

The University of
North Carolina at Chapel Hill

Comprehensive Annual Financial Report

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

Fiscal Year Ended June 30, 2019

2019

Prepared by the
Controller's Office

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Introductory Section

November 22, 2019

A Message from the Interim Chancellor



A handwritten signature in blue ink that reads "Kevin M. Guskievicz". The signature is fluid and cursive.

Kevin M. Guskievicz
Interim Chancellor
The University of North Carolina
at Chapel Hill

As interim chancellor of our nation's first public university, it is my privilege to share our Comprehensive Annual Financial Report for fiscal year 2019. By every measure, the fiscal year was remarkably successful, ranging from stellar national rankings to initiation of *uniquely Carolina* programs. My message highlights a few of the many accomplishments behind the financial numbers and operating information.

When I arrived in 1995, I immediately saw this University's commitment to collaboration across the entire campus and research enterprise. Carolina's ability to bring together faculty and researchers from across all disciplines — from the sciences to the humanities — helps us address the grand challenges of our time. That's our *synergy unleashed* approach that exists at Carolina like no other institution. It's no wonder Carolina — the 21st most cited university in the world — is known for its willingness to test new ideas while staying true to our mission of public service.

At the center of all we do is our students. We create student success by being strategic, bold and student focused. Every student receives a breadth of education across a variety of disciplines and depth within their chosen discipline or major. The third element is the practice piece. We focus on experiential education. This includes internship opportunities, directed research with our world-leading faculty and study abroad opportunities. Carolina also leads the nation in the number of graduates with double majors, which will help them pivot as new career possibilities move from the wings to center stage in the international economy.

Carolina is committed to providing access to a high quality, affordable education for talented, hardworking students from all backgrounds. Kiplinger's Personal Finance — for the 18th time — ranked Carolina as the best value in American public higher education. We remain the last public university in America to be need-blind in its admissions and able to meet the full financial needs of all students.

For the second year in a row we surpassed \$1.1 billion in annual research expenditures. This continues Carolina's decade-plus long rise as one of the world's top universities for sponsored research. This is a tribute to the excellence and dedication of our faculty, students and staff who are the heart of our programs.

Carolina also launched a record number of startups and patents this fiscal year. Several received awards in areas ranging from innovative medical devices and food accessibility programs to affordable housing initiatives and methodologies to cure disease and beat drug addiction.

This past year we focused on launching programs that are *uniquely Carolina*. We approved the new IDEAs In Action general education curriculum that prepares students for success immediately after college and for futures that are impossible to predict since they will retire from the workforce in 2070 or later. At Carolina, students learn to innovate, create, think critically and ask the all-important first question that builds success — Why? To follow up on this work, we are launching several new programs and initiatives, including Global Guarantee, Institute for Convergent Science, Southern Futures, UNC Program for Public Discourse and a new school in Data Science. Our rankings in U.S. News & World Report's annual survey of the "Best Graduate Schools" improved upon or maintained top rankings. We also continued to improve in the Academic Progress Rate for student athletes with 23 of 28 sports exceeding the national four-year average.

In terms of fundraising, fiscal year 2019 results were amazing: a second straight year of exceeding the \$600 million mark, a record \$417 million-plus in cash was raised and nine schools and units significantly beat 2018 fundraising levels. We are well on our way to meeting goals set for our Campaign for Carolina, the most ambitious fundraising campaign in Carolina's history, to raise \$4.25 billion by Dec. 31, 2022. When I say we are the LGPRU (leading global public research university) this is made possible, in part, because of the generosity of our donors.

We made good progress on strengthening our relationships with the North Carolina General Assembly, Board of Governors and citizens of our state. Towards this end, following University Day 2019, nearly 100 faculty members and senior administrators journeyed across the state showcasing the impact of our faculty's research and teaching while learning more about the diverse communities our students call home. The knowledge gained will inform the work we do every day in Carolina classrooms, offices and labs. It's important to let our taxpayers know they are getting a tremendous return on the investment of state funding that supports a world-class university. Since the beginning of my interim chancellorship in February, I committed myself to taking our stories to the General Assembly in Raleigh more regularly and to finding every possible opportunity to invite our legislators to Chapel Hill. We are passionately public, the most public of the publics, and it's important to tell this Carolina story.

To accomplish our mission, we also expanded our Operational Excellence initiatives. We will work smarter, faster and more efficiently across our operations. To wisely and responsibly use

every dollar entrusted to our care by the state, we are finalizing our Strategic Plan's objectives, prioritizing strategic opportunities under each objective and moving toward a full launch of this plan that will guide the growth of the University throughout the next decade. I am particularly gratified to see how leadership — across the University — continues to dedicate so much time to make the University's goals a reality.

While I am learning on the job every day — and we have much to accomplish — I am gratified by what our team has accomplished so far. These highlighted accomplishments would not be possible without the support we receive from the Board of Trustees, UNC System leadership, alumni and elected officials in our state. Thank you for your continued belief in our mission to serve the citizens of North Carolina, the United States and the world through superior teaching, research and public service.

November 22, 2019

Letter of Transmittal

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

This Comprehensive Annual Financial Report (CAFR) includes the financial statements for the year ended June 30, 2019, 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 the State Controller to meet the requirements of House Bill 1551, Chapter 143D "State Governmental Accountability and Internal Control Act."

State law, federal guidelines and certain bond covenants require that the University's accounting and financial records be audited by the Office of the State Auditor each year. The University's internal auditors also perform fiscal, compliance and performance audits. The reports resulting from these and external audit reports are provided to the Finance, Infrastructure and Audit 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, 2019.



Jonathan Pruitt
Vice Chancellor for
Finance and Operations

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 October 12, 1793, the cornerstone was laid for the first campus building.

Now in its third century, UNC-Chapel Hill belongs to the select group of American and Canadian campuses forming the Association of American Universities. The University's academic offerings span more than 100 fields, including bachelor's, master's and doctoral degrees as well as professional degrees in dentistry, medicine, pharmacy and law. Five health schools, which, with UNC 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 multicampus 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.

Economic Condition

For the fiscal year ended June 30, 2019, the current economic expansion tied the record for the longest expansion in the U.S. business cycle history on record, since data started being collected in December of 1854. Likewise, North Carolina set records for the fifth year in a row in the areas of economics and demographics, according to the Census Bureau and Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce, respectively.

On July 25, 2019, BEA retroactively reported that the first quarter of 2019's Gross State Product (GSP) for North Carolina was running at a seasonally adjusted annual rate of \$580.2 billion, up 5.4% from the previous year's first quarter (in comparison to the total U.S., which was up 5.1%). North Carolina posted a record budget surplus of \$896 million in the fiscal year ended June 30, 2019. This was primarily a result of revenues from both income and sales taxes coming in well above the amounts anticipated in the budget.

The Census Bureau reported 10,383,620 residents living in North Carolina as of July 1, 2018, reflecting an annual increase of 1.1%, or 112,820 people, in state population, and nearly double the growth rate of the entire U.S., which was at 0.6%. Once again, North Carolina placed ninth in state population in the U.S., with fewer inhabitants than Georgia but slightly more than Michigan.

The Bureau of Labor Statistics (BLS) reported good news this year for total employment and the number of people employed in North Carolina. Total employment, which includes both agriculture workers and the self-employed, grew all year long. In June 2019, a record 4,868,076 people were reportedly employed, a figure up 1.6% from the previous year. Because of growth in the civilian labor force of 1.9% over the same 12 months, the unemployment rate edged up from 3.9% in June 2018 to 4.2% in June 2019. However, the average unemployment rate in the state was 3.9% over the 12 months ended June 2019, compared to 4.2% for the year ended June 2018.

Total nonfarm payroll employment, which counts jobs rather than people, reached a record 4,561,900 in June 2019. That was an increase of 1.4% from the previous year and very close to the national average of 1.5%.

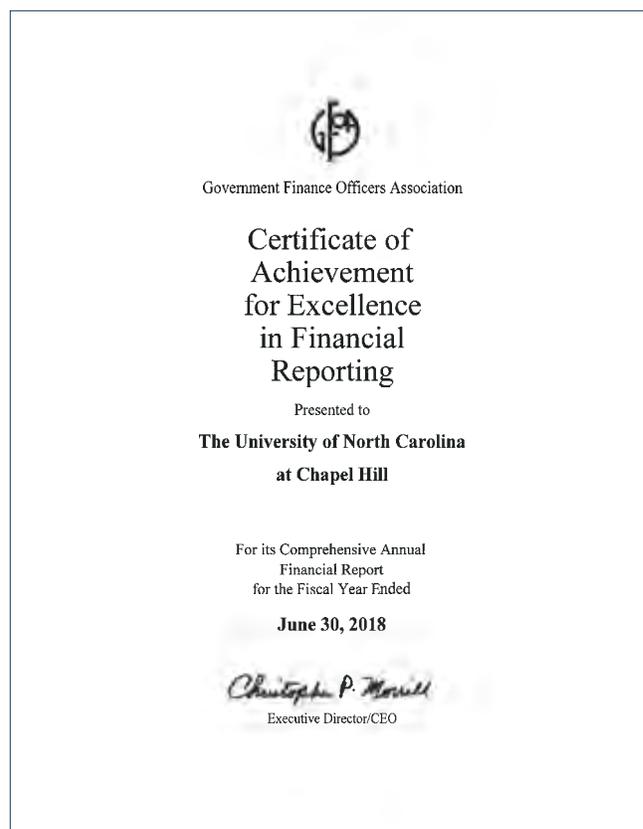
A July 2019 BEA report detailed another record for the state, that of total personal income. The seasonally adjusted annual rate was \$489.3 billion in the first quarter of 2019, up 4.6% from the previous year and well above the national increase of 3.8% over the same period.

Moving forward, 77 economic forecasters surveyed by Bloomberg predict a 1.9% growth in Gross Domestic Product for the year ending June 30, 2020. That is below the 2.3% realized in the previous fiscal year, but up marginally from the median forecast for this fiscal year of 1.8%, predicted in August 2019. If the forecast holds, North Carolina could have a record 2020 with more good news for its Gross State Product (GSP), employment and incomes.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the University for its CAFR for the fiscal year ended June 30, 2018. This was the 24th 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.

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.



Progress and Major Initiatives

Carolina by the Numbers

- 1 UNC-Chapel Hill received a record setting number of first year applications for the 14th consecutive year. The 44,784 applications for fall 2019 reflect a 3% increase over last year.
- 2 Carolina ranked fifth among the country's public universities for the 18th consecutive year according to U.S. News & World Report's annual Best Colleges rankings, published in September 2018.
- 3 For the 18th time, Kiplinger's Personal Finance magazine has ranked UNC-Chapel Hill the No. 1 value in American public higher education. Carolina has topped the list every year Kiplinger's has published a "best value" ranking. The University also climbed 12 spots on the overall best value list to No. 2 in the ranking released in July 2019.
- 4 Once again, Carolina's graduate programs received high rankings as part of U.S. News & World Report's 2020 "Best Graduate Schools." For the second year in a row, the UNC School of Medicine ranked No. 1 for its primary care program. In addition, the Gillings School of Global Public Health tied for No. 2, and the School of Social Work tied for No. 3. Several School of Nursing rankings also saw advances: the nursing administration program ranked No. 4 and the master's degree program tied for No. 5 this year.
- 5 UNC-Chapel Hill ranked No.5 among Peace Corps' 2019 Top Volunteer Producing Colleges and Universities list. This is the 10th year Carolina has ranked among the top 20 large size schools. Sixty two Carolina students are currently volunteering in countries around the world. More than 1,340 UNC-Chapel Hill alumni have served with Peace Corps since the organization's founding in 1961.
- 6 Carolina placed ninth in Reuters' Top 100 ranking of the World's Most Innovative Universities for 2018. The Top 100 identifies and ranks the educational institutions that are judged to be doing the most to advance science, invent technologies and power new markets and industries.
- 7 UNC-Chapel Hill was named a recipient of the 2018 Higher Education Excellence in Diversity (HEED) Award from INSIGHT Into Diversity magazine, the oldest and largest diversity focused publication in higher education. The annual HEED Award recognizes United States colleges and universities that demonstrate an outstanding commitment to diversity and inclusion.

Donald Hornstein, Aubrey L. Brooks
Professor of Law, leads an environmental
law class. Hornstein was one of two
dozen awarded for teaching, and
received the Board of Governor's Award
for Excellence in Teaching in 2019.

Two dozen faculty members and teaching assistants recognized with 2019 University Teaching Awards

Carolina's annual Teaching Awards again honored exceptional teaching staff, which were selected specifically for their "care for students, mentorship or effective use of classroom methods." The honorees were recognized during the halftime program of a men's basketball game in spring 2019 and also during a banquet. The 2019 recipients were honored in nine award categories: Board of Governors' Award for Excellence in Teaching, Distinguished Teaching Awards for Post-Baccalaureate Instruction, Tanner Awards for Excellence in Undergraduate Teaching, Carlyle Sitterson Award for Teaching First-Year Students, Mentor Award for Lifetime Achievement, William C. Friday/Class of 1986 Award for Excellence in Teaching, Johnston Teaching Excellence Awards, Chapman Family Teaching Awards and Tanner Awards for Excellence in Undergraduate Teaching by Graduate Teaching Assistants.

Kick starting new Carolina companies

Seven Carolina-based startup companies received commercialization awards from KickStart Venture Services to complete high-impact projects. KickStart Venture Services, a department within Carolina's Office of Technology Commercialization, provides the awards as part of the University's Innovate Carolina initiative. Recipients for the 2018–2019 fiscal year are: BMPolytech, which develops tissue-like implants in its new generation of permanent biomedical devices; Good Bowls, which produces healthy, frozen meal products for lower-income citizens using an innovative pricing model; Perotech Corporation, which is developing more sensitive X-ray detectors and imaging arrays that are also lower cost, compact and easy to use; Bedrock Therapeutics, which is developing the first effective gene therapy for hemophilia patients who are unable to respond to current therapies; PrimeNeuro, LLC, which is developing a software solution for the early prediction of Autism Spectrum Disorder (ASD) using biomarkers in infants; SOVE, Inc., which is developing an orthodontic system that aligns teeth in a healthier and more aesthetic manner than current orthodontic treatments; and Assure Technologies, which has developed a new, simple and affordable medical device called Precynge (a precise syringe) that accurately measures doses for a variety of drug preparations.

Scientists discover a powerful antibody that inhibits multiple strains of norovirus

Researchers at Carolina's Gillings School of Global Public Health, along with colleagues at the University of Texas at Austin and the National Institutes of Health Vaccine Research Center, are one step closer to a norovirus vaccine. In a study published in *Immunity*, the team described the discovery of an antibody that broadly inhibits multiple strains of pandemic norovirus, a major step forward in the development of an effective vaccine for the pandemic stomach virus. Knowledge of this antibody can be used to develop better human vaccines.



UNC-Chapel Hill and Deerfield Management announce Pinnacle Hill medicine research partnership

Pinnacle Hill, LLC., was formally launched Oct. 30, 2018, with the goal of combining academic and industry expertise to accelerate innovative drug research. The company's projects are approved and directed by a joint steering committee and will address the significant unmet medical needs of our times. Deerfield has committed \$65 million of targeted funding to provide drug development expertise in support of promising new drug research across a wide range of therapeutic areas. Projects selected for support through Pinnacle Hill will receive a complete product development plan with funding to support further research across the UNC-Chapel Hill campus.



Executive Vice Chancellor and Provost Bob Blouin greets James Flynn, managing partner of Deerfield Management, during the Pinnacle Hill announcement event.



Nicholas Tay, graduate research assistant in the UNC-Chapel Hill chemistry department, shows a component of part of the experiment that led to the discovery of a new method to develop PET imaging tracers.

Photo by UNC Lineberger
Comprehensive Cancer Center

Medical imaging advancement: Carolina scientists discover new method for developing tracers

Scientists from the Lineberger Comprehensive Cancer Center have discovered a method for creating radioactive tracers to better track pharmaceuticals in the body as well as to image diseases, such as cancer and other medical conditions. The tracers will be used with positron emission tomography, or PET scans, which track a radioactive tag that is attached to a compound. Researchers imagine that their discovery can have many uses, including for medical imaging to screen patients for their response to a drug or to aid in drug development research.

USAID awards Carolina \$36 million to support malaria control and elimination

New funding for a malaria-focused program — “Strengthening Surveillance, Monitoring and Evaluation for Malaria Control and Elimination” — will support MEASURE Evaluation, housed at the Carolina Population Center. The \$36 million award from the United States Agency for International Development (USAID) will supplement MEASURE Evaluation’s main USAID award and fund the global health project.

This new award will be used over five years (from June 2019 to June 2024) to strengthen malaria information systems that house and share malaria data and to build the capacity in countries supported by the U.S. President’s Malaria Initiative for malaria surveillance, monitoring and evaluation.

Blue Sky Scholars program

In October 2018, UNC-Chapel Hill expanded its commitment to access and affordability for North Carolina families with a new \$20 million scholarship initiative, the Blue Sky Scholars program. Launched with a \$5 million gift from alumnus and UNC System President Emeritus Erskine Bowles, the initiative aims to raise an additional \$15 million to grow the program. The program will support exceptionally qualified North Carolina residents from middle class backgrounds who qualify for financial aid but do not meet the requirements for the highly successful Carolina Covenant, which guarantees students from low-income families can graduate debt free. Blue Sky Scholars fills an important gap by helping middle class families achieve a Carolina education regardless of their ability to pay.

UNC-Chapel Hill awarded \$14 million to make childbirth safer

A team of clinical researchers received \$14 million from the Bill & Melinda Gates Foundation to conduct two studies meant to improve pregnancy outcomes in the world's poorest countries. The studies will explore technology's role in predicting and addressing critical risk factors associated with pregnancy, labor and delivery. An interdisciplinary team at the UNC School of Medicine and the Gillings School of Global Public Health will lead the studies.

The Limiting Adverse Birth Outcomes in Resource-Limited Settings (LABOR) study will focus on the period between the beginning of labor through delivery. Fifteen thousand women at high-volume clinics in three developing countries will be evaluated. The team will provide wearable sensors to monitor laboring mothers and their fetuses and will document their clinical course and birth outcomes.

The second study, the Fetal Age Machine Learning Initiative (FAMLI), aims to develop a simplified ultrasound device for limited-resource settings. The team will produce ultrasound data by leveraging artificial intelligence and machine learning to assess gestational age and make other diagnoses.





Champion for a cure tackles blood cancer

Every day, 151 North Carolinians are diagnosed with blood cancer. In October 2018, W. G. Champion “Champ” Mitchell and his wife, Etteinne “ET,” donated \$10 million to the UNC Lineberger Comprehensive Cancer Center to support ground-breaking research to find a cure for this challenging and complex disease. Mr. Mitchell, a two-time UNC alumnus and former patient of the North Carolina Cancer Hospital, cited the care he received as inspiration for the Mitchells’ donation. The Champ and ET Mitchell Fund for Blood Cancer Research will be used for lymphoma, leukemia and myeloma research that will develop new treatment options for patients fighting cancer.

Gift for Journalism and Media brings new media center

In November 2018, The Curtis Foundation of Raleigh announced a \$21.275 million gift to support journalism and media, medicine and athletics. Barbara and Don Curtis, a 1963 alumnus who is also chairman and CEO of the Curtis Media Group, earmarked \$10 million of the donation to the Hussman School of Journalism and Media, in part to build a new state of the-art media center. Three million dollars will support the ongoing work of the UNC School of Medicine and UNC Hospitals to improve the health of North Carolinians through patient care, education and research. The UNC Athletics department will also receive \$3 million. As part of the Curtis Foundation’s gift, \$5.275 million will fund future endeavors to be determined at a later time.

