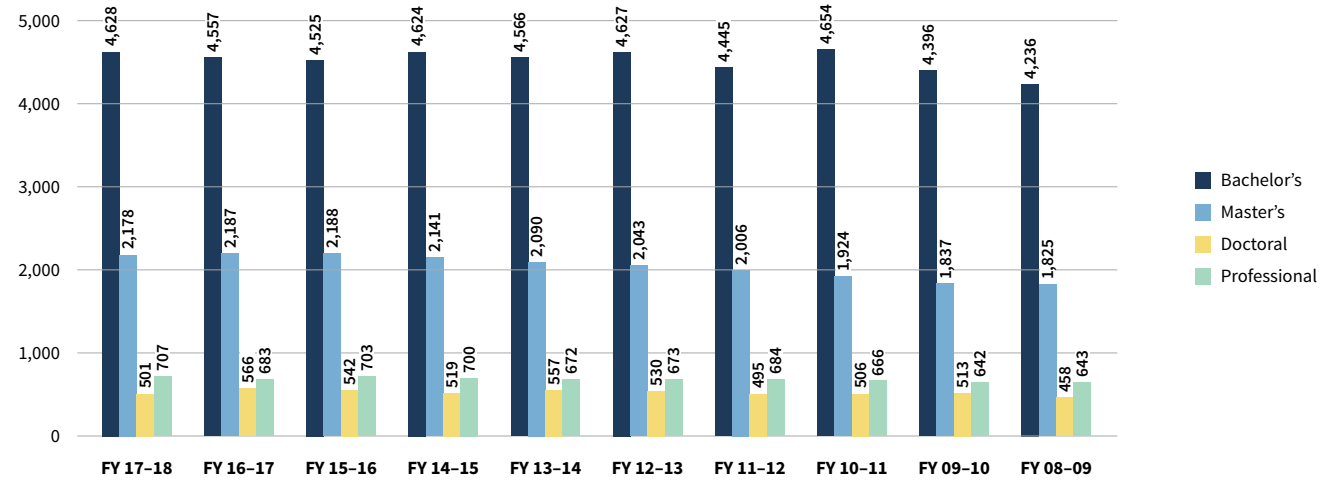
FIRST-YEAR STUDENTS APPLIED, ACCEPTED AND ENROLLED



HEADCOUNT TOTAL



DEGREES EARNED



DEMOGRAPHIC DATA

Last ten fiscal years

Fiscal Year Ended June 30	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
North Carolina Population	10,391,461	10,259,417	10,146,243	10,042,409	9,944,571	9,854,470	9,779,037	9,692,818	9,535,483	9,380,884
North Carolina Personal Income (in millions)	$476,220	$440,509	$428,679	$407,631	$389,509	$375,051	$368,934	$348,602	$333,523	$319,963
North Carolina Per Capita Income	$45,828	$42,937	$42,250	$40,591	$39,168	$38,059	$37,727	$35,965	$34,977	$34,108
North Carolina Unemployment Rate	4.20%	4.20%	4.90%	5.80%	6.40%	8.80%	9.40%	10.50%	10.00%	11.02%

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

PRINCIPAL EMPLOYERS

Last ten fiscal years

FISCAL YEAR	2018			2009		
Employer	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of North Carolina	175,000–179,999	1	3.71%	180,000–184,999	1	4.50%
Federal Government	70,000–74,999	2	1.51%	65,000–69,999	2	1.67%
Wal-Mart Associates, Inc.	45,000–59,999	3	1.10%	50,000–54,999	3	1.30%
Duke University	35,000–39,999	4	0.78%	25,000–29,999	4	0.68%
Charlotte-Mecklenburg Hospital Authority	35,000–39,999	5	0.78%	20,000–24,999	6	0.56%
Food Lion, LLC	30,000–34,999	6	0.68%	25,000–29,999	5	0.68%
Wells Fargo Bank NA	30,000–34,999	7	0.68%	—		—
Lowes Home Centers, Inc.	20,000–24,999	8	0.47%	15,000–19,999	10	0.43%
Wake County Public Schools	20,000–24,999	9	0.47%	20,000–24,999	8	0.56%
Charlotte-Mecklenburg Board of Education	20,000–24,999	10	0.47%	20,000–24,999	7	0.56%
Wachovia Bank NA	—		—	15,000–19,999	9	0.43%
Total	**465,000–524,990**		**10.65%**	**425,000–474,990**		**11.37%**

Notes: All figures are based on 1st quarter average. Percentage of total state employment is based on the average of the ranges given.

Source: Office of the State Controller (North Carolina Department of Commerce — Division of Employment Security).

Operating Information

FACULTY AND STAFF

Last ten fiscal years

Fall Employment of Fiscal Year	2017–18	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12	2010–11	2009–10	2008–09
Faculty:										
Full-Time	3,589	3,557	3,482	3,375	3,406	3,318	3,291	3,234	3,221	3,147
Part-Time	298	293	296	292	290	290	293	284	285	303
Total Faculty	**3,887**	**3,850**	**3,778**	**3,667**	**3,696**	**3,608**	**3,584**	**3,518**	**3,506**	**3,450**
Percentage Tenured	**34.8%**	**35.1%**	**37.7%**	**38.3%**	**38.3%**	**39.8%**	**40.2%**	**41.4%**	**41.2%**	**41.1%**
Staff and EHRA Non-Faculty:										
Full-Time	2,136	2,024	1,918	1,847	1,815	1,780	1,725	1,738	1,771	1,710
Part-Time	109	120	153	128	126	131	132	138	139	146
EHRA Non-Faculty	**2,245**	**2,144**	**2,071**	**1,975**	**1,941**	**1,911**	**1,857**	**1,876**	**1,910**	**1,856**
Full-Time	6,300	6,191	6,115	6,110	6,099	6,133	6,197	6,385	6,484	6,453
Part-Time	220	226	223	212	247	248	271	273	303	323
SHRA	**6,520**	**6,417**	**6,338**	**6,322**	**6,346**	**6,381**	**6,468**	**6,658**	**6,787**	**6,776**
Total Full-Time	8,436	8,215	8,033	7,957	7,914	7,913	7,922	8,123	8,255	8,163
Total Part-Time	329	346	376	340	373	379	403	411	442	469
Total Staff and EHRA Non-Faculty	**8,765**	**8,561**	**8,409**	**8,297**	**8,287**	**8,292**	**8,325**	**8,534**	**8,697**	**8,632**
Total Faculty, Staff, and EHRA Non-Faculty	**12,652**	**12,411**	**12,187**	**11,964**	**11,983**	**11,900**	**11,909**	**12,052**	**12,203**	**12,082**

Note: SHRA denotes employees subject to the North Carolina Human Resources Act. EHRA denotes employees exempt from the North Carolina Human Resources Act.

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

CAPITAL ASSETS (NUMBER OF FACILITIES)

Last ten fiscal years

Fiscal year Ended June 30	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Academic/Administrative Buildings	136	136	137	135	135	134	135	133	131	129
Dormitories/Auxiliary Buildings	91	91	91	91	91	91	91	90	90	90
Art/Library Collections	6	6	6	6	6	6	6	6	6	6

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THE UNIVERSITY
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