Don Curtis, pictured, and his wife, Barbara, donated to the UNC Hussman School of Journalism and Media, in part to build a new state of the art media center.



UNC School of Dentistry hosts an annual on site Give Kids a Smile Day, providing free dental care, health education and activities to local children.

Historic dentistry gift will enhance education, advance public service

Local dentist Dr. Claude A. Adams III of Durham, North Carolina, bequeathed the largest single donation to the UNC School of Dentistry in February 2019, as part of his estate. Part of the \$27.68 million gift will create new merit scholarships for qualifying students and add to existing scholarship funds. Additional funds will support staff awards and professorships, which will help the school utilize emerging technologies and develop new health care delivery models. It will also extend the student service-learning program, which operates at 50 partner sites in 35 North Carolina counties. To commemorate the historic gift, the school was renamed the UNC Claude A. Adams Jr. and Grace Phillips Adams School of Dentistry in honor of Dr. Adams' parents.

June 30, 2019

UNC Board of Trustees



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Elon, N.C.



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Winston-Salem, N.C.



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SAVANNAH K. PUTNAM

Ex-Officio
Chapel Hill, N.C.

June 30, 2019

Chancellor's Cabinet and Organizational Chart

KEVIN M. GUSKIEWICZ

Interim Chancellor

MICHAEL BARKER

Interim Vice Chancellor for
Information Technology
Interim Chief Information Officer

ROBERT A. BLOUIN

Executive Vice Chancellor and Provost

A. WESLEY BURKS

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

JOSEPH R. CANADY

Senior Advisor for University Initiatives

JUDITH CONE

Vice Chancellor for Innovation,
Entrepreneurship and Economic
Development

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

RAYMOND B. FARROW III

Associate Provost for Global Affairs
and Interim Chief Global Officer

AMY LOCKLEAR HERTEL

Chief of Staff

CHRISTI HURT

Interim Vice Chancellor for
Student Affairs

EMIL J. KANG

Special Assistant to the Chancellor
for the Arts Initiative and
Director of the Arts

STEPHEN KEADEY

Associate Vice Chancellor and
Senior University Counsel

TERRY MAGNUSON

Vice Chancellor for Research

BECCI MENGHINI

Interim Vice Chancellor for Workforce
Strategy, Equity and Engagement

JONATHAN PRUITT

Vice Chancellor for Finance
and Operations

TERRY RHODES

Interim Dean, College of
Arts & Sciences

DAVID ROUTH

Vice Chancellor for University
Development

KARA E. SIMMONS

Associate Vice Chancellor and
Senior University Counsel

CLAYTON SOMERS

Vice Chancellor for Public Affairs and
Secretary of the University

RON STRAUSS

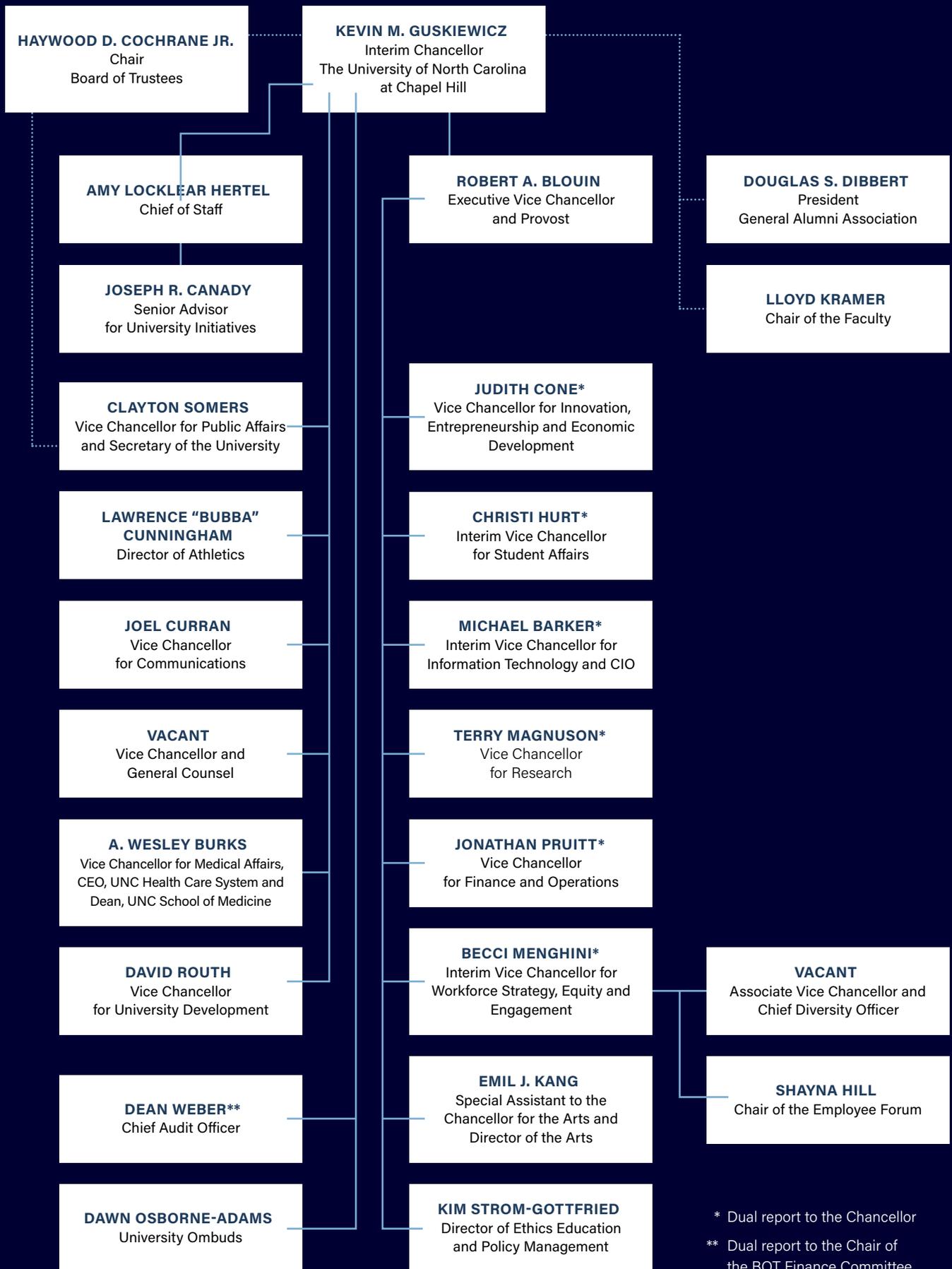
Executive Vice Provost

KIM STROM-GOTTFRIED

Director of Ethics Education and
Policy Management

VACANT

Associate Vice Chancellor
Diversity and Inclusion



* Dual report to the Chancellor
 ** Dual report to the Chair of the BOT Finance Committee

DUDLEY DEWITT CAR



WHAT
ARE
you
FOR?
#UNCFORALL





Financial Section



STATE OF NORTH CAROLINA
Office of the State Auditor



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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, 2019, 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 53.42 percent and 4.56 percent, respectively, of the assets and revenues of the University.
- The financial statements of the UNC Intermediate Pool, LLC, which represent 3.89 percent and 0.64 percent, respectively, of the assets and revenues of the University.
- The financial statements of the UNC Management Company, Inc., which represent 0.12 percent and 0.53 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 1.49 percent and 1.05 percent, respectively, of the assets and revenues of the University.
- The financial statements of The Kenan-Flagler Business School Foundation, which represent 0.52 percent and 1.30 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, 2019, 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.

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 22, 2019 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.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 22, 2019

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, 2019, with comparative information for the fiscal year ended June 30, 2018. 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 74 bachelor's, 104 master's, 65 doctorate, and seven professional degree programs through 14 schools and the College of Arts and Sciences. A total of 30,011 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

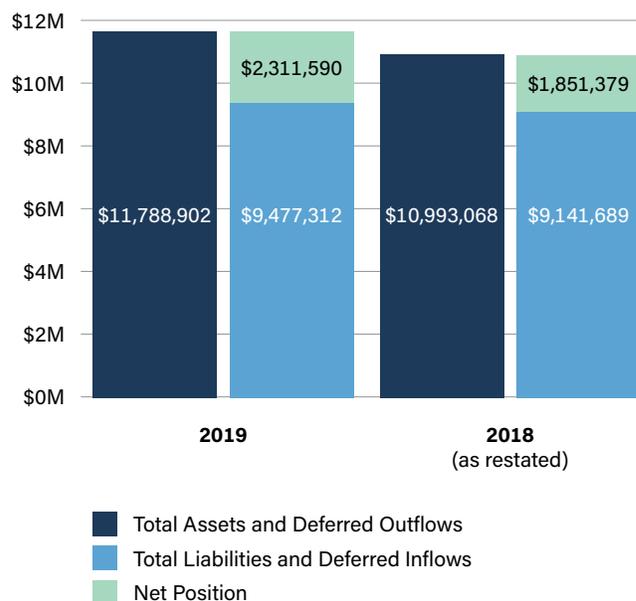
The University maintained its solid financial position at June 30, 2019. The current ratio at June 30, 2019, was 3.5 times, consistent with the ratio at June 30, 2018. Net position, which represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources, was \$2.3 billion at June 30, 2019, compared to \$1.9 billion (as restated) at June 30, 2018. The University's total assets and deferred outflows of resources were \$11.8 billion, and the total liabilities and deferred inflows were \$9.5 billion at June 30, 2019.

A comparison of the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2019, and June 30, 2018, respectively, along with the major components of the changes in net position for the two fiscal years is presented below:

Net position increased 24.9% at June 30, 2019, 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 the net other postemployment benefits (OPEB) liability.

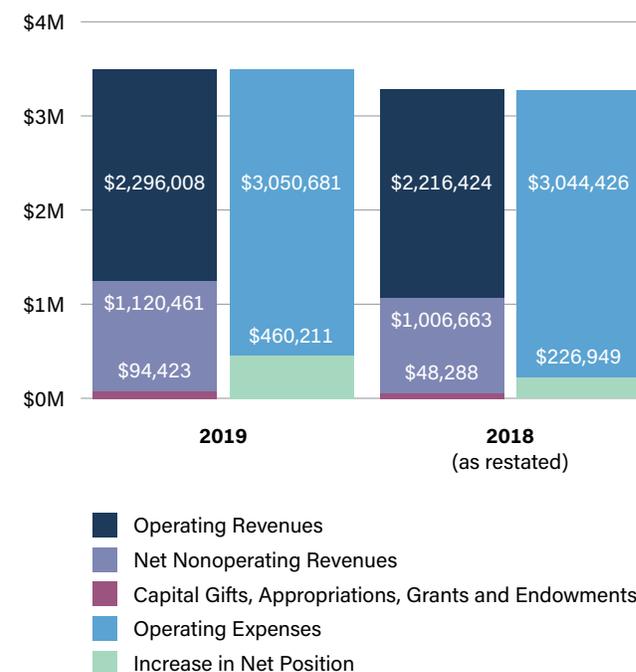
Statement of Net Position

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:

- *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*

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.

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 Statement of Net Position on June 30, 2019, and June 30, 2018:

Condensed Statement of Net Position

Dollars in thousands

	2019	2018 (as restated)	Percent Change
Assets:			
Current Assets	\$1,681,983	\$1,485,706	13.2
Noncurrent Assets:			
Endowment, Restricted, and Other Investments	6,193,263	5,905,942	4.9
Capital Assets, Net	3,122,915	3,097,414	0.8
Other Noncurrent Assets	253,441	201,052	26.1
Total Assets	11,251,602	10,690,114	5.3
Total Deferred Outflows of Resources			
	537,300	302,954	77.4
Liabilities:			
Current Portion of Long-Term Liabilities:			
Current Portion of Long-Term Liabilities	99,647	104,289	(4.5)
Other Current Liabilities	375,970	314,365	19.6
Noncurrent Liabilities:			
Funds Held in Trust for Pool Participants	3,864,351	3,688,444	4.8
Long-Term Liabilities, Net	3,757,114	3,854,315	(2.5)
Other Noncurrent Liabilities	136,668	108,899	25.5
Total Liabilities	8,233,750	8,070,312	2.0
Total Deferred Inflows of Resources			
	1,243,562	1,071,377	16.1
Net Position:			
Net Investment in Capital Assets	1,728,392	1,675,469	3.2
Restricted	2,467,300	2,322,312	6.2
Unrestricted	(1,884,102)	(2,146,402)	(12.2)
Total Net Position	\$2,311,590	\$1,851,379	24.9

Current Assets and Liabilities

As derived from the Statement of Net Position, working capital was \$1.2 billion at June 30, 2019, compared to \$1.1 billion at June 30, 2018. Working capital is defined as current assets less current liabilities. Current assets were \$1.7 billion at June 30, 2019, compared to \$1.5 billion at June 30, 2018. The increase is primarily due to increases in short-term investments caused by a reallocation of noncurrent investments pursuant to a change in investment strategy.

Endowment, Restricted and Other Investments

Investment assets — Total endowment, restricted, and other investments were \$6.2 billion at June 30, 2019. Of the \$6.2 billion invested, approximately \$3.9 billion are assets not owned by the University and not part of the University reporting entity, 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.

The total invested assets of \$6.2 billion represents an increase of 4.9% from June 30, 2018. 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% 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% and 6.0% based on the beginning market value of the Chapel Hill Investment Fund. For the fiscal year ended June 30, 2019, the distribution rate was 4.8%.

Recognizing that severe market declines periodically occur, a University Statutory Endowment policy (established pursuant to *North Carolina 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 2019, the UNC Investment Fund recorded a 7.7% return which was down from the previous year's return of 12.0%. The return, however, exceeded both the Strategic Investment Policy Portfolio (SIPP) return of 6.7% and the UNCIF's primary objective of earning a long-term real rate of return of at least 5.5%, plus inflation which amounted to 7.2% in fiscal year 2019. For the year, all seven of the Fund's primary asset classes generated positive returns and five exceeded their respective SIPP benchmarks.

Over a longer term time horizon, UNCIF's five year annualized performance of 7.7% has surpassed its SIPP return of 5.8% and the primary objective of providing an average annual real rate of return of at least 5.5% plus inflation, which amounted to 7.0% for the period. The Fund's 10-year annualized return of 9.0% also surpassed its SIPP return of 8.9% and the primary return objective of 5.5% plus inflation which was 7.2% for the period. Over the last three and five year periods, the Fund's performance continues to rank in the top quartile of the BNY Mellon Endowment & Foundation universe.

Capital Assets and Debt Management

The multi-year renovation of Mary Ellen Jones Building, a 1978 medical research building, was completed in the fiscal year 2019. Installation of fire safety upgrades for Davis Library and the renovation of the Kenan Laboratories building, a teaching laboratory facility for the Chemistry and Applied Physical Sciences Departments were also completed. In addition, the University received donations from the Educational Foundation benefiting Athletics including a field hockey stadium, track and practice fields, and an upgrade to the Smith Center video boards along with a locker suite renovation.

Projects currently under construction include renovations of Chase Dining Hall, Morehead Planetarium, and Beard Hall, home of the Eshelman School of Pharmacy. Projects related to Athletics include a new indoor practice facility, a soccer and lacrosse stadium, and a Media and Communication Studio.

Current projects in design include: a new seven-level, 160,000 square-foot Translational Research Building; a new parking deck with 450 spaces replacing the surface parking lots near Paul Hardin Drive; the School of Dentistry's renovation of patient and clinical areas; and the development of a Center for Digital Innovations.

A summary of changes in capital assets is disclosed in Note 6. Capital assets, net of accumulated depreciation and amortization, at June 30, 2019, and June 30, 2018, were as follows:

Capital Assets

Dollars in thousands

	2019	2018	Percent Change
Capital Assets:			
Construction in Progress	\$101,562	\$170,455	(40.4)
Land and Other Nondepreciable Assets	229,289	221,736	3.4
Buildings, Net	2,011,186	1,900,577	5.8
General Infrastructure, Net	505,842	520,300	(2.8)
Machinery, Equipment, and Computer Software, Net	275,036	284,346	(3.3)
Total	\$3,122,915	\$3,097,414	0.8

Capital financing — During fiscal year 2019, 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.

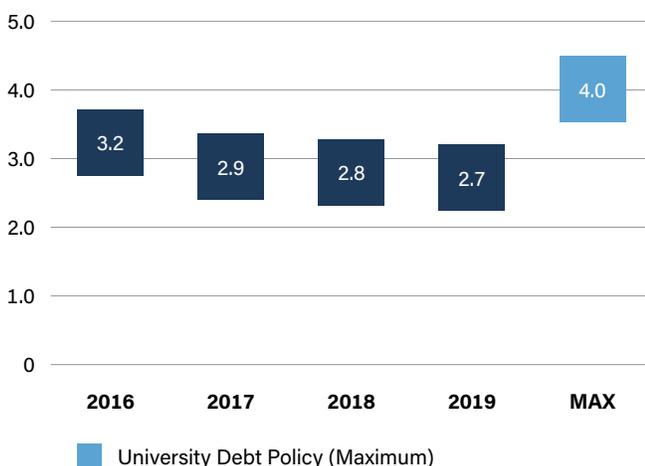
During fiscal year 2019, the University issued \$10.0 million in commercial paper debt to fund the Media and Communications Studio project for the Athletics Department, Division of Laboratory Animal Medicine (Division of Comparative Medicine) renovations, the Kenan Labs renovation for Applied Physics, and the Translational Research Building. The balance of commercial paper debt was \$25.0 million at June 30, 2019, and \$15.0 million at June 30, 2018.

Debt management — The University maintains a combination of variable and fixed-rate debt, consistent with its debt management policy. Additional detail on rates and maturity can be found in Note 10.

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, 2019, the expendable resources to debt ratio was 2.4 times, and the debt service to operations ratio was 2.7%. Results of both ratios comply with the University's debt policy and indicate healthy coverage of debt requirements.

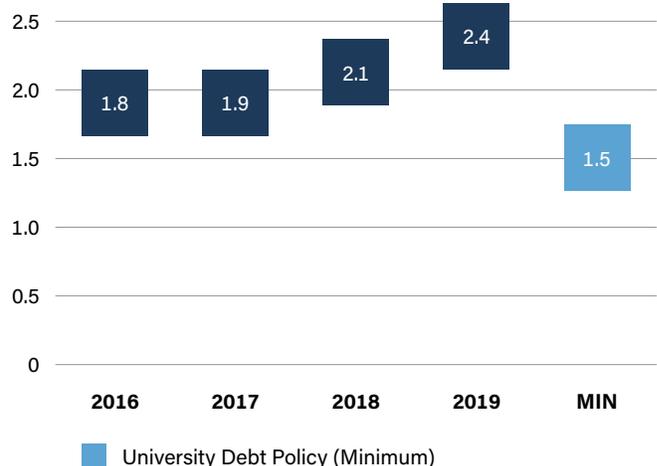
Debt Service to Operations

Percent



Expendable Resources to Debt

Times



On behalf of the University, the Board of Governors for the University of North Carolina System issued \$150.9 million in General Revenue Series 2019AB refunding bonds on February 21, 2019. Proceeds of Series 2019AB were used to refund \$150.0 million of the outstanding General Revenue Series 2016AB bonds and \$0.9 million was used to finance issuance costs associated with the bond series.

As a function of its debt management strategy, the University retained a balance of \$235.9 million in unrestricted cash and investments for the purposes of payment of debt related obligations to include certain bullet maturities. No formal board designation, external requirement or mandatory sinking fund exists to otherwise restrict the use of these funds as of June 30, 2019.

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.

Other Noncurrent Assets and Liabilities

Excluding investments and capital assets discussed above, other noncurrent assets were \$253.4 million at June 30, 2019, and \$201.1 million at June 30, 2018, as restated, reflecting a 26.1% increase primarily driven by an increase in pledges. Other noncurrent assets include restricted cash and cash equivalents, receivables, notes receivable, investments in joint ventures, beneficial interest in assets held by others, and the net other postemployment benefits asset.

Total noncurrent liabilities were \$7.8 billion at June 30, 2019, and \$7.7 billion at June 30, 2018. These include net OPEB liability of \$1.9 billion at June 30, 2019, and \$2.1 billion at June 30, 2018, as well as funds held in trust for the University's affiliated foundations and other campuses in the UNC System and their affiliates of \$3.9 billion at June 30, 2019, and \$3.7 billion at June 30, 2018. The overall increase is primarily due to a reduction in the net OPEB liability offset by the increase in funds held in trust. For more information on the change in OPEB amounts, refer to Notes 10 and 17.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources were \$537.3 million at June 30, 2019, and \$303.0 million at June 30, 2018, reflecting a 77.4% increase driven primarily by increases in deferred outflows related to OPEB. This is due to a change in the University's proportionate share of contributions. Deferred inflows of resources were \$1.2 billion at June 30, 2019, and \$1.1 billion at June 30, 2018, reflecting a 16.1% increase driven primarily by changes in actuarial assumptions for deferred inflows related to OPEB.

Net Position

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 \$2.3 billion at June 30, 2019, and \$1.9 billion (as restated) at June 30, 2018.

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.

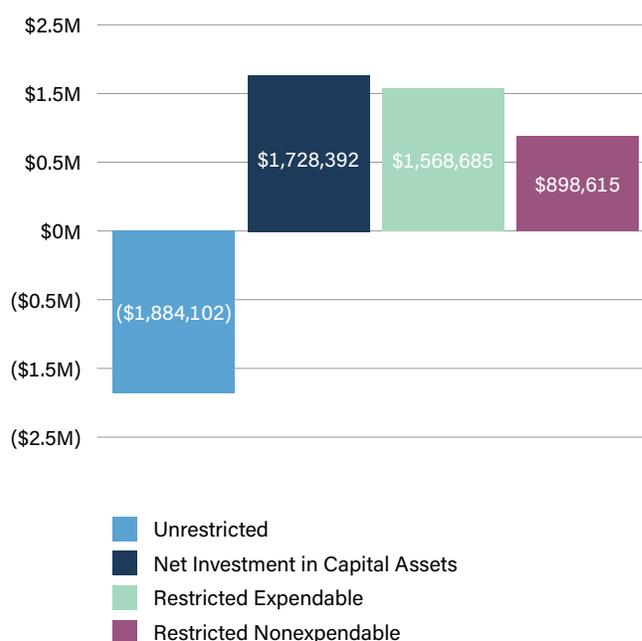
Nonexpendable Restricted — This category of net position includes endowment and similar assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

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.

2019 Net Position: \$2,311,590

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 results of operations. The statements for the fiscal year ended June 30, 2019, and the prior year are summarized as follows:

Condensed Statement of Revenues, Expenses and Changes in Net Position

Dollars in thousands

	2019	2018 (as restated)	Percent Change
Operating Revenues:			
Student Tuition and Fees, Net	\$424,391	\$438,405	(3.2)
Grants and Contracts	866,141	838,505	3.3
Sales and Services, Net	995,348	929,809	7.0
Other Operating Revenues	10,128	9,705	4.4
Total Operating Revenues	2,296,008	2,216,424	3.6
Operating Expenses	3,050,681	3,044,426	0.2
Operating Loss	(754,673)	(828,002)	(8.9)
Nonoperating Revenues (Expenses):			
State Appropriations	543,274	518,231	4.8
Noncapital Gifts and Grants, Net	317,153	312,156	1.6
Investment Income, Net	206,536	292,215	(29.3)
Interest and Fees on Debt	(51,052)	(53,540)	(4.6)
Federal Interest Subsidy on Debt	2,132	2,123	0.4
Other Nonoperating Revenues (Expenses)	102,418	(64,522)	258.7
Net Nonoperating Revenues	1,120,461	1,006,663	11.3
Income Before Other Revenues	365,788	178,661	104.7
Capital Appropriations	4,060	9,038	(55.1)
Capital Grants	13,828	13,150	5.2
Capital Gifts	48,995	3,999	1125.2
Additions to Permanent Endowments	27,540	22,101	24.6
Increase in Net Position	460,211	226,949	102.8
Net Position — July 1	1,851,379	1,611,069	14.9
Restatements	-	13,361	-
Net Position — June 30	\$2,311,590	\$1,851,379	24.9

Fiscal year 2018–2019 revenues and other changes total \$3,561,944 and expenses total \$3,101,733.

Fiscal year 2017–2018 revenues and other changes total \$3,389,437 and expenses total \$3,162,488.

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 2019 decreased 3.2% over the prior year. Student tuition and fees are reported net of scholarship discounts, which totaled \$145.7 million for fiscal year 2019 and \$118.4 million for the prior year. The increase in scholarship allowance is due to a refinement of the calculation and drives the decrease in student tuition and fees. Removing the impact of the scholarship allowance increase, tuition and fees would have increased 3%. Tuition revenue for fiscal year 2019 increased 2% for undergraduate residents, 3% for undergraduate nonresidents, 11% for graduate residents, and decreased for graduate nonresident by 3%.

Revenues and expenditures from sponsored projects were slightly higher in fiscal year 2019 reflecting a continued upward trajectory. In terms of future research funding, faculty secured \$941.0 million in sponsored program funding in fiscal year 2019, which is up from the fiscal year 2018 total of \$883.0 million. Sponsored project 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 \$473.1 million, which was up from fiscal year 2018 total of \$432.3 million. NIH's strong and ongoing support reflects positively on the University's health-related professional schools (dentistry, medicine, nursing, pharmacy, and public health), UNC Health Care and its teaching hospitals and basic and social science units in the College of Arts and Sciences.

The University's other top funders were the National Science Foundation, \$44.1 million; the Department of Health and Human Services, excluding NIH, \$36.5 million; and the U.S. Agency for International Development, \$32.5 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 \$146.4 million, or over 15%, of total awards in fiscal year 2019.

Sales and services (net) increased 7.0% in fiscal year 2019 and includes the revenues of campus auxiliary operations such as student housing, campus health services, the utilities system, and parking and transportation, as well as revenues from patient services provided by the professional healthcare clinics. The revenue component of sales and services from the professional healthcare clinics rose 5.2% as a result of increased patient receipts and recognition of additional Medicaid reimbursements. UNC Faculty Physicians continued to expand its clinical mission across the State and to be a leader in providing healthcare to citizens of North Carolina, including affiliation with Area Health Education Centers across the State. The M.D. program expansion continues to be strong with branch campuses in Asheville, Charlotte and Wilmington.

Operating Expenses

The University's operating expenses were \$3.1 billion for the fiscal year ended June 30, 2019, an increase of 0.2% 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 2019 and fiscal year 2018, but experienced an overall increase of 0.2%. Salaries and Benefits decreased 0.8% due to a \$101.8 million decrease in OPEB expense. Additional information can be found in Note 17. This decrease was offset by an increase in salaries of \$58.0 million. Scholarships and fellowships decreased 32.4% as a result of a refinement of the calculation of the scholarship allowance. The offset to this decrease is included in student tuition and fees. Supplies and materials increased 21.7%, driven primarily by an increase in purchases of noncapital equipment and pharmaceutical and dental supplies.

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 \$543.3 million for fiscal year 2019, an increase of 4.8% from the \$518.2 million received during the prior year. Increases included an enrollment allocation increase of \$5.4 million, legislative salary increase of \$5.2 million, increased funding for Area Health Education Centers of \$5.8 million, and funding for the UNC School of Medicine's campus in Asheville of \$4.8 million.

Operating Expenses by Natural Classification

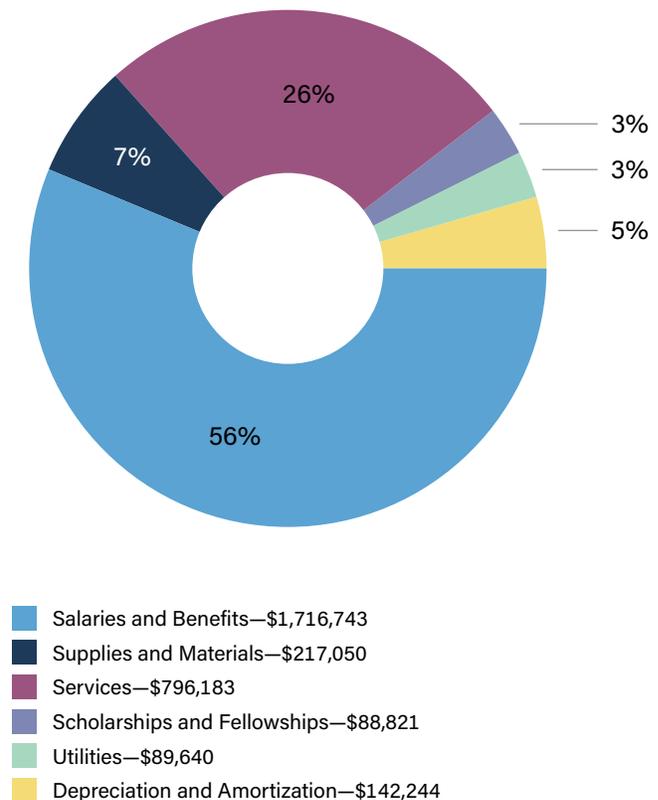
Dollars in thousands

	2019	2018 (as restated)	Percent Change
Operating Revenues:			
Salaries and Benefits	\$1,716,743	\$1,730,164	(0.8)
Supplies and Materials	217,050	178,419	21.7
Services	796,183	781,688	1.9
Scholarships and Fellowships	88,821	131,467	(32.4)
Utilities	89,640	84,287	6.4
Depreciation/Amortization	142,244	138,401	2.8
Total Operating Expenses	\$3,050,681	\$3,044,426	0.2

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

Operating Expenses by Natural Classification

Dollars in thousands



Noncapital gifts and grants were relatively flat, increasing 1.6% to \$317.2 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 a decrease of \$85.7 million which reflects the market downturn in fiscal year 2019. 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.

Other nonoperating revenue increased \$166.9 million, which directly relates to component unit activity.

Total Operating and Nonoperating Revenues

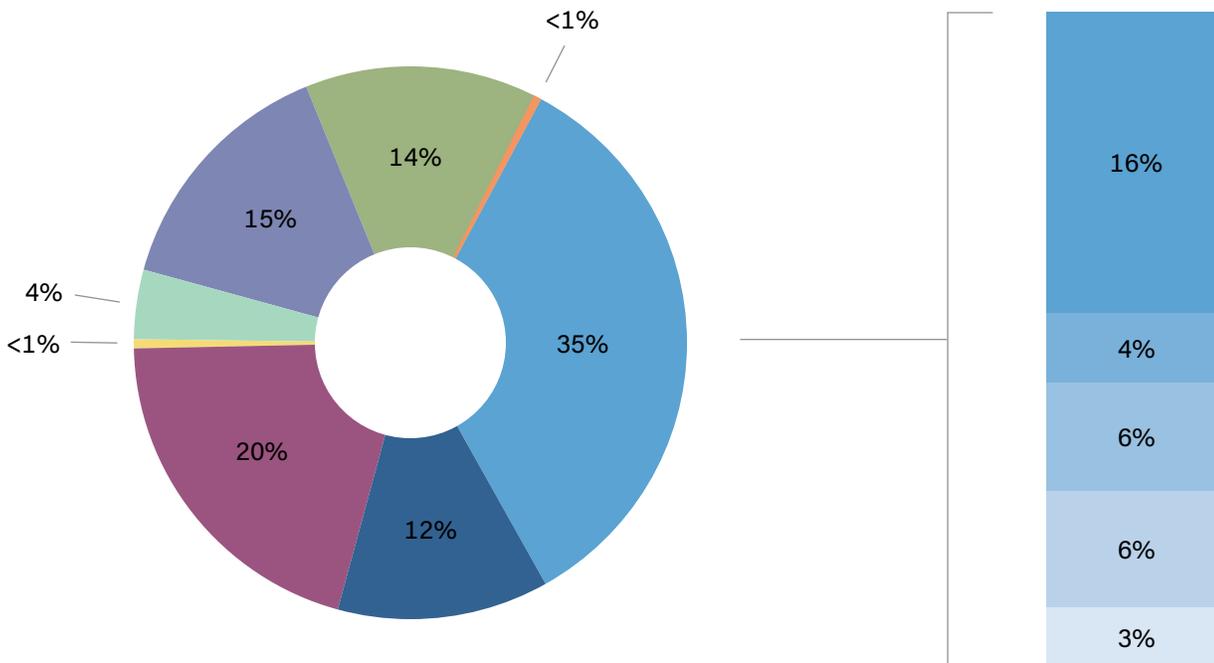
Operating and nonoperating revenues such as state appropriations, noncapital grants, noncapital gifts and investment income are used to fund University operations. The following chart illustrates the University's operating and nonoperating revenues, which total \$3.5 billion for fiscal year 2019. As seen in the chart below, the University has a diversified revenue base.

Other Changes in Net Position

Capital Gifts increased \$45.0 million to \$49.0 million in fiscal year 2019. This increase is driven by gifts from the Educational Foundation to Athletics including the field hockey stadium, locker room renovations and Finley fields improvements. Additions to Permanent Endowments increased 24.6% due to increased gifts from the successful Campaign for Carolina fundraising campaign.

2019 Revenues by Source: \$3,467,521

Dollars in thousands



- Student Tuition and Fees, Net—\$424,391
- Federal Grants and Contracts—\$710,288
- State and Local Grants and Contracts—\$12,172
- Nongovernmental Grants and Contracts—\$143,681
- Patient Services, Net—\$506,766
- Sales and Services, Net—\$488,582
- Other Operating Revenues—\$10,128
- Other—\$1,171,513

- State Appropriations—\$543,274
- Noncapital Grants—\$125,698
- Noncapital Gifts—\$191,455
- Investment Income, Net—\$206,536
- Other Nonoperating—\$104,550

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, expense management, highly selective acceptance rate, and a commitment to excellence.

Tuition rates for the ensuing fiscal year 2020 remained consistent with 2019 rates for undergraduate residents. Undergraduate nonresident tuition increased 3%. 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% of documented need for undergraduate students.

As of the time of compiling this report, the State appropriations for fiscal year 2020 have not been approved, but the estimated budget is \$532.0 million. Once 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 2020 fiscal year.

Sponsored awards are a proven and reliable source in support of the University's research mission. The University's research enterprise has doubled in the last decade, reaching over \$941.0 million in extramural support for fiscal year 2019. It directly supports more than 10,000 positions statewide. In a 2017 report titled *The Top American Research Universities*, the University was ranked one of the top seven 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 2019. 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 2019, as the University topped the \$600 million mark for the second straight year, receiving \$602.3 million in commitments. The performance resulted from the generous contributions of 67,000 donors invested in Carolina's students, faculty, research and innovation.

Commitments include \$27.7 million to support training and public programs at the UNC School of Dentistry, \$21.3 million to create the Curtis Media Center at the UNC School of Media and Journalism as well as support the UNC School of Medicine, UNC Health Care, and Athletics, \$14 million to support two studies by an interdisciplinary team at the UNC School of Medicine and the UNC Gillings School

of Global Public Health aimed at improving pregnancy outcomes in the world's poorest countries, and \$10 million to strengthen the University's global programs and presence.

Investment income provides an important distribution of earnings in support of the University's mission. Approximately \$3.6 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 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.

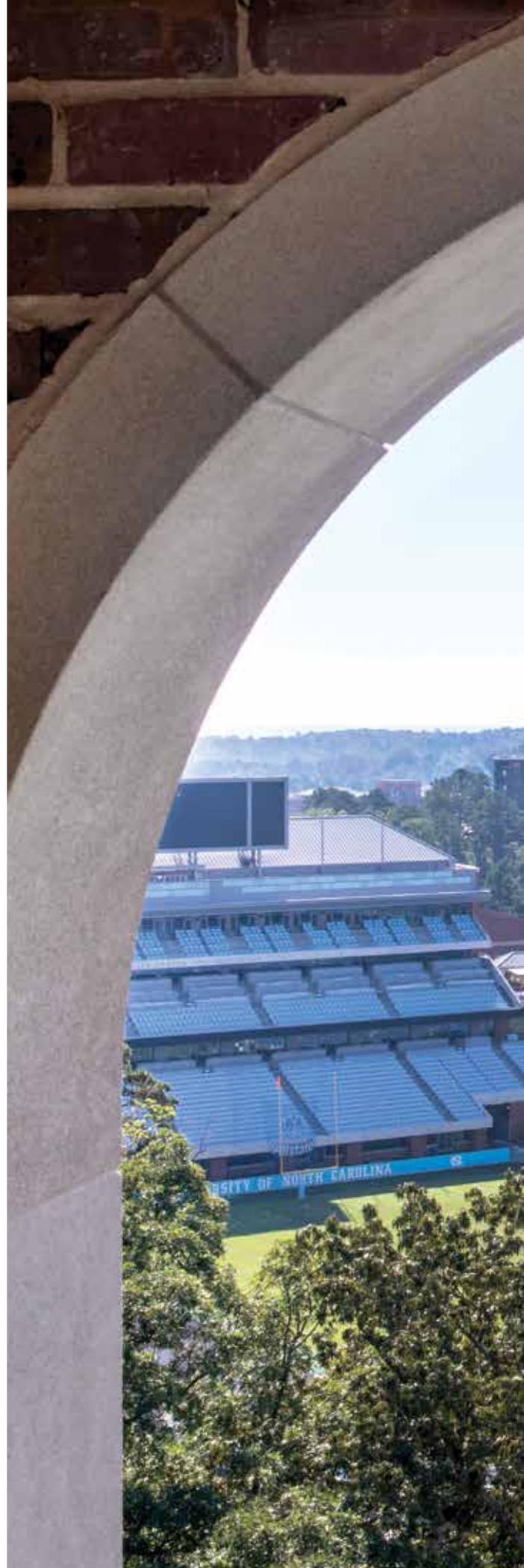
Since asset allocation is the fundamental driver of risk and return, the framework of the UNC Investment Fund has been designed to optimize risk-adjusted returns in support of achieving long-term objectives. The UNC Investment Fund has established ranges or bands for each respective asset class in order 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 general risks and uncertainties in financial markets, the UNC Investment Fund's strategy tends to focus on capital preservation and downside protection as an overall approach. Many financial asset classes are currently quite expensive on a historical basis suggesting that their forward-looking return profiles may be muted. It is due to these factors that the UNC Investment Fund tends to favor those investment opportunities that provide more modest returns with less volatility rather than more aggressive strategies. Current market conditions require greater 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.

According to Moody's Investor Service Sector In-Depth report on Higher Education — US, June 2018, 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 2019 was the 14th consecutive year of record growth with an increase of 3%. 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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Statement of Net Position for the University

June 30, 2019

Assets	
Current Assets:	
Cash and Cash Equivalents	\$433,926,197
Restricted Cash and Cash Equivalents	258,192,470
Short-Term Investments	467,067,514
Restricted Short-Term Investments	185,462,363
Receivables, Net (Note 5)	242,971,478
Due from Primary Government	2,285,700
Due from State of North Carolina Component Units	44,780,879
Inventories	19,890,204
Notes Receivable, Net (Note 5)	5,035,629
Other Assets	22,370,903
Total Current Assets	1,681,983,337
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	126,341,829
Receivables, Net (Note 5)	68,245,915
Endowment Investments	2,358,053,388
Restricted Investments	3,805,297,566
Other Investments	29,911,535
Notes Receivable, Net (Note 5)	34,682,952
Investment in Joint Ventures (Note 21)	18,225,579
Beneficial Interest in Assets Held by Others	1,483,590
Cash Surrender Value of Life Insurance	2,360,914
Net Other Postemployment Benefits Asset	2,100,172
Capital Assets — Nondepreciable (Note 6)	330,851,610
Capital Assets — Depreciable, Net (Note 6)	2,792,063,561
Total Noncurrent Assets	9,569,618,611
Total Assets	11,251,601,948

Deferred Outflows of Resources	
Accumulated Decrease in Fair Value of Hedging Derivatives	109,670,287
Deferred Loss on Refunding	10,542,616
Deferred Outflows Related to Pensions (Note 16)	185,288,188
Deferred Outflows Related to Other Postemployment Benefits (Note 17)	231,798,970
Total Deferred Outflows of Resources	537,300,061

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

Liabilities	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	187,128,098
Due to State of North Carolina Component Units	6,821,982
Due to University Component Units	11,592,340
Deposits Payable	14,690,636
Funds Held for Others	1,556,839
Unearned Revenue	115,498,010
Interest Payable	3,113,619
Obligations Under Reverse Repurchase Agreements	10,568,000
Short-Term Debt (Note 9)	25,000,000
Long-Term Liabilities — Current Portion (Note 10)	99,646,709
Total Current Liabilities	475,616,233
Noncurrent Liabilities:	
U. S. Government Grants Refundable	26,998,144
Funds Held in Trust for Pool Participants	3,864,351,448
Hedging Derivative Liability	109,670,287
Long-Term Liabilities, Net (Note 10)	3,757,114,097
Total Noncurrent Liabilities	7,758,133,976
Total Liabilities	8,233,750,209

Deferred Inflows of Resources	
Deferred Inflows for Irrevocable Split-Interest Agreements	18,425,180
Deferred Inflows Related to Pensions (Note 16)	3,647,313
Deferred Inflows Related to Other Postemployment Benefits (Note 17)	1,221,489,266
Total Deferred Inflows of Resources	1,243,561,759

Net Position	
Net Investment in Capital Assets	1,728,391,594
Scholarships and Fellowships	225,371,249
Research	21,377,622
Endowed Professorships	406,845,765
Departmental Uses	154,752,694
Loans	24,985,921
Other	65,281,524
Total Restricted — Nonexpendable	898,614,775
Scholarships and Fellowships	310,690,352
Research	4,726,064
Endowed Professorships	555,079,211
Departmental Uses	560,176,127
Capital Projects	45,579,727
Debt Service	13,428,360
Other	79,005,527
Total Restricted — Expendable	1,568,685,368
Unrestricted	(1,884,101,696)
Total Net Position	\$2,311,590,041

Statement of Revenues, Expenses and Changes in Net Position for the University
For the fiscal year ended June 30, 2019

Operating Revenues	
Student Tuition and Fees, Net (Note 14)	\$424,391,280
Patient Services, Net (Note 14)	506,765,871
Federal Grants and Contracts	710,288,292
State and Local Grants and Contracts	12,172,334
Nongovernmental Grants and Contracts	143,680,852
Sales and Services, Net (Note 14)	488,581,995
Interest Earnings on Loans	1,547,508
Other Operating Revenues	8,580,058
Total Operating Revenues	2,296,008,190
Operating Expenses	
Salaries and Benefits	1,716,743,513
Supplies and Materials	217,049,840
Services	796,183,268
Scholarships and Fellowships	88,820,896
Utilities	89,639,955
Depreciation/Amortization	142,243,829
Total Operating Expenses	3,050,681,301
Operating Loss	(754,673,111)
Nonoperating Revenues (Expenses)	
State Appropriations	543,274,441
Noncapital Grants – Student Financial Aid	43,301,303
Noncapital Grants	82,396,598
Noncapital Gifts, Net (Note 14)	191,455,147
Investment Income (Net of Investment Expense of \$26,848,258)	206,535,596
Interest and Fees on Debt	(51,051,809)
Federal Interest Subsidy on Debt	2,132,041
Other Nonoperating Revenues (Expenses)	102,417,820
Net Nonoperating Revenues	1,120,461,137
Income Before Other Revenues, Expenses, Gains, or Losses	365,788,026
Capital Appropriations	4,060,204
Capital Grants	13,827,740
Capital Gifts	48,994,926
Additions to Endowments	27,540,360
Increase in Net Position	460,211,256
Net Position	
Net Position – July 1, 2018, as Restated (Note 24)	1,851,378,785
Net Position – June 30, 2019	\$2,311,590,041

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, 2019

Cash Flows from Operating Activities	
Received from Customers	\$2,342,405,165
Payments to Employees and Fringe Benefits	(1,804,253,418)
Payments to Vendors and Suppliers	(1,107,352,527)
Payments for Scholarships and Fellowships	(88,820,896)
Loans Issued	(5,533,434)
Collection of Loans	5,240,620
Interest Earned on Loans	1,590,217
Other Receipts	106,400,949
Net Cash Used by Operating Activities	(550,323,324)

Cash Flows from Noncapital Financing Activities	
State Appropriations	543,274,441
Noncapital Grants — Student Financial Aid	43,301,303
Noncapital Grants	81,404,558
Noncapital Gifts	165,721,329
Additions to Endowments	27,540,360
William D. Ford Direct Lending Receipts	180,428,416
William D. Ford Direct Lending Disbursements	(180,428,416)
Related Activity Agency Receipts	982,524,234
Related Activity Agency Disbursements	(823,062,674)
Payments for Annuities and Life Income Payable Under Split-Interest Agreements	(414,434)
Net Cash Provided by Noncapital Financing Activities	1,020,289,117

Cash Flows from Capital Financing And Related Financing Activities	
Proceeds from Capital Debt	160,925,000
Capital Appropriations	4,060,204
Capital Grants	13,827,740
Acquisition and Construction of Capital Assets	(126,322,737)
Principal Paid on Capital Debt and Leases	(184,853,160)
Interest and Fees Paid on Capital Debt and Leases	(52,962,645)
Federal Interest Subsidy on Debt Received	2,132,041
Net Cash Used by Capital Financing and Related Financing Activities	(183,193,557)

Cash Flows from Investing Activities	
Proceeds from Sales and Maturities of Investments	4,812,336,461
Investment Income	181,976,350
Purchase of Investments and Related Fees	(5,218,507,076)
Change in Obligations Under Reverse Repurchase Agreements	4,117,000
Net Cash Used by Investing Activities	(220,077,265)
Net Increase in Cash and Cash Equivalents	66,694,971
Cash and Cash Equivalents — July 1, 2018, as restated	751,765,525
Cash and Cash Equivalents — June 30, 2019	\$818,460,496

Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	(\$754,673,111)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	142,243,829
Allowances and Write-Offs	1,116,940
Other Nonoperating Income (Expenses)	102,417,820
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	16,028,190
Inventories	(358,150)
Notes Receivable, Net	10,471,673
Net Other Postemployment Benefits Asset	2,061,904
Deferred Outflows Related to Pensions	(49,445,372)
Deferred Outflows Related to Other Postemployment Benefits	(158,816,747)
Other Assets	(13,347,889)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	23,197,469
Unearned Revenue	17,829,462
Net Pension Liability	68,581,276
Net Other Postemployment Benefits Liability	(158,583,259)
Deposits Payable	6,473,088
Workers' Compensation Liability	(556,904)
Compensated Absences	21,594,341
U.S. Government Grants Refundable	875,094
Deferred Inflows Related to Pensions	(5,704,230)
Deferred Inflows Related to Other Postemployment Benefits	178,271,252
Net Cash Used by Operating Activities	(\$550,323,324)

Noncash Investing, Capital, and Financing Activities	
Assets Acquired through a Gift	\$48,994,926
Change in Fair Value of Investments	23,749,339
Loss on Disposal of Capital Assets	(2,945,353)
Amortization of Bond Premiums/Discounts	781,746

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, 2019

Assets	UNC-CH Arts and Sciences Foundation Incorporated	The Educational Foundation Scholarship Endowment Trust	The Medical Foundation of North Carolina Incorporated
Current Assets:			
Cash and Cash Equivalents	\$26,418,394	\$12,682,501	\$54,764,176
Promises to Give, Net	11,086,130	11,311,893	9,254,467
Contribution Receivable from Split-Interest Agreements		5,025,295	
Accounts Receivable	1,551,270		
Receivable from UNC Foundation			11,620,059
Other Receivables	26,384		
Other Current Assets			209,620
Total Current Assets	39,082,178	29,019,689	75,848,322
Property and Equipment:			
Capital Assets, Net	6,420,756		442,774
Total Property and Equipment	6,420,756		442,774
Other Assets:			
Investments	274,874,699	256,110,100	310,398,476
Promises to Give, Net	27,128,416		8,545,184
Split-Interest Agreements	1,932,900		
Cash Surrender Value of Life Insurance		2,005,698	
Other Assets			3,440,885
Total Other Assets	303,936,015	258,115,798	322,384,545
Total Assets	349,438,949	287,135,487	398,675,641
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Expenses	85		1,088,518
Annuities Payable		38,495	
Current Portion of Loan Payable	148,598		
Total Current Liabilities	148,683	38,495	1,088,518
Long-Term Liabilities:			
Deferred Revenue			36,166
Loan Payable	2,371,793		
Liabilities Under Charitable Remainder Trusts			57,258
Total Long-Term Liabilities	2,371,793		93,424
Total Liabilities	2,520,476	38,495	1,181,942
Net Assets			
Without Donor Restrictions			
Undesignated			6,061,720
Designated by the Board for Endowment			11,052,147
Invested in Property and Equipment			442,774
Total Without Donor Restrictions	58,839,267		17,556,641
With Donor Restrictions	288,079,206	287,096,992	379,937,058
Total Net Assets	346,918,473	287,096,992	397,493,699
Total Liabilities and Net Assets	\$349,438,949	\$287,135,487	\$398,675,641

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, 2019

Support and Revenue	UNC-CH Arts and Sciences Foundation Incorporated	The Educational Foundation Scholarship Endowment Trust	The Medical Foundation of North Carolina Incorporated
Support:			
Contributions	\$19,426,475	\$9,684,667	\$55,489,340
Donated Support	3,542,975		
Change in Value of Split-Interest Agreements	8,000		(20,059)
Contributed Services			3,102,488
Actuarial Adjustment of Annuities Payable		(651)	
Endowment Investment Return Designated for Current Operations		11,137,881	
Other Contributions		1,593,381	
Total Support	22,977,450	22,415,278	58,571,769
Revenue:			
Interest and Dividends			4,579,485
Net Unrealized and Realized Gains on Investments	18,452,226		15,815,318
Realized Loss on Investments	(10,170)		
Investment Income	362,984		
Other Income	1,979		1,110,630
Total Revenue	18,807,019		21,505,433
Total Support and Revenue	41,784,469	22,415,278	80,077,202
Expenses			
Program Services	16,487,562	11,948,551	23,160,170
Supporting Services:			
Fundraising	2,966,581	237,254	4,614,152
Membership Development		141,174	
Management, Administrative and General	609,948	504,283	3,872,819
Total Supporting Services	3,576,529	882,711	8,486,971
Bad Debt	197,806		
Total Expenses and Bad Debt Expense	20,261,897	12,831,262	31,647,141
Other Changes			
Endowment Investment Return in Excess of Amounts Designated for Current Operations		8,600,360	
Changes in Net Assets			
Without Donor Restrictions	3,621,908		4,645,722
With Donor Restrictions	17,900,664	18,184,376	43,784,339
Total Changes in Net Assets	21,522,572	18,184,376	48,430,061
Net Assets — Beginning of Year	325,395,901	268,912,616	349,063,638
Net Assets — End of Year	\$346,918,473	\$287,096,992	\$397,493,699

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



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NOTE 1

Significant Accounting Policies

A — Financial Reporting Entity

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

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are either blended or discretely presented in the University's financial statements. 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 Intermediate Pool), 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, 2019, the Chapel Hill Investment Fund membership interest was approximately 56% 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 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 Pool is classified as a 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 Pool, the financial statements of the UNC Intermediate Pool 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 19-member board consisting of nine ex-officio directors and ten 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 ten 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, 2018, the operations of the School of Social Work Foundation, Inc. merged with the UNC-Chapel Hill Foundation. Information regarding the merger, including the reason for the combination, is available in the UNC-Chapel Hill Foundation's financial statements.

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 and twelve directors elected by the Board of Directors of the corporation. The ex-officio director is the Dean of the School of Law of the University. The composition of the board was revised in the bylaws in May 2019. The newly elected board members assume their responsibilities on July 1, 2019. 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 North Carolina 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 Ventures 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 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 the 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, 2019, the Medical Foundation, Arts and Sciences Foundation, and Educational Foundation Trust distributed \$46,634,373 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 Financial Discussion and Analysis — for State and Local Governments* (as amended by GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*), the full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

C — Basis of Accounting

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

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 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 or average 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 of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year 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 external portion of the University's governmental external investment pools more fully described in Note 2. The assets associated with this liability are included in restricted investments, cash, and other similar asset accounts.

K — Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes: revenue bonds payable, bonds from direct placements, notes from direct borrowings and capital leases payable. Other long-term liabilities include: annuities and life income payable, compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

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 2018 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, 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 2018 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.

L — 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: the accumulated decrease in fair value of hedging derivatives, deferred loss on refunding, 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 qualify for reporting in this category: deferred inflows for irrevocable split-interest agreements, deferred inflows related to pensions 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 and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

Restricted Net Position - 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, sales and services, unrestricted gifts, royalties, and interest 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 actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or 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 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 operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

NOTE 2

Deposits and Investments

A — Deposits

Unless specifically exempt, the University is required by *North Carolina General Statute 147-77* to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. However, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, may authorize the University to deposit its institutional trust funds in interest-bearing accounts and other investments authorized by the Board of Governors, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. Although specifically exempted, the University may voluntarily deposit institutional trust funds, endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2019, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$562,976,034, 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 1.3 years as of June 30, 2019. 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 nctreasurer.com in the Audited Financial Statements section.

Cash on hand at June 30, 2019, was \$574,701. The carrying amount of the University's deposits not with the State Treasurer was \$254,909,761, and the bank balance was \$311,423,769. 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, 2019, \$125,640,270 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 the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

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

Investments of the University's component units, UNC-Chapel Hill Foundation, 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 fair 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, 2019:

Temporary Pool Investments

Investment Type	Amount	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Debt Securities:					
U.S. Treasuries	\$225,567,500	\$100,012,000	\$125,555,500		
U.S. Agencies	57,399,600	14,674	18,721,088	\$3,973,230	\$34,690,608
Collateralized Mortgage Obligations	2,033,177				2,033,177
Asset-Backed Securities	1,539,460		501,410		1,038,050
Money Market Mutual Funds	69,466,190	69,466,190			
Total Debt Securities	\$356,005,927	\$169,492,864	\$144,777,998	\$3,973,230	\$37,761,835
Other Securities:					
Domestic Stocks	30,000				
Total Temporary Pool Investments	\$356,035,927				

The University has elected to invest \$128,639,182 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, 2019, 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
U.S. Agencies	\$57,399,600		\$57,399,600				
Collateralized Mortgage Obligations	2,033,177		23,692	\$52,608	\$410,447	\$339,121	\$1,207,309
Asset-Backed Securities	1,539,460					524,228	1,015,232
Money Market Mutual Funds	69,466,190	\$69,466,190					
Totals	\$130,438,427	\$69,466,190	\$57,423,292	\$52,608	\$410,447	\$863,349	\$2,222,541

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 fiscal year ended June 30, 2019, are as follows:

Statement of Net Position

June 30, 2019

	Amount
Assets:	
Cash in Bank	\$27,102,866
State Treasurer Investment Fund	55,000,047
Accrued Investment Income	1,857,092
Chapel Hill Investment Fund	128,639,182
Investments	356,035,927
Total Assets	568,635,114
Total Liabilities	-
Net Position As Held in Trust for All Pool Participants:	
Internal Portion	443,535,389
External Portion	125,099,725
Total Net Position	\$568,635,114

Statement of Operations and Changes in Net Position

June 30, 2019

	Amount
Increase in Net Position from Operations:	
Revenues: Investment Income	\$16,008,537
Expenses: Investment Management	(31,416)
Net Increase in Net Position Resulting from Operations	15,977,121
Distributions to Participants:	
Distributions Paid and Payable	(15,977,121)
Share Transactions:	
Net Share Purchases	50,912,125
Total Increase in Net Position	50,912,125
Net Position:	
Beginning of Year	517,722,989
End of Year	\$568,635,114

UNC Intermediate Pool, LLC — The UNC Intermediate Pool, LLC (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 fair 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, LLC 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 fair 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, 2019, the University's membership interest was approximately 53% of the UNC Intermediate Pool's total membership interests. An affiliated organization, not included in the University's reporting entity, held the remaining 47% 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, 2019:

UNC Intermediate Pool

Investment Type	Amount	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Debt Securities:					
U.S. Treasuries	\$8,200,393	\$1,542,436		\$6,657,957	
U.S. Agencies	15,449,130				\$15,449,130
Mortgage Pass Throughs	1,618,478				1,618,478
Collateralized Mortgage Obligations	49,861,207			5,946,791	43,914,416
Asset-Backed Securities	39,678,598			3,256,067	36,422,531
Debt Mutual Funds	238,848,132	76,780,144	\$95,128,278	51,575,300	15,364,410
Money Market Mutual Funds	13,410,981	13,410,981			
Domestic Corporate Bonds	6,477,193			6,017,695	459,498
Foreign Corporate Bonds	13,794,245			9,756,468	4,037,777
Foreign Government Bonds	1,366,656			1,139,904	226,752
Total Debt Securities	\$388,705,013	\$91,733,561	\$95,128,278	\$84,350,182	\$117,492,992
Other Securities:					
Foreign Stocks	246,662				
Credit Based Commingled Funds	47,123,510				
Total UNC Intermediate Pool Investments	\$436,075,185				

The University has elected to invest \$154,206,481 of assets of the UNC Intermediate Pool in the UNC Investment Fund. The disclosures for these investments are not included in the preceding table. Rather, the disclosures for this portion of UNC Intermediate Pool investments are included in those for the UNC Investment Fund.

At June 30, 2019, 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	\$13,410,981	\$13,410,981					
U.S. Agencies	15,449,130		\$15,449,130				
Mortgage Pass Throughs	1,618,478			\$914,688	\$70,111	\$379,905	\$253,774
Collateralized Mortgage Obligations	49,861,207	997,938	897,752	250,107	10,769,096	26,848,546	10,097,768
Asset-Backed Securities	39,678,598	1,522,107	2,877,993	1,818,975	5,993,214	17,516,799	9,949,510
Debt Mutual Funds	238,848,132			142,820,354	89,079,800	6,947,978	
Domestic Corporate Bonds	6,477,193					6,477,193	
Foreign Corporate Bonds	13,794,245				4,426,301	9,367,444	500
Foreign Government Bonds	1,366,656				744,636	622,020	
Totals	\$380,504,620	\$15,931,026	\$19,244,875	\$145,804,124	\$111,083,158	\$68,159,885	\$20,301,552

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 fair 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 fair value, applicable realized gains and losses and expenses. The Chapel Hill Investment Fund uses a unit basis to determine each participant's fair 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 55% membership in the UNC Investment Fund categorized below.

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 55% membership interest as of June 30, 2019, 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 fair 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 fair value information. The UNC Investment Fund uses a unit basis to determine each member's fair 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, 2019:

UNC Investment Fund Investments

Investment Type	Amount	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Debt Securities:					
U.S. Treasuries	\$23,679,771		\$14,238,495	\$5,171,516	\$4,269,760
U.S. Agencies	65,078,588	\$123,307	1,259,804	8,931,866	54,763,611
Collateralized Mortgage Obligations	24,137,980				24,137,980
Asset-Backed Securities	60,549,231		7,135,159	4,479,456	48,934,616
Debt Mutual Funds	1,169,078	3,040	251,001	435,481	479,556
Money Market Mutual Funds	148,911,105	148,911,105			
Domestic Corporate Bonds	4,760,541		3,570,611	521,845	668,085
Domestic Municipal Bonds	879,750				879,750
Total Debt Securities	\$329,166,044	\$149,037,452	\$26,455,070	\$19,540,164	\$134,133,358
Other Securities:					
Domestic Stocks	268,793,024				
Foreign Stocks	18,223,644				
Real Estate Investment Trust	50,079,455				
Long Only Hedge Funds	1,428,685,829				
Long/Short Hedge Funds	1,016,597,589				
Diversifying Hedge Funds	652,732,775				
Hedge Funds in Liquidation	14,857,861				
Credit Based Commingled Funds	199,190,993				
Private Equity Limited Partnerships	2,358,032,385				
Real Assets Limited Partnerships	355,849,605				
Total UNC Investment Fund Investments	\$6,692,209,204				

At June 30, 2019, 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
U.S. Agencies	\$65,078,588		\$50,502,767			\$2,276,161	\$12,299,660
Collateralized Mortgage Obligations	24,137,980					15,080,112	9,057,868
Asset-Backed Securities	60,549,231	\$3,740,341		\$35,960	\$4,335,256	24,414,922	28,022,752
Debt Mutual Funds	1,169,078			1,169,078			
Money Market Mutual Funds	148,911,105	148,911,105					
Domestic Corporate Bonds	4,760,541		501,965	1,694,525	504,500		2,059,551
Domestic Municipal Bonds	879,750					879,750	
Totals	\$305,486,273	\$152,651,446	\$51,004,732	\$2,899,563	\$4,839,756	\$42,650,945	\$51,439,831

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

Foreign Currency Risk: The UNC Investment Fund holds foreign currency investments which are presented in U.S. dollars. At June 30, 2019, the UNC Investment Fund's exposure to foreign currency risk is as follows:

Investment	Currency	Amount (U.S. Dollars)
Private Equity Limited Partnerships	Euro	\$116,448,865
Real Assets Limited Partnerships	Euro	2,152,669
Other Hedge Funds	Euro	35,178,408
Total Euro		153,779,942
Private Equity Limited Partnerships	British Pound Sterling	46,344,098
Real Assets Limited Partnerships	British Pound Sterling	412,439
Total British Pound Sterling		46,756,537
Private Equity Limited Partnerships	Canadian Dollar	7,677,765
Private Equity Limited Partnerships	Australian Dollar	444,195
Total		\$208,658,439

Investment Derivatives: At June 30, 2019, the UNC Investment Fund is invested in foreign currency forward contracts with a fair value of (\$527,042) and in U.S. dollar equity futures with a fair value of \$1,224,318. In addition, the fund is invested in equity put options and equity call options that have a fair value of \$2,225,898 and (\$4,828,997), respectively. Disclosures are provided for these investments in Note 11 Derivative Instruments.

Non-Pooled Investments — The following table presents investments by type and investments subject to interest rate risk at June 30, 2019, for the University's non-pooled investments.

Non-Pooled Investments

Investment Type	Amount	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Debt Securities:					
U.S. Treasuries	\$121,742	\$25,179	\$57,803	\$38,760	
U.S. Agencies	135			135	
Mortgage Pass Throughs	9,703			80	\$9,623
Collateralized Mortgage Obligations	39,562				39,562
Debt Mutual Funds	6,785,246		4,139,429	2,601,913	43,904
Money Market Mutual Funds	470,334	470,334			
Foreign Government Bonds	30,083		30,083		
Total Debt Securities	\$7,456,805	\$495,513	\$4,227,315	\$2,640,888	\$93,089
Other Securities:					
Equity Mutual Funds	11,740,652				
Investments in Real Estate	1,667,011				
Real Estate Investment Trust	68,891				
Private Equity Limited Partnerships	15,972,285				
Domestic Stocks	13,697,748				
Foreign Stocks	129,258				
International Mutual Funds	8,313,624				
Total Non-Pooled Investments	\$59,046,274				

At June 30, 2019, 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
U.S. Agencies	\$135					\$135
Mortgage Pass Throughs	9,703					9,703
Collateralized Mortgage Obligations	39,562				\$35,627	3,935
Debt Mutual Funds	6,785,246	\$2,978,753	\$19,847	\$43,902	1,231,842	2,510,902
Money Market Mutual Funds	470,334	470,334				
Foreign Government Bonds	30,083				30,083	
Totals	\$7,335,063	\$3,449,087	\$19,847	\$43,902	\$1,297,552	\$2,524,675

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

Foreign Currency Risk: At June 30, 2019, the University had nominal direct exposure to foreign currency risk in non-pooled investments.

Total Investments — The following table presents the total investments at June 30, 2019:

Investment Type	Amount
Debt Securities:	
U.S. Treasuries	\$257,569,406
U.S. Agencies	137,927,453
Mortgage Pass Throughs	1,628,181
Collateralized Mortgage Obligations	76,071,926
Asset-Backed Securities	101,767,289
Debt Mutual Funds	246,802,456
Money Market Mutual Funds	232,258,610
Domestic Corporate Bonds	11,237,734
Domestic Municipal Bonds	879,750
Foreign Corporate Bonds	13,794,245
Foreign Government Bonds	1,396,739
Total Debt Securities	1,081,333,789
Other Securities:	
Equity Index/Mutual Funds	11,740,652
International Mutual Funds	8,313,624
Investment in Real Estate	1,667,011
Real Estate Investment Trusts	50,148,346
Long/Short Hedge Funds	1,016,597,589
Diversifying Hedge Funds	652,732,775
Hedge Funds In Liquidation	14,857,861
Long Only Hedge Funds	1,428,685,829
Credit Based Commingled Funds	246,314,503
Private Equity Limited Partnerships	2,374,004,670
Real Assets Limited Partnerships	355,849,605
Domestic Stocks	282,520,772
Foreign Stocks	18,599,564
Total Other Securities	6,462,032,801
Total Investments	\$7,543,366,590

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

	Amount
University Statement of Net Position:	
Short-Term Investments	\$467,067,514
Restricted Short-Term Investments	185,462,363
Endowment Investments	2,358,053,388
Restricted Investments	3,805,297,566
Other Investments	29,911,535
Subtotal	6,845,792,366
Component Units:	
Investments of UNC Investment Fund Held for Component Units that are Discretely Presented in Accompanying Financial Statements	697,574,224
Total Investments	\$7,543,366,590

The University's reporting entity, including the three discretely presented component units, comprises approximately 48% 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	\$6,368,705
Common Stock and ETF	27,530,904
Hatteras Venture Partners V, LP Alternatives	4,708,077
Mutual Funds — Equity Oriented	53,986,966
Mutual Funds — Credit Oriented	24,412,911
Mutual Funds — Alternative	16,137,603
Government Securities and Corporate Fixed Income	10,663,885
Total Investments	\$143,809,051

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, 2019. 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 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 and may require a degree of professional judgment.

The following table on page 65 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, 2019:

Investments by Fair Value Level	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities:				
U.S. Treasuries	\$257,569,406	\$257,569,406		
U.S. Agencies	137,927,453		\$137,927,453	
Mortgage Pass Throughs	1,628,181		1,628,181	
Collateralized Mortgage Obligations	76,071,926		76,071,926	
Domestic Municipal Bonds	879,750		879,750	
Asset-Backed Securities	101,767,289		101,767,289	
Debt Mutual Funds	246,802,456	246,802,456		
Money Market Mutual Funds	232,258,610	232,258,610		
Domestic Corporate Bonds	11,237,734		11,237,734	
Foreign Corporate Bonds	13,794,245		13,794,245	
Foreign Government Bonds	1,396,739		1,396,739	
Total Debt Securities	1,081,333,789	736,630,472	344,703,317	
Other Securities:				
International Mutual Funds	8,313,624	8,313,624		
Equity Index/Mutual Funds	11,740,652	11,740,652		
Investments in Real Estate	1,667,011			\$1,667,011
Domestic Stocks	282,520,772	273,594,123		8,926,649
Foreign Stocks	18,599,564	18,599,564		
Real Estate Investment Trust	50,148,346	50,148,346		
Total Other Securities	372,989,969	362,396,309		10,593,660
Total Investments by Fair Value Level	\$1,454,323,758	\$1,099,026,781	\$344,703,317	\$10,593,660

Investments Measured at the Net Asset Value (NAV)	Fair Value
Long/Short Hedge Funds	\$1,016,597,589
Diversifying Hedge Funds	652,732,775
Hedge Funds in Liquidation	14,857,861
Long Only Hedge Funds	1,428,685,829
Credit Based Commingled Hedge Funds	246,314,503
Private Equity Limited Partnerships	2,374,004,670
Real Assets Limited Partnerships	355,849,605
Total Investments Measured at the NAV	\$6,089,042,832

Investments as a Position in an External Investment Pool	Fair Value
Short-Term Investment Fund	\$562,976,034
Total Investments Measured at Fair Value	\$8,106,342,624

Derivative Instruments	Fair Value	Level 1 Inputs	Level 2 Inputs
Hedging Derivative Instruments:			
Pay-Fixed Interest Rate Swaps	(\$109,670,287)		(\$109,670,287)
Investment Derivative Instruments:			
Pay-Fixed Interest Rate Swap	(1,452,872)		(1,452,872)
U.S. Dollar Equity Futures	1,224,318	\$1,224,318	
Foreign Currency Forwards	(527,042)		(527,042)
Equity Call Options	(4,828,997)		(4,828,997)
Equity Put Options	2,225,898		2,225,898
Total Derivative Instruments	(\$113,028,982)	\$1,224,318	(\$114,253,300)

Short-Term Investment Fund — Ownership interests of the STIF are 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 and reported 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.

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 over the counter and valued directly from underlying exchange listed exchange rates. Equity put and call options classified as Level 2 are valued using options pricing.

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2019.

Investment Type	Carrying Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Long/Short Hedge Funds ^{A(a)}	\$1,016,597,589	\$42,976,672	From Weekly to 3+ Years	1 to 365 Days
Diversifying Hedge Funds ^{A(b)}	652,732,775		From Weekly to 3+ Years	1 to 365 Days
Hedge Funds in Liquidation ^{A(c)}	14,857,861		From Weekly to 3+ Years	1 to 365 Days
Long Only Equity Hedge Funds ^{A(d)}	1,428,685,829		From Weekly to 3+ Years	1 to 365 Days
Credit-Based Commingled Hedge Funds ^{A(e)}	246,314,503		From Weekly to 3+ Years	1 to 365 Days
Private Equity Limited Partnerships ^B	2,374,004,670	\$950,077,924	Not Eligible	10–15 Years
Real Assets Limited Partnerships ^C	355,849,605	\$346,550,654	Not Eligible	10–15 Years
Total Investments Measured at the NAV	\$6,089,042,832			

A — Hedge Funds

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

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

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% and a maximum of 7% of the pooled endowment fund's average fair 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, 2019, accumulated income and appreciation of \$886,120,346 was available in the University's pooled endowment funds of which \$721,185,397 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, 2019, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$7,453,962	\$3,144,874	\$4,309,088
Patients	203,354,702	113,281,274	90,073,428
Accounts	38,054,670	31,968	38,022,702
Intergovernmental	77,497,567	6,771,548	70,726,019
Pledges	33,945,631	1,348,953	32,596,678
Investment Earnings	4,556,969		4,556,969
Interest on Loans	1,515,303		1,515,303
Other	1,171,291		1,171,291
Total Current Receivables	\$367,550,095	\$124,578,617	\$242,971,478
Noncurrent Receivables:			
Pledges	\$69,995,810	\$1,749,895	\$68,245,915
Notes Receivable — Current:			
Federal Loan Programs	\$3,181,819	\$86,022	\$3,095,797
UNC Health Care System	750,000		750,000
Institutional Student Loan Programs	1,336,735	146,903	1,189,832
Total Notes Receivable — Current	\$5,268,554	\$232,925	\$5,035,629
Notes Receivable — Noncurrent:			
Federal Loan Programs	\$20,368,817	\$579,523	\$19,789,294
UNC Health Care System	3,000,000		3,000,000
Institutional Student Loan Programs	13,143,092	1,249,434	11,893,658
Total Notes Receivable — Noncurrent	\$36,511,909	\$1,828,957	\$34,682,952

Pledges are receivable over varying time periods ranging from one to 10 years and have been discounted based on a projected interest rate of 1.96% 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
2020	\$33,945,657
2021	19,141,219
2022	14,479,496
2023	12,972,612
2024	6,721,025
2025–2029	21,592,944
Total Pledge Receipts Expected	108,852,953
Less Discount Rate Amount Representing Interest (1.96% Rate of Interest)	4,911,512
Present Value of Pledge Receipts Expected	103,941,441
Less Allowance for Doubtful Accounts	3,098,848
Pledges Receivable, Net	\$100,842,593

NOTE 6

Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2019, is presented as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets, Nondepreciable:				
Land	\$70,311,987	\$1,046,686	\$655,166	\$70,703,507
Art, Literature, and Artifacts	149,245,890	7,446,219	283,955	156,408,154
Construction in Progress	170,455,483	94,752,881	163,646,192	101,562,172
Other Intangible Assets	2,177,777			2,177,777
Total Capital Assets, Nondepreciable	392,191,137	103,245,786	164,585,313	330,851,610
Capital Assets, Depreciable:				
Buildings	3,110,775,787	193,184,643		3,303,960,430
Machinery and Equipment	455,096,043	24,720,907	16,422,218	463,394,732
General Infrastructure	974,041,560	14,101,714		988,143,274
Computer Software	121,673,239	22,401		121,695,640
Total Capital Assets, Depreciable	4,661,586,629	232,029,665	16,422,218	4,877,194,076
Less Accumulated Depreciation/Amortization for:				
Buildings	1,210,199,218	82,575,643		1,292,774,861
Machinery and Equipment	256,463,643	24,947,011	13,476,865	267,933,789
General Infrastructure	453,741,549	28,559,516		482,301,065
Computer Software	35,959,141	6,161,659		42,120,800
Total Accumulated Depreciation/Amortization	1,956,363,551	142,243,829	13,476,865	2,085,130,515
Total Capital Assets, Depreciable, Net	2,705,223,078	89,785,836	2,945,353	2,792,063,561
Capital Assets, Net	\$3,097,414,215	\$193,031,622	\$167,530,666	\$3,122,915,171

During the year ended June 30, 2019, the University incurred \$48,721,600 in interest costs related to the acquisition and construction of capital assets. All of these costs are included in interest expense.

NOTE 7

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2019, were as follows:

Accounts Payable and Accrued Liabilities	Amount
Accounts Payable	\$78,485,002
Accounts Payable - Capital Assets	11,273,529
Accrued Payroll	71,208,528
Contract Retainage	3,851,316
Intergovernmental Payables	15,500,812
Investment Derivatives Liability	6,808,911
Total Accounts Payable and Accrued Liabilities	\$187,128,098

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 value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in 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 value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. This credit exposure at year-end was \$2,615,968.

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, 2019, was as follows:

Commercial Paper Program	
Balance July 1, 2018	\$15,000,000
Draws	10,000,000
Repayments	-
Balance June 30, 2019	\$25,000,000

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 December 13, 2018, the University issued \$5,000,000 of taxable commercial paper to fund the Media and Communications Studio project for the Athletics Department, Division of Laboratory Animal Medicine (Division of Comparative Medicine) Renovations, and the Kenan Labs Renovation for Applied Physics. On March 21, 2019, the University issued \$5,000,000 of taxable commercial paper to fund the Media and Communications Studio project for the Athletics Department, Division of Laboratory Animal Medicine (Division of Comparative Medicine) Renovations, the Kenan Labs Renovation for Applied Physics, and the Translational Research Building.

Terms of Debt Agreements

Commercial paper balances held by the University are held under the University's General Revenue Pledge (General Revenue 2002A). The General Trust Indenture does not contain any non-standard events of default and is limited to provisions related to failure to pay principal, premium or interest on such obligations. On the occurrence and continuance of an event of default, the Trustee may, or if required by a majority of the owners of the commercial paper, must, declare the commercial paper immediately due and payable, whereupon it will, without further action, become due and payable.

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, 2019, is presented as follows:

	Balance July 1, 2018	Prior Year Reclassifications	Additions	Reductions	Balance June 30, 2019	Current Portion
Long-Term Debt:						
Revenue Bonds Payable	\$1,339,425,000	(\$180,000,000)	\$150,925,000	\$30,370,000	\$1,279,980,000	\$55,717,916
Revenue Bonds from Direct Placements		180,000,000		150,000,000	30,000,000	30,000,000
Plus: Unamortized Premium	1,249,490			490,997	758,493	
Less: Accretion of Discount on Capital Appreciation Bonds	(2,688,575)			(1,272,743)	(1,415,832)	
Total Revenue Bonds Payable and Bonds from Direct Placements, Net	1,337,985,915		150,925,000	179,588,254	1,309,322,661	85,717,916
Notes Payable	56,649,165	(56,649,165)				
Notes from Direct Borrowings		60,253,557		4,126,865	56,126,692	1,911,909
Capital Leases Payable	1,345,131			356,295	988,836	619,955
Total Long-Term Debt	1,395,980,211	3,604,392	150,925,000	184,071,414	1,366,438,189	88,249,780
Other Long-Term Liabilities:						
Annuities and Life Income Payable	47,247,405		682,508	414,434	47,515,479	913,610
Line of Credit	3,604,392	(3,604,392)				
Employee Benefits						
Compensated Absences	162,677,042		121,498,104	99,903,763	184,271,383	7,872,927
Net Pension Liability	247,539,484		68,581,276		316,120,760	
Net Other Postemployment Benefits Liability	2,085,455,588			158,583,259	1,926,872,329	
Workers' Compensation	16,099,570		944,500	1,501,404	15,542,666	2,610,392
Total Other Long-Term Liabilities	2,562,623,481	(3,604,392)	191,706,388	260,402,860	2,490,322,617	11,396,929
Total Long-Term Liabilities, Net	\$3,958,603,692	\$0	\$342,631,388	\$444,474,274	\$3,856,760,806	\$99,646,709

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 the net other postemployment benefits liability is included in Note 17.

Prior year reclassifications are a result of GASB 88 implementation in the current year and represent changes in terminology (Notes from Direct Borrowings and Revenue Bonds from Direct Placements).

B — Revenue Bonds Payable and Bonds from Direct Placements

The University was indebted for revenue bonds payable and bonds from direct placements for the purposes shown in the following table:

Purpose	Series	Interest Rates / Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 6/30/19	Accretion on Capital Appreciation Bonds	Principal Outstanding 6/30/19	See Table Below
General Revenue Bonds Payable:								
	2001B	* 5.240%	12/01/2025	\$54,970,000	\$39,990,000		\$14,980,000	
	2001C	* 1.870%	12/01/2025	54,970,000	39,990,000		14,980,000	
	2009A	5.000%	12/01/2019	97,735,000	92,630,000		5,105,000	
	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	1.899%–3.596%	12/01/2033	127,095,000	25,535,000		101,560,000	
	2014	2.098%–3.847%	12/01/2034	265,600,000	9,295,000		256,305,000	
	2016C	1.355%–3.327%	12/01/2036	400,950,000	13,090,000		387,860,000	
	2017	2.793%–3.326%	12/01/2038	110,225,000			110,225,000	
	2019A	* 4.195%	12/01/2041	100,000,000			100,000,000	
	2019B	* 3.664%	12/01/2034	50,925,000			50,925,000	
Total General Revenue Bonds				1,475,275,000	220,530,000		1,254,745,000	
Utilities System	1997	5.500%	08/01/2021	30,379,142	58,900,000	52,340,026	23,819,168	(1)
General Revenue Bonds from Direct Placements	2012D	3.400%	06/01/2042	30,000,000			30,000,000	
Total Revenue Bonds Payable and Bonds from Direct Placements (principal only)				\$1,535,654,142	\$279,430,000	\$52,340,026	\$1,308,564,168	
Plus: Unamortized Premium							758,493	
Total Revenue Bonds Payable and Bonds from Direct Placements, Net							\$1,309,322,661	

- * For variable rate debt, interest rates in effect at June 30, 2019 are included. For variable rate debt with interest rate swaps, the synthetic fixed rates are included.
- ** The University has elected to treat these bonds as federally taxable "Build America Bonds" for the purposes of the American Recovery and Reinvestment Act and to receive a cash subsidy from the U.S. Treasury equal to 32% of the interest payable on these bonds. For these bonds, the interest rate included is the taxable rate, which does not factor in the cash subsidy from the U.S. Treasury.

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

Ref	Revenue Source	Total Future Revenues Pledged	Revenues Net of Expenses	Current Year		Estimate of % of Revenues Pledged
				Principal	Interest	
(1)	Utilities Revenue	\$25,235,000	\$15,793,240	\$8,415,000		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 has not entered into legal agreements, which would convert the demand bonds not successfully remarketed into another form of long-term debt.

General Revenue, Series 2001B and 2001C

In 2001, the University issued two series of variable rate demand bonds in the amount of \$54.97 million (2001B) and \$54.97 million (2001C) that each has a final maturity date of December 1, 2025. The bonds are subject to mandatory sinking fund redemption on the interest payment date on or immediately preceding each December throughout the term of the bonds. The proceeds of these issuances were used to provide funds to refund in advance of their maturity the following issues: Ambulatory Care Clinic, Series 1990; Athletic Facilities, Series 1998; Carolina Inn, Series 1994; School of Dentistry, Series 1995; Kenan Stadium, Series 1996; Housing System, Series 2000; and Parking System, Series 1997C. While bearing interest at a weekly rate, the bonds are subject to purchase on demand with 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 \$100.0 million with Bank of America, N.A. on September 1, 2018, \$100.0 million with Branch Banking and Trust Company on September 19, 2018, \$100.0 million with TD Bank, N.A. on September 19, 2017, and \$100.0 million with Royal Bank of Canada on September 19, 2014. As of September 19, 2018, the \$200.0 million standby liquidity agreement previously held with Wells Fargo Bank, N.A. was replaced with the \$100.0 million standby liquidity agreement with Bank of America, N.A. and the \$100.0 million standby liquidity agreement with Branch Banking and Trust Company. 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 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	Bank of America, N.A.	Branch Banking and Trust Company	Royal Bank of Canada	TD Bank, N.A.
AA+ or higher	AA+ or higher	Aa1 or higher	0.30%	0.30%	0.27%	0.26%
AA	AA	Aa2	0.30%	0.40%	0.32%	0.31%
AA-	AA-	Aa3	0.30%	0.50%	0.37%	0.36%
A+	A+	A1	0.40%	0.60%	0.47%	0.46%
A	A	A2	0.55%	0.70%	0.57%	0.56%
A-	A-	A3	0.75%	0.85%	1.57%	1.56%
BBB+ or lower	BBB+ or lower	Baa1 or lower	2.25%	0.85%	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 Branch Banking and Trust Company, TD Bank, N.A., Bank of America, N.A., and Royal Bank of Canada expire on September 19, 2023, September 19, 2022, September 17, 2021, and September 18, 2019, respectively. These agreements are subject to covenants customary to this type of transaction, including a default provision in the event that the University's long-term bond ratings were lowered to below BBB- for S&P, BBB- for Fitch, and Baa3 for Moody's. At June 30, 2019, 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 Royal Bank of Canada, as disclosed in Note 25 — Subsequent Events.

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%) by adding (1) the one month LIBOR plus (2) 1% per annum, which shall be adjusted monthly on the first day of each LIBOR interest period; provided, however, for any particular LIBOR interest period, the Adjusted LIBOR Rate will not be less than 1.4% per annum. As of June 30, 2019, no accrued interest payable remained for the 2012D direct placement bond. 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 — Terms of Debt Agreements

The University's debt agreements are subject to the following collateral requirements and terms with finance-related consequences:

Revenue Bonds Payable — Bonds held by the University to include General Revenue 2001BC, General Revenue 2009AB, General Revenue 2012BC, General Revenue 2014, General Revenue 2016C, General Revenue 2017, and General Revenue 2019AB are all held under the University's General Revenue Pledge. The General Trust Indenture does not contain any non-standard events of

default and is limited to provisions related to failure to pay principal, premium or interest on such obligations. On the occurrence and continuance of an event of default, the Trustee may, or if required by a majority of the owners of the bonds, must, declare the bonds immediately due and payable, whereupon they will, without further action, become due and payable.

The University's Series 1997 Utility System bond issue includes capital appreciation bonds with an original issue amount of \$30,379,142. The Series 1997 Utility System bond matures on August 1, 2021. The utility bonds carry a maintenance reserve requirement as well as a sinking fund requirement. As of June 30, 2019, the sinking fund was fully funded for the August 1, 2019 maturity due of \$8.4 million and the maintenance reserve was fully funded in the amount of \$4.7 million. In addition and in accordance with the Bond Resolution, the Board has agreed to generate revenues that will be sufficient to pay the current expenses and to provide an amount equal to (1) not less than 1.15 times the amount required to be deposited in the sinking fund for the then current bond year and (2) moneys needed to be deposited in the other funds and accounts created under the Bond Resolution (maintenance reserve fund). Failure to remedy a covenant, agreement, or conditions contained within the bond resolution following 30 days written notice by the Paying Agent to the University would constitute an event of default whereby Bondholders holding not less than a majority of the aggregate principal amount of the Bonds then outstanding, declare the principal of all of the Bonds then outstanding and the interest accrued thereon, to be due and payable immediately. Both the maintenance reserve and the sinking fund are held in a restricted position as of June 30, 2019 on deposit with the Trustee.

Revenue Bonds from Direct Placements — 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".

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 is held under the University's General Revenue Pledge. The General Trust Indenture does not contain any non-standard events of default and is limited to provisions related to failure to pay principal, premium or interest on such obligations. On the occurrence and continuance of an event of default, the Trustee may, or if required by a majority of the owners of the bonds, must, declare the bonds immediately due and payable, whereupon they will, without further action, become due and payable.

Notes from Direct Borrowings — The Granville Towers-University Square financing contains a cross-default provision and two related covenant requirements. The first covenant requires that the Foundation and Holdings shall maintain on a consolidated basis, unrestricted, unencumbered liquid assets of not less than \$5,000,000. The second covenant involves the annual calculation of a Cash Flow Coverage Ratio wherein the ratio of Cash Flow is evaluated against the sum of the current portion of long-term debt and the current portion of capitalized lease obligations, plus interest expense on all obligations. The Cash Flow Coverage Ratio maintained must be at least 1.2 as defined above. Additionally, The Foundation shall not have outstanding or incur any direct or contingent liabilities or lease obligations (other than (1) liabilities owed to the bank, including any borrowings under the Foundation's current line of credit with the Bank (the "Line of Credit"), (2) liabilities with respect to split interest agreements placed with the Borrower, (3) rent and expenses associated with a Permitted Lease, (4) liabilities with respect to accrued operating expenses, and (5) liabilities with respect to the principal amount outstanding under the Refinancing), in excess of \$5,000,000 in the aggregate, or become liable for the liabilities of others, without the Bank's written consent. In the event of default and upon declaration by the bank the balance of the loan as well as any accrued but unpaid interest would become immediately due and payable. The loan carries a default rate up to 4.0 percentage points higher than the rate of interest otherwise due. A balance of \$2.6 million remains on the note as of June 30, 2019.

The Granville Towers loan contains a cross-default provision and is secured by a first deed of trust on the Granville Towers Property in addition to certain assignments to include leases, rents, and profits derived from the property and with certain exceptions, carries limited recourse to the University Foundation and Real Estate Holding. The carrying value of the Granville Towers Property at June 30, 2019, was \$35,248,172. In the event of default and upon declaration by the bank the balance of the loan as well as any accrued but unpaid interest would become immediately due and payable. The interest rate is calculated at the rate of 4.26% per annum. The loan carries a default rate up to 5.0 percentage points higher than the rate of interest otherwise due. A balance of \$52.3 million remains on the note as of June 30, 2019.

The UNC-Chapel Hill Foundation Inc. (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. Under the terms of the line of credit, the Foundation shall not incur any additional indebtedness without the prior written consent of the Bank. Once the note payable for Granville Towers-University Square has been paid in full, the Foundation may incur additional indebtedness beyond the line of credit of up to \$10,000,000, in the aggregate, without the consent of the Bank.

The direct borrowing line of credit contains a cross-default provision and a covenant requirement that the Foundation's Total Unrestricted Net Assets as of the end of each fiscal year shall be at least \$15,000,000. Under the line of credit, the principal and accrued but unpaid interest may be declared immediately due and payable upon the terms and conditions as provided in the Line of Credit Agreement in the event of default. The loan carries a default rate up to 4.0 percentage points higher than the rate of interest otherwise due. The June 30, 2019 outstanding balance of \$1.3 million is excluded from current liabilities.

E – 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 \$23,819,168 (\$84,135,000 ultimate maturity less \$1,415,832 discount less \$58,900,000 principal paid) which is the accreted value at June 30, 2019.

F – Annual Requirements

The annual requirements to pay principal and interest on the long-term obligations at June 30, 2019, are as follows:

Fiscal year	Revenue Bonds			Revenue Bonds from Direct Placements		Notes from Direct Borrowings	
	Principal	Interest	Interest Rates Swaps, Net	Principal	Interest	Principal	Interest
2020	\$29,890,000	\$39,492,148	\$6,245,564		\$1,019,400	\$1,911,909	\$2,326,847
2021	30,755,000	39,005,103	6,192,848		1,019,400	3,304,970	2,239,627
2022	32,295,000	38,541,992	6,137,237		1,019,400	2,074,562	2,120,225
2023	32,150,000	37,944,305	6,078,620		1,019,400	2,160,913	2,033,873
2024	32,955,000	37,217,182	6,016,886		1,019,400	2,051,275	1,944,812
2025–2029	188,410,000	172,346,453	29,414,424		5,097,000	9,441,952	8,551,502
2030–2034	387,430,000	131,078,875	29,199,406		5,097,000	11,678,921	6,314,533
2035–2039	334,245,000	46,961,562	22,256,295		5,097,000	23,502,190	2,274,824
2040–2044	211,850,000	9,919,126	10,035,233	\$30,000,000	2,973,250		
Total Requirements	\$1,279,980,000	\$552,506,746	\$121,576,513	\$30,000,000	\$23,361,250	\$56,126,692	\$27,806,243

Interest on the variable rate General Revenue Bonds 2001B is calculated at 1.90% at June 30, 2019.
 Interest on the variable rate General Revenue Bonds 2001C is calculated at 1.87% at June 30, 2019.
 Interest on the variable rate General Revenue Bonds 2012B is calculated at 2.01% at June 30, 2019.
 Interest on the variable rate Bond from Direct Placement held under the General Revenue Bond 2012D is calculated at 3.40% at June 30, 2019.
 Interest on the variable rate General Revenue Bonds 2019A is calculated at 1.96% at June 30, 2019.
 Interest on the variable rate General Revenue Bonds 2019B is calculated at 1.96% at June 30, 2019.

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% of the 1-month LIBOR index rate plus an interest rate spread of 40 basis points.

Interest rates on General Revenue Bonds 2019 Series A and B are based on 67% of the 1-month LIBOR index rate plus an interest rate spread of 35 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%–1.900%) x \$12,565,000 notional amount; (4.375%–1.607%) x \$150,000,000 notional amount and (3.314%–1.607%) x \$100,000,000 notional amount.

The fiscal year 2020 principal requirements exclude demand bonds classified as current liabilities (see Note 10 C).

For the 2012B, 2019A, and 2019B bonds disclosed below, the University entered into standby liquidity agreements in the amount of \$100.0 million with Bank of America, N.A. on September 1, 2018, \$100.0 million with Branch Banking and Trust Company on September 19, 2018, \$100.0 million with TD Bank, N.A. on September 19, 2017, and \$100.0 million with Royal Bank of Canada on September 19, 2014. As of September 19, 2018, the \$200.0 million standby liquidity agreement previously held with Wells Fargo Bank, N.A. was replaced with the \$100.0 million standby liquidity agreement with Bank of America, N.A., and the \$100.0 million standby liquidity agreement with Branch Banking and Trust Company. 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 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 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	Bank of America, N.A.	Branch Banking and Trust Company	Royal Bank of Canada	TD Bank, N.A.
AA+ or higher	AA+ or higher	Aa1 or higher	0.30%	0.30%	0.27%	0.26%
AA	AA	Aa2	0.30%	0.40%	0.32%	0.31%
AA-	AA-	Aa3	0.30%	0.50%	0.37%	0.36%
A+	A+	A1	0.40%	0.60%	0.47%	0.46%
A	A	A2	0.55%	0.70%	0.57%	0.56%
A-	A-	A3	0.75%	0.85%	1.57%	1.56%
BBB+ or lower	BBB+ or lower	Baa1 or lower	2.25%	0.85%	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 Branch Banking and Trust Company, TD Bank, N.A., Bank of America, N.A., and Royal Bank of Canada expire on September 19, 2023, September 19, 2022, September 17, 2021, and September 18, 2019, respectively. These agreements are subject to covenants customary to this type of transaction, including a default provision in the event that the University's long-term bond ratings were lowered to below BBB- for S&P, BBB- for Fitch, and Baa3 for Moody's. At June 30, 2019, 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 Royal Bank of Canada, as disclosed in Note 25 — Subsequent Events.

The 2012B Bond has a maturity date of December 1, 2041, and carries an index tender date for the new Index Mode of November 9, 2022. The 2012B bond bears interest at the index rate, which is the rate per-annum determined monthly equal to 67.0% of One Month LIBOR plus an applicable spread of 0.40% (40 basis points).

The Series 2012B Bond is in Index Mode and 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% 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.

On behalf of the University, the Board of Governors for the University of North Carolina System issued General Revenue Bonds Series 2019AB on February 21, 2019. The 2019A Bonds have a maturity date of December 1, 2041, and the 2019B Bonds carry a mandatory sinking fund redemption in the principal amount of \$10,025,000 on December 1, 2033, and have a maturity date of December 1, 2034. However, both Series 2019A and 2019B Bonds are issued initially in the Index Mode extending to the initial index tender date of December 1, 2021. While in this mode, the bonds will bear interest at the index rate, which will be the rate per-annum determined monthly equal to 67.0% of One Month LIBOR plus an applicable spread of 0.35% (35 basis points).

In the event of a failed remarket of the 2019AB bonds beyond December 1, 2021, these payments would equal \$25,154,167, \$50,308,333, \$50,308,333, and \$25,154,167 in fiscal years 2022, 2023, 2024, and 2025, respectively.

G — Bond Defeasance

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

On February 21, 2019, the University issued \$150,925,000 in General Revenue 2019AB refunding bonds with an index rate determined monthly equal to 67.0 percent of one-month LIBOR plus an applicable spread of 0.35 percent (35 basis points). The bonds were issued for a current refunding of \$150,000,000 of outstanding General Revenue 2016AB bonds (classified as Bonds from Direct Placements in the current year) with an index rate determined monthly equal to 67.0 percent of one-month LIBOR plus an applicable spread of 0.45 percent (45 basis points). The General Revenue 2019A bonds will mature on December 1, 2041. The General Revenue 2019B bonds will mature on December 1, 2034.

Prior Year Defeasances — During prior years, the University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 2019, the outstanding balance of prior year defeased bonds was \$54,925,000.

H — Notes from Direct Borrowings

The University was indebted for notes from direct borrowings for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through 6/30/2019	Principal Outstanding 6/30/2019
Real Property Purchase	Bank of America	3.55%	02/14/2024	\$9,250,000	\$6,693,114	\$2,556,886
Real Property Purchase	Nationwide	4.26%	02/01/2037	55,300,000	3,043,486	52,256,514
Line of Credit	Bank of America	3.35%	04/30/2021	1,313,292	–	1,313,292
Total Notes from Direct Borrowings				\$65,863,292	\$9,736,600	\$56,126,692

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% 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.

The Granville Towers-University Square financing contains a cross-default provision and two related covenant requirements. The first covenant requires that the Foundation and Holdings shall maintain on a consolidated basis, unrestricted, unencumbered liquid assets of not less than \$5,000,000. The second covenant involves the annual calculation of a Cash Flow Coverage Ratio wherein the ratio of Cash Flow is evaluated against the sum of the current portion of long-term debt and the current portion of capitalized lease obligations, plus interest expense on all

obligations. The Cash Flow Coverage Ratio maintained must be at least 1.2 as defined above. Additionally, The Foundation shall not have outstanding or incur any direct or contingent liabilities or lease obligations (other than: (1) liabilities owed to the Bank, including any borrowings under the Foundation's current line of credit with the Bank (the "Line of Credit"), (2) liabilities with respect to split interest agreements placed with the Borrower, (3) rent and expenses associated with a Permitted Lease, (4) liabilities with respect to accrued operating expenses, and (5) liabilities with respect to the principal amount outstanding under the Refinancing), in excess of \$5,000,000 in the aggregate, or become liable for the liabilities of others, without the Bank's written consent.

The balance on the Granville Towers-University Square note was \$3.1 million as of June 30, 2018. In fiscal year 2019, the Foundation paid down \$0.5 million on the note. A balance of \$2.6 million remains on the note as of June 30, 2019.

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 are being used to acquire or improve or protect an interest in real property which interest in real property is the only security for the loan or the fair market value of such interest in real property is at least equal to 80% of the principal amount of the loan.

The principal and interest payments for the note to the Lender are made in two hundred 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% per annum. The loan carries a default rate up to

5.0 percentage points higher than the rate of interest otherwise due. The loan contains a cross-default provision and is secured by a first deed of trust on the Granville Towers Property in addition to certain assignments to include leases, rents, and profits derived from the property and with certain exceptions, carries limited recourse to the University Foundation and Real Estate Holdings.

The balance on Granville Towers note was \$53.6 million as of June 30, 2018. In fiscal year 2019, the Foundation paid down \$1.3 million on the note. A balance of \$52.3 million remains on the note as of June 30, 2019.

The UNC-Chapel Hill Foundation Inc. (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. Advances under the line of credit accrue interest at the variable rate of the LIBOR Market Index plus 95 basis points. An unused commitment fee is due each quarter calculated as 24 basis points of the difference between the commitment amount and the average balance outstanding for the quarter and paid in arrears on a quarterly basis. The loan carries a default rate up to 4.0 percentage points higher than the rate of interest otherwise due.

Under the terms of the line of credit, the Foundation shall not incur any additional indebtedness without the prior written consent of the Bank. Once the note payable for Granville Towers-University Square has been paid in full, the Foundation may incur additional indebtedness of up to \$10,000,000, in the aggregate, without the consent of the Bank.

The direct borrowing line of credit contains a cross-default provision and a covenant requirement that the Foundation's Total Unrestricted Net Assets as of the end of each fiscal year shall be at least \$15,000,000. Under the line of credit, the principal and accrued but unpaid interest may be declared immediately due and payable upon the terms and conditions as provided in the Line of Credit Agreement in the event of default.

Outstanding draws against the line of credit totaled \$3.6 million at June 30, 2018. In fiscal year 2019, the Foundation paid down \$2.3 million on the line of credit leaving an available balance of \$5.7 million at June 30, 2019. The line of credit commitment has a maturity date of April 30, 2021. The June 30, 2019, outstanding balance of \$1.3 million is excluded from current liabilities.

I — Annuities Payable

The University participates in irrevocable 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.

NOTE 11

Derivative Instruments

|----- Change in Value -----| |----- Value at June 30, 2019 -----|

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	(\$8,979,211)	Hedging Derivative Liability	(\$28,898,618)
Pay-Fixed Interest Rate Swap	150,000,000	Deferred Outflow of Resources	(17,763,490)	Hedging Derivative Liability	(80,771,669)
Total			(\$26,742,701)		(\$109,670,287)
Investment Derivative Instruments:					
Pay-Fixed Interest Rate Swap 2001B Bonds	\$12,565,000	Investment Income	\$524,121	Accounts Payable	(\$1,452,872)
U.S. Dollar Equity Futures	74,782,680	Investment Income	18,530,189	Other Assets	1,224,318
Foreign Currency Forwards	(97,616,752)	Investment Income	5,399,707	Accounts Payable	(527,042)
Equity Call Options	(53,961,200)	Investment Income	(4,828,998)	Accounts Payable	(4,828,997)
Equity Put Options	53,961,200	Investment Income	2,225,898	Other Assets	2,225,898
Total			\$21,850,917		(\$3,358,695)

Hedging derivative instruments held at June 30, 2019, are as follows:

Type	Objective	National Amount	Effective Date	Maturity Date	Terms
Pay-Fixed Interest Rate Swap	Hedge Changes in Cash Flows on Variable-Rate Debt	\$100,000,000	12/1/2007	12/1/2036	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	12/1/2011	12/1/2041	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, 2019. The fair values are calculated as of June 30, 2019. 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

Credit Risk: At June 30, 2019, non-exchange traded investment derivatives reported as assets expose the University to credit risk as follows:

Investment Derivative Instrument	Value	Counterparty	Collateral Held	Counterparty Credit Ratings	
				S&P/Fitch	Moody's
Equity Put Options	\$264,745	BNP Paribas		A+	Aa3
Equity Put Options	1,200,772	Bank of America		A-	A2
Equity Put Options	760,381	Goldman Sachs		BBB+	A3
Total (1)	\$2,225,898				
Less: Netting Arrangement Liability	-				
Net Exposure to Credit Risk	\$2,225,898				

(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.

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 \$1,452,872 as of June 30, 2019. 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, 2019. As the yield curve rises, the value of the swap will increase and as rates fall, the value of the swap decreases. The University pays 5.24% and receives the Securities Industry and Financial Markets Association (SIFMA) Swaps Index rate. On June 30, 2019, SIFMA was 1.90%. The interest rate swap has a notional amount of \$12,565,000 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 presented in U.S. dollars. See Note 2 for further information about the University's exposure to foreign currency risk.

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, 2019:

Fiscal Year	Amount
2020	\$646,707
2021	174,304
2022	174,304
2023	29,051
Total Minimum Lease Payments	1,024,366
Amount Representing Interest (0.01% - 3.9% Rates of Interest)	35,530
Present Value of Future Lease Payments	\$988,836

Machinery and equipment acquired under capital leases amounted to \$2,106,589 at June 30, 2019.

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital leases totaled \$322,662 at June 30, 2019.

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, 2019:

Fiscal Year	Amount
2020	\$23,488,337
2021	21,538,631
2022	19,520,252
2023	18,148,287
2024	14,873,485
2025-2029	45,278,586
2030-2034	1,174,260
Total Minimum Lease Payments	\$144,021,838

Rental expense for all operating leases during the year was \$32,369,377.

NOTE 13

Net Position

The deficit in unrestricted net position of \$1,884,101,696 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 benefits (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	\$185,288,188		\$185,288,188
Deferred Outflows Related to OPEB		\$224,415,933	224,415,933
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net Pension Liability	(316,120,760)		(316,120,760)
Net OPEB Liability		(1,926,872,329)	(1,926,872,329)
Deferred Inflows Related to Pensions	(3,647,313)		(3,647,313)
Deferred Inflows Related to OPEB		(1,221,350,440)	(1,221,350,440)
Net Effect on Unrestricted Net Position	(\$134,479,885)	(\$2,923,806,836)	(\$3,058,286,721)

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 discounts and allowances by revenue classification is presented as follows:

Operating Revenues	Gross Revenues	Less Scholarship Discounts	Less Change in Allowance for Uncollectibles	Less Indigent Care and Contractual Adjustments	Net Revenues
Student Tuition and Fees, Net	\$570,598,775	\$145,695,260	\$512,235		\$424,391,280
Patient Services, Net	\$1,172,284,783		\$2,852,194	\$662,666,718	\$506,765,871
Sales and Services:					
Sales and Services of Auxiliary Enterprises	\$436,584,905	\$14,996,549			\$421,588,356
Other Sales and Services	66,993,639				66,993,639
Total Sales and Services, Net	\$503,578,544	\$14,996,549			\$488,581,995
Nonoperating — Noncapital Gifts, Net	\$192,131,984		\$676,837		\$191,455,147

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	\$588,946,917	\$21,727,650	\$137,191,955		\$40,131		\$747,906,653
Research	323,242,736	41,610,385	230,456,109		85,761		595,394,991
Public Service	68,593,663	6,708,831	81,556,878		203,673		157,063,045
Academic Support	86,411,264	24,556,771	24,822,049		95,453		135,885,537
Student Services	22,983,163	1,518,429	19,874,645		26,839		44,403,076
Institutional Support	117,680,598	13,310,697	65,123,178		92,527		196,207,000
Operations and Maintenance of Plant	48,638,719	4,614,111	24,267,333		72,266,814		149,786,977
Student Financial Aid			1,559,413	\$88,820,896			90,380,309
Auxiliary Enterprises	460,246,453	103,002,966	211,331,708		16,828,757		791,409,884
Depreciation/Amortization						\$142,243,829	142,243,829
Total Operating Expenses	\$1,716,743,513	\$217,049,840	\$796,183,268	\$88,820,896	\$89,639,955	\$142,243,829	\$3,050,681,301

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% 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.

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% 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, 2019, was 12.29% of covered payroll. Employee contributions to the pension plan were \$30,465,600, and the University's contributions were \$62,403,703 for the year ended June 30, 2019.

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 2018 Comprehensive Annual Financial Report. An electronic version of this report is available on the North Carolina Office of the State Controller's website at 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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

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 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 2018 Comprehensive Annual Financial Report.

Net Pension Liability: At June 30, 2019, the University reported a liability of \$316,120,760 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the

net pension liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. 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, 2018, the University's proportion was 3.17515%, which was an increase of 0.05534 from its proportion measured as of June 30, 2017, which was 3.11981%.

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	12/31/17
Inflation	3%
Salary Increases*	3.50%–8.10%
Investment Rate of Return**	7.00%

* Salary increases include 3.5% 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, 2017, 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 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, 2018, (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%. 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, 2018, is 1.5%.

Discount Rate: The discount rate used to measure the total pension liability was lowered from 7.20% to 7.00% for the December 31, 2017, 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 contribution rate and that contributions from employers will be made at the 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, 2018, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

Net Pension Liability	
1% Decrease (6.00%)	\$602,895,863
Current Discount Rate (7.00%)	\$316,120,760
1% Increase (8.00%)	\$75,488,048

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2019, the University recognized pension expense of \$74,755,147. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$23,070,703	\$3,172,483
Changes of Assumptions	63,437,306	
Net Difference Between Projected and Actual Earnings on Plan Investments	30,126,363	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	6,250,113	474,830
Contributions Subsequent to the Measurement Date	62,403,703	
Total	\$185,288,188	\$3,647,313

The amount of \$62,403,703 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 ended June 30, 2020. 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
2020	\$68,867,768
2021	44,342,222
2022	6,580,387
2023	(553,205)
Total	\$119,237,172

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 ORP instead of TSERS. The Board of Governors of the University of North Carolina is responsible for the administration of ORP and designates the companies authorized to offer investment products or the trustee responsible for the investment of contributions under ORP and approves the form and contents of the contracts and trust agreements.

Participants in ORP are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in 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, 2019, these rates were set at 6% of covered payroll for members and 6.84% 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 \$1,412,929,936, of which \$697,440,376 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$41,846,423 and \$47,704,922, respectively. The amount of expense recognized in the current year related to ORP is equal to the employer contributions less forfeitures of \$1,126,831.

NOTE 17

Other Postemployment BenefitsA

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 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 2018 Comprehensive Annual Financial Report. An electronic version of this report is available on the North Carolina Office of the State Controller's website at 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. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the 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 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 2018 Comprehensive Annual Financial Report.

B — Plan Descriptions

1. 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 North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina 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 North Carolina 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% 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, 2019, was 6.27% of covered payroll. The University's contributions to the RHBF were \$75,566,063 for the year ended June 30, 2019.

2. 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 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% 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 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 North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2019, was 0.14% of covered payroll. The University's contributions to DIPNC were \$1,687,281 for the year ended June 30, 2019.

C — Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2019, the University reported a liability of \$1,926,872,329 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total OPEB liability to June 30, 2018. 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, 2018, the University's proportion was 6.76376%, which was an increase of 0.40307 from its proportion measured as of June 30, 2017, which was 6.36069%.

Net OPEB Asset: At June 30, 2019, the University reported an asset of \$2,100,172 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2018. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total OPEB asset to June 30, 2018. 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, 2018, the University's proportion was 6.91392%, which was an increase of 0.10424 from its proportion measured as of June 30, 2017, which was 6.80968%.

Actuarial Assumptions: The total OPEB liabilities (assets) for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2017, 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, 2018, utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/17	12/31/17
Inflation	3.00%	3.00%
Salary Increases*	8.10% graded down to 3.50% depending on employee class	3.50% - 8.10%
Investment Rate of Return**	7.00%	3.75%
Healthcare Cost Trend Rate — Medical	6.50% graded down to 5.00% by 2024	6.50% graded down to 5.00% by 2024
Healthcare Cost Trend Rate — Prescription Drug	7.25% graded down to 5.00% by 2027	N/A
Healthcare Cost Trend Rate — Medicare Advantage	5.00%	N/A
Healthcare Cost Trend Rate — Administrative	3.00%	N/A

* Salary increases include 3.5% 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, 2018.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2018 (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%. 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, 2018, is 1.5%.

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, 2017, valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.87%. 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 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2018.

The discount rate used to measure the total OPEB asset for DIPNC was 3.75%. 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:

RHBF		DIPNC	
1% Decrease (2.87%)	\$2,276,619,322	1% Decrease (2.75%)	(\$1,609,215)
Current Discount Rate (3.87%)	\$1,926,872,329	Current Discount Rate (3.75%)	(\$2,100,172)
1% Increase (4.87%)	\$1,646,512,919	1% Increase (4.75%)	(\$2,571,149)

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	4.00%	5.00%	6.00%
Administrative	2.00%	3.00%	4.00%
RHBF Net OPEB Liability	\$1,589,619,619	\$1,926,872,329	\$2,369,619,398

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	(5.5% grading down to 4.00% in 2024)	(6.5% grading down to 5.00% in 2024)	(7.5% grading down to 6.00% in 2024)
DIPNC Net OPEB Asset	(\$2,106,257)	(\$2,100,172)	(\$2,094,434)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2019, the University recognized OPEB contra-expense of \$60,040,978 for RHBF and expense of \$93,636 for DIPNC. At June 30, 2019, 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
Difference Between Actual and Expected Experience		\$3,663,548	\$3,663,548
Changes of Assumptions		396,582	396,582
Net Difference Between Projected and Actual Earnings on Plan Investments	\$207,225	1,635,626	1,842,851
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	148,642,645		148,642,645
Contributions Subsequent to the Measurement Date	75,566,063	1,687,281	77,253,344
Total	\$224,415,933	\$7,383,037	\$231,798,970

Employer Balances of Deferred Inflows of Resources Related to OPEB by Classification:

	RHBF	DIPNC	Total
Difference Between Actual and Expected Experience	\$131,768,027		\$131,768,027
Changes of Assumptions	834,765,577		834,765,577
Net Difference Between Projected and Actual Earnings on Plan Investments	-	-	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	254,816,836	\$138,826	254,955,662
Total	\$1,221,350,440	\$138,826	\$1,221,489,266

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 ended June 30, 2020. 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
2020	(\$258,071,138)	\$1,363,308
2021	(258,071,138)	1,363,100
2022	(258,071,138)	998,810
2023	(257,865,098)	767,540
2024	(40,422,058)	532,190
Thereafter		531,982
Total	(\$1,072,500,570)	\$5,556,930

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 \$2,000,000 per employee, \$2,000,000 per occurrence,

\$10,000,000 annual aggregate 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.

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% 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, 2018, through June 30, 2019, 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, 2019, 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, 2019, University assets in the Trust Fund totaled \$20,661,961 while University liabilities totaled \$14,738,639 resulting in net position of \$5,923,322.

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% 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 benefits 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 \$50,364,265 at June 30, 2019.

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, 2019, the UNC Investment Fund had approximately \$1,322,882,286 in 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 \$19,724,070 as of June 30, 2019.

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 accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at June 30, 2019 are as follows:

Purpose	Amount
Pledges to Permanent Endowments	\$54,319,442

NOTE 20

Related Parties

There are 12 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., 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 \$35,338,292 for the year ended June 30, 2019.

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 \$9,725,354. 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% 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 \$591,593. The University is partners with Capital Nephrology and Durham Nephrology and has a 40.0% 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 \$394,873. The University is partners with Wake Forest Baptist Medical Center and East Carolina University and has a 33.3% 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 \$3,721,843. The University entered into this joint venture, an equal partnership agreement, in May 2015 with GSK. In mid-October 2018 GSK transferred their shares to ViiV Healthcare. The terms and conditions of the May 2015 agreement remains the same. The University and ViiV, through Qura Therapeutics, provides financial and material support to the partnership. 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 TRO Ventures, LLC, a joint venture accounted for under the equity method and valued at \$2,330,516. The University is partners with UNC Hospitals and Rex Healthcare, Inc. The University has a 31.85% share of TRO Ventures, LLC. The joint venture provides radiation therapy services to patients in Raleigh and Wake County, North Carolina and the surrounding areas. The audited financial statements 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 WR Imaging, LLC, a joint venture accounted for under the equity method and valued at \$1,461,400. The University is partners Rex Hospital, Inc. The University has a 2.0% share of WR Imaging, LLC. The joint venture provides outpatient imaging services to patients in Wake County and the surrounding areas, including through the engagement of professional clinical services provided by the University's School of Medicine Department of Radiology. The audited financial statements 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, 2019, is presented as follows:

Condensed Statement of Net Position

June 30, 2019

	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	\$1,356,786,351	\$164,324,708		\$61,130,337	\$14,640,400	\$85,101,541		\$1,681,983,337
Capital Assets, Net	3,024,860,022			95,538,396		2,516,753		3,122,915,171
Other Noncurrent Assets	2,882,917,760	6,543,298,099	\$3,641,702,805	410,986,316	576,870,685	213,111,237	(\$7,822,183,462)	6,446,703,440
Total Assets	7,264,564,133	6,707,622,807	3,641,702,805	567,655,049	591,511,085	300,729,531	(7,822,183,462)	11,251,601,948
Total Deferred Outflows of Resources	537,300,061							537,300,061
Liabilities:								
Current Liabilities	417,150,761	26,332,704	2,350,850	8,227,763	1,295,353	11,431,203	8,827,599	475,616,233
Long-Term Liabilities, Net	3,632,199,235			120,605,483		4,309,379		3,757,114,097
Other Noncurrent Liabilities	909,812,374					11,360,776	3,079,846,729	4,001,019,879
Total Liabilities	4,959,162,370	26,332,704	2,350,850	128,833,246	1,295,353	27,101,358	3,088,674,328	8,233,750,209
Total Deferred Inflows of Resources	1,228,005,534			15,556,225				1,243,561,759
Net Position:								
Net Investment in Capital Assets	1,685,149,845			40,724,996		2,516,753		1,728,391,594
Restricted — Nonexpendable	592,573,351	6,681,290,103	3,639,351,955	172,791,531	590,215,732	133,249,893	(10,910,857,790)	898,614,775
Restricted — Expendable	1,313,352,679			159,830,097		95,502,592		1,568,685,368
Unrestricted	(1,976,379,585)			49,918,954		42,358,935		(1,884,101,696)
Total Net Position	\$1,614,696,290	\$6,681,290,103	\$3,639,351,955	\$423,265,578	\$590,215,732	\$273,628,173	(\$10,910,857,790)	\$2,311,590,041

* 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, 2019

	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	\$416,299,979					\$8,091,301		\$424,391,280
Grants and Contracts	866,141,478							866,141,478
Sales and Services, Net	960,931,120			\$15,365,724		19,051,022		995,347,866
Other Operating Revenues	2,348,804					7,778,762		10,127,566
Total Operating Revenues	2,245,721,381			15,365,724		34,921,085		2,296,008,190
Operating Expenses:								
Operating Expenses	2,817,351,615	\$1,529,660	\$34,157,240	12,869,627	\$123,191	43,422,028	(\$1,015,889)	2,908,437,472
Depreciation	140,747,027			1,398,215		98,587		142,243,829
Total Operating Expenses	2,958,098,642	1,529,660	34,157,240	14,267,842	123,191	43,520,615	(1,015,889)	3,050,681,301
Operating Income (Loss)	(712,377,261)	(1,529,660)	(34,157,240)	1,097,882	(123,191)	(8,599,530)	1,015,889	(754,673,111)
Nonoperating Revenues (Expenses):								
Investment Income (Loss), Net	153,726,576	472,523,779	278,387,967	24,746,749	36,131,623	10,315,154	(769,296,252)	206,535,596
Other, Net	867,755,562	(82,530,729)	(31,944,709)	(9,554,020)	(920,701)	29,158,123	141,962,015	913,925,541
Net Nonoperating Revenues (Expenses)	1,021,482,138	389,993,050	246,443,258	15,192,729	35,210,922	39,473,277	(627,334,237)	1,120,461,137
Capital Appropriations	4,060,204							4,060,204
Capital Grants	13,827,740							13,827,740
Capital Gifts	48,994,926							48,994,926
Additions to Endowments	14,998,228			10,043,335		3,730,088	(1,231,291)	27,540,360
Increase (Decrease) in Net Position	390,985,975	388,463,390	212,286,018	26,333,946	35,087,731	34,603,835	(627,549,639)	460,211,256
Net Position:								
Net Position, July 1, 2018, as restated	1,223,710,315	6,292,826,713	3,427,065,937	396,931,632	555,128,001	239,024,338	(10,283,308,151)	1,851,378,785
Net Position, June 30, 2019	\$1,614,696,290	\$6,681,290,103	\$3,639,351,955	\$423,265,578	\$590,215,732	\$273,628,173	(\$10,910,857,790)	\$2,311,590,041

* 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, 2019

	UNC-CH	UNC-CH Foundation, Inc.	Other Blended Component Units*	Total
Net Cash Used by Operating Activities	(\$530,071,998)	(\$13,290,105)	(\$6,961,221)	(\$550,323,324)
Net Cash Provided by Noncapital Financing Activities	987,786,416	17,971,445	14,531,256	1,020,289,117
Net Cash Used by Capital and Related Financing Activities	(173,299,614)	(9,637,408)	(256,535)	(183,193,557)
Net Cash Provided (Used) by Investing Activities	(223,343,060)	10,023,360	(6,757,565)	(220,077,265)
Net Increase in Cash and Cash Equivalents	61,071,744	5,067,292	555,935	66,694,971
Cash and Cash Equivalents, July 1, 2018, as restated	637,302,739	55,218,059	59,244,727	751,765,525
Cash and Cash Equivalents, June 30, 2019	\$698,374,483	\$60,285,351	\$59,800,662	\$818,460,496

* 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

University — For the fiscal year ended June 30, 2019, the University implemented the following pronouncement by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

GASB Statement No. 88 improves the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It defines debt for purposes of disclosure in notes to financial statements and requires disclosure of additional essential information, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events with finance-related consequences or significant subjective acceleration clauses. Additionally, this Statement requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Component Units — For the fiscal year ended June 30, 2019, The Arts and Sciences Foundation and Educational Foundation Trust implemented Financial Accounting Standards Board Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update amends the requirements related to net asset classifications for not-for-profit entities. With this update, net assets on the face of the statement of financial position and changes in net assets on the face of the statement of activities are presented using two classes: *net assets with donor restrictions* and *net assets without donor restrictions*, in addition to the previously required total net assets and changes in total net assets. The Medical Foundation, which is the University's other discretely presented component unit did an early implementation of the new standard last year.

NOTE 24

Net Position Restatements

As of July 1, 2018, net position as previously reported was restated as follows:

July 1, 2018, Net Position as Previously Reported	\$1,838,017,691
Restatements:	
Blending of School of Social Work Foundation, Inc.	13,361,094
July 1, 2018, Net Position as Restated	\$1,851,378,785

NOTE 25

Subsequent Events

The Board of Governors, on behalf of the University, has a standby liquidity facility in the amount of \$100.0 million with Royal Bank of Canada that is scheduled to expire on September 18, 2019. The University closed a replacement standby liquidity facility in the amount of \$100.0 million with TD Bank, N.A. with an effective date of September 18, 2019, so as to provide continuous liquidity coverage. The replacement liquidity facility with TD Bank, N.A., also in the name of the Board of Governors on behalf of the University, was approved by a resolution of the Board on May 22, 2019, and is expected to carry a five-year term.

The Board of Governors, on behalf of the University, anticipates issuing a \$30.0 million special obligation General Revenue Series 2019C Bond later in fiscal year 2019-20 to fund the purchase of real property improvements for athletics facilities from the Educational Foundation, Inc. General Revenue Series 2019C was approved by a resolution of the Board on January 25, 2019. The specific terms of the transaction are to be determined at a later date.

June 30, 2019

Required Supplementary Information

- 103** Schedule of the Proportionate Share of the Net Pension Liability Cost-Sharing, Multiple Employer, Defined Benefit Pension Plan
- 103** Schedule of University Contributions Cost-Sharing, Multiple Employer, Defined Benefit Pension Plan
- 104** Notes to Schedule of University Contributions Cost-Sharing, Multi-Employer, Defined Pension Plan
- 104** Schedule of the Proportionate Net OPEB Liability (Asset) Cost-Sharing, Multiple Employer, Defined Benefit OPEB Plans
- 105** Schedule of University Contributions Cost-Sharing, Multiple Employer, Defined Benefit OPEB Plans
- 106** Notes to Schedule of University Contributions Cost-Sharing, Multi-Employer Defined Benefit OPEB Plans

Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan

Last Six Fiscal Years*

Teachers' and State Employees' Retirement System	2019	2018	2017
Proportionate Share Percentage of Collective Net Pension Liability	3.18%	3.12%	3.09%
Proportionate Share of TSERS Collective Net Pension Liability	\$316,120,760	\$247,539,484	\$284,334,716
Covered Payroll	\$498,130,872	\$480,647,184	\$460,471,749
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	63.46%	51.50%	61.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%	89.51%	87.32%

Teachers' and State Employees' Retirement System	2016	2015	2014
Proportionate Share Percentage of Collective Net Pension Liability	3.12%	3.22%	3.20%
Proportionate Share of TSERS Collective Net Pension Liability	\$115,061,832	\$37,801,432	\$194,278,679
Covered Payroll	\$451,281,663	\$457,366,996	\$460,281,538
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	25.50%	8.27%	42.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Schedule of University Contributions Cost-Sharing, Multi-Employer, Defined Benefit Pension Plan

Last Ten Fiscal Years

Teachers' and State Employees' Retirement System	2019	2018	2017	2016	2015
Contractually Required Contribution	\$62,403,703	\$53,698,508	\$47,968,589	\$42,133,165	\$41,292,272
Contributions in Relation to the Contractually Determined Contribution	\$62,403,703	\$53,698,508	\$47,968,589	\$42,133,165	\$41,292,272
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Payroll	\$507,759,996	\$498,130,872	\$480,647,184	\$460,471,749	\$451,281,663
Contributions as a Percentage of Covered Payroll	12.29%	10.78%	9.98%	9.15%	9.15%

Teachers' and State Employees' Retirement System	2014	2013	2012	2011	2010
Contractually Required Contribution	\$39,745,192	\$38,341,452	\$33,975,672	\$23,308,729	\$16,632,618
Contributions in Relation to the Contractually Determined Contribution	\$39,745,192	\$38,341,452	\$33,975,672	\$23,308,729	\$16,632,618
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Payroll	\$457,366,996	\$460,281,538	\$456,662,258	\$472,793,699	\$465,899,657
Contributions as a Percentage of Covered Payroll	8.69%	8.33%	7.44%	4.93%	3.57%

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 Cost-Sharing, Multi-Employer, Defined Benefit Pension Plan

Last ten fiscal years

Changes of benefit terms

Teachers' and State Employees' Retirement System Cost of Living Increase									
2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%

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 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 the Teachers' and State Employees' Retirement System was lowered from 7.25% to 7.20% for the December 31, 2016, valuation. For the December 31, 2017, valuation, the discount rate was lowered to 7.00%.

The Board of Trustees also adopted a new asset valuation method for the Teachers' and State Employees' Retirement System. For determining plan funding requirements, the plan now uses 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 2018 Comprehensive Annual Financial Report.

N/A – Not Applicable

Required Supplementary Information

Schedule of the Proportionate Net OPEB Liability (Asset) Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Last three fiscal years*

	2019	2018	2017
Retiree Health Benefit Fund:			
Proportionate Share Percentage of Collective Net OPEB Liability	6.76%	6.36%	7.25%
Proportionate Share of Collective Net OPEB Liability	\$1,926,872,329	\$2,085,455,588	\$3,153,296,023
Covered Payroll	\$1,145,860,475	\$1,091,925,969	\$1,058,316,661
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	168.16%	190.99%	297.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina:			
Proportionate Share Percentage of Collective Net OPEB Asset	6.91%	6.81%	6.66%
Proportionate Share of Collective Net OPEB Asset	(\$2,100,172)	(\$4,162,076)	(\$4,163,127)
Covered Payroll	\$1,145,860,475	\$1,091,925,969	\$1,058,316,661
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	(0.18%)	(0.38%)	(0.39%)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	108.47%	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*, as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

Last ten fiscal years

Retiree Health Benefit Fund	2019	2018	2017	2016	2015
Contractually Required Contribution	\$75,566,063	\$69,324,559	\$63,440,899	\$59,265,733	\$55,554,649
Contributions in Relation to the Contractually Determined Contribution	\$75,566,063	\$69,324,559	\$63,440,899	\$59,265,733	\$55,554,649
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Payroll	\$1,205,200,371	\$1,145,860,475	\$1,091,925,969	\$1,058,316,661	\$1,011,924,390
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%	5.60%	5.49%

Retiree Health Benefit Fund	2014	2013	2012	2011	2010
Contractually Required Contribution	\$53,247,759	\$51,582,373	\$47,027,478	\$46,527,281	\$41,953,228
Contributions in Relation to the Contractually Determined Contribution	\$53,247,759	\$51,582,373	\$47,027,478	\$46,527,281	\$41,953,228
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Payroll	\$986,069,611	\$973,252,321	\$940,549,560	\$949,536,347	\$932,293,956
Contributions as a Percentage of Covered Payroll	5.40%	5.30%	5.00%	4.90%	4.50%

Disability Income Plan of North Carolina	2019	2018	2017	2016	2015
Contractually Required Contribution	\$1,687,281	\$1,604,205	\$4,149,319	\$4,339,098	\$4,148,890
Contributions in Relation to the Contractually Determined Contribution	\$1,687,281	\$1,604,205	\$4,149,319	\$4,339,098	\$4,148,890
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Payroll	\$1,205,200,371	\$1,145,860,475	\$1,091,925,969	\$1,058,316,661	\$1,011,924,390
Contributions as a Percentage of Covered Payroll	0.14%	0.14%	0.38%	0.41%	0.41%

Disability Income Plan of North Carolina	2014	2013	2012	2011	2010
Contractually Required Contribution	\$4,338,706	\$4,282,310	\$4,890,858	\$4,937,589	\$4,847,929
Contributions in Relation to the Contractually Determined Contribution	\$4,338,706	\$4,282,310	\$4,890,858	\$4,937,589	\$4,847,929
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Payroll	\$986,069,611	\$973,252,321	\$940,549,560	\$949,536,347	\$932,293,956
Contributions as a Percentage of Covered Payroll	0.44%	0.44%	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 (RHBF). 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 RHBF. 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 RHBF. The actuarially determined contribution rates in the Schedule of University 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 (DIPNC). 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 RHBF and the DIPNC. 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 2018, for the December 31, 2017, actuarial valuation, the discount rate for the RHBF was updated to 3.87% and the medical and prescription drug claims cost were changed based on most recent experience. Enrollment assumptions were updated to model expected migrations among RHBF plan options and trend assumptions for the RHBF include contribution changes for the 2019 period as those amounts have been finalized.

Additionally, the December 31, 2017, DIPNC actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2018 Comprehensive Annual Financial Report.







Statistical Section

Narrative to the Statistical Section

111 Financial Trends

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

- Net Position by Component
- Changes in Net Position
- Operating Expenses by Function

118 Revenue Capacity

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

- Academic Year Tuition and Required Fees
- Principal Revenue Payers

120 Debt Capacity

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

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

132 Demographic and Economic Information

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

- Annual Undergraduate Educational Costs Per Student
- Admissions, Enrollment, and Degrees Earned
- First Year Students Applied, Accepted and Enrolled
- Headcount Total
- Degrees Earned
- Demographic Data
- Principal Employers

137 Operating Information

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

- Capital Assets (Number of Facilities)
- Faculty and Staff

Financial Trends

Net Position by Component

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
		(as restated)	(as restated)	(as restated)	
Net Investment in Capital Assets	\$1,728,392	\$1,675,469	\$1,653,505	\$1,655,895	\$1,686,949
Restricted, Nonexpendable	898,615	877,981	824,210	787,682	773,548
Restricted, Expendable	1,568,685	1,444,331	1,554,230	1,372,533	1,453,008
Unrestricted	(1,884,102)	(2,146,402)	(2,420,876)	763,370	753,407
Total Net Position	\$2,311,590	\$1,851,379	\$1,611,069	\$4,579,480	\$4,666,912

	2014	2013	2012	2011	2010
	(as restated)				
Net Investment in Capital Assets	\$1,694,842	\$1,632,515	\$1,645,959	\$1,587,446	\$1,420,104
Restricted, Nonexpendable	724,605	702,225	700,687	656,723	621,873
Restricted, Expendable	1,390,715	1,193,821	990,908	1,007,536	891,182
Unrestricted	766,194	972,888	896,092	851,254	778,439
Total Net Position	\$4,576,356	\$4,501,449	\$4,233,646	\$4,102,959	\$3,711,598

expressed as a percent of the total

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
		(as restated)	(as restated)	(as restated)	
Net Investment in Capital Assets	74.8	90.5	102.6	36.2	36.2
Restricted, Nonexpendable	38.9	47.4	51.2	17.2	16.6
Restricted, Expendable	67.9	78.0	96.5	30.0	31.1
Unrestricted	(81.6)	(115.9)	(150.3)	16.6	16.1
Total Net Position	100.0	100.0	100.0	100.0	100.0

	2014	2013	2012	2011	2010
	(as restated)				
Net Investment in Capital Assets	37.1	36.3	38.9	38.7	38.3
Restricted, Nonexpendable	15.8	15.6	16.5	16.0	16.7
Restricted, Expendable	30.4	26.5	23.4	24.6	24.0
Unrestricted	16.7	21.6	21.2	20.7	21.0
Total Net Position	100.0	100.0	100.0	100.0	100.0

Changes in Net Position

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Operating Revenues:				(as restated)	
Student Tuition and Fees, Net	\$424,391	\$438,405	\$426,856	\$405,808	\$395,005
Patient Services, Net	506,766	481,877	442,460	416,811	323,700
Federal Grants and Contracts	710,288	711,778	643,953	639,351	716,564
State and Local Grants and Contracts	12,172	12,754	19,600	29,433	17,227
Nongovernmental Grants and Contracts	143,681	113,974	147,670	160,714	106,762
Sales and Services, Net	488,582	447,932	427,270	416,013	461,580
Interest Earnings on Loans	1,548	2,928	1,432	1,450	1,167
Other Operating Revenues	8,580	6,776	14,962	17,632	9,280
Total Operating Revenues	2,296,008	2,216,424	2,124,203	2,087,212	2,031,285
Operating Expenses:					
Salaries and Benefits	1,716,743	1,730,164	1,697,183	1,544,504	1,505,426
Supplies and Materials	217,050	178,419	191,162	216,969	188,308
Services	796,183	781,688	782,162	722,677	886,631
Scholarships and Fellowships	88,821	131,467	123,739	122,816	119,453
Utilities	89,640	84,287	79,081	83,711	88,373
Depreciation and Amortization	142,244	138,401	140,085	136,572	136,493
Total Operating Expenses	3,050,681	3,044,426	3,013,412	2,827,249	2,924,684
Operating Loss	(754,673)	(828,002)	(889,209)	(740,037)	(893,399)
Nonoperating Revenues (Expenses):					
State Appropriations	543,274	518,231	500,212	493,923	479,186
State Aid — Federal Recovery Funds					
Noncapital Grants — Federal Student Financial Aid	43,301	40,338	15,992	19,607	36,232
Noncapital Grants	82,397	99,377	118,754	75,956	88,597
Noncapital Gifts, Net	191,455	172,441	179,000	123,456	155,065
Investment Income (Loss), Net	206,536	292,215	267,070	(50,950)	195,407
Interest and Fees on Debt	(51,052)	(53,540)	(56,960)	(62,561)	(67,459)
Federal Interest Subsidy on Debt	2,132	2,123	2,116	2,118	2,107
Other Nonoperating Revenues (Expenses)	102,418	(64,522)	(42,929)	27,520	32,631
Net Nonoperating Revenues	1,120,461	1,006,663	983,255	629,069	921,766
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	365,788	178,661	94,046	(110,968)	28,367
Capital Appropriations	4,060	9,038	12,869	8,767	1,600
Refund of Prior Years Capital Appropriations					
Capital Grants	13,828	13,150	3,790	8,997	29,631
Capital Gifts	48,995	3,999	16,996		11,261
Additions to Endowments	27,540	22,101	16,968	12,428	19,697
Increase (Decrease) in Net Position	\$460,211	\$226,949	\$144,669	(\$80,776)	\$90,556
Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Total Revenues	\$3,561,944	\$3,389,437	\$3,257,970	\$2,859,984	\$3,082,699
Total Expenses	3,101,733	3,162,488	3,113,301	2,940,760	2,992,143
Increase (Decrease) in Net Position	\$460,211	\$226,949	\$144,669	(\$80,776)	\$90,556

Changes in Net Position

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Operating Revenues:	(as restated)				
Student Tuition and Fees, Net	\$361,771	\$348,049	\$320,535	\$289,897	\$249,083
Patient Services, Net	312,054	291,277	280,671	280,035	242,757
Federal Grants and Contracts	707,514	587,220	578,702	571,288	530,368
State and Local Grants and Contracts	37,613	41,471	41,953	38,251	37,679
Nongovernmental Grants and Contracts	158,133	132,506	105,191	146,081	120,674
Sales and Services, Net	458,458	429,243	400,480	373,706	354,439
Interest Earnings on Loans	823	730	849	842	790
Other Operating Revenues	2,872	8,198	8,148	4,836	6,485
Total Operating Revenues	2,039,238	1,838,694	1,736,529	1,704,936	1,542,275
Operating Expenses:					
Salaries and Benefits	1,622,395	1,435,472	1,375,758	1,379,178	1,340,749
Supplies and Materials	159,907	160,698	164,899	162,999	156,404
Services	872,702	650,516	617,589	614,928	538,784
Scholarships and Fellowships	112,450	104,557	96,871	91,140	69,083
Utilities	85,157	83,265	80,832	81,471	81,210
Depreciation and Amortization	130,438	117,968	113,530	102,724	90,861
Total Operating Expenses	2,983,049	2,552,476	2,449,479	2,432,440	2,277,091
Operating Loss	(943,811)	(713,782)	(712,950)	(727,504)	(734,816)
Nonoperating Revenues (Expenses):					
State Appropriations	482,728	515,121	486,492	520,198	509,691
State Aid — Federal Recovery Funds				14,480	32,062
Noncapital Grants — Federal Student Financial Aid	18,622	18,011	17,899	18,946	17,099
Noncapital Grants	122,611	164,790	163,440	175,600	155,014
Noncapital Gifts, Net	97,416	67,641	99,446	93,166	75,881
Investment Income (Loss), Net	258,372	191,969	33,134	208,184	103,605
Interest and Fees on Debt	(66,217)	(70,118)	(64,321)	(56,765)	(64,261)
Federal Interest Subsidy on Debt	2,109	2,174	2,274	2,273	1,130
Other Nonoperating Revenues (Expenses)	(6,162)	(1,600)	(6,053)	(2,670)	(14,219)
Net Nonoperating Revenues	909,479	887,988	732,311	973,412	816,002
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(34,332)	174,206	19,361	245,908	81,186
Capital Appropriations	4,313	2,285			
Refund of Prior Years Capital Appropriations				(81)	(444)
Capital Grants	41,507	44,177	78,133	91,864	86,117
Capital Gifts	6,064	23,182	5,630	9,149	50,688
Additions to Endowments	25,609	23,953	27,563	44,521	31,609
Increase (Decrease) in Net Position	\$43,161	\$267,803	\$130,687	\$391,361	\$249,156
Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Total Revenues	\$3,098,589	\$2,891,998	\$2,650,540	\$2,883,317	\$2,605,171
Total Expenses	3,055,428	2,624,195	2,519,853	2,491,956	2,356,015
Increase (Decrease) in Net Position	\$43,161	\$267,803	\$130,687	\$391,361	\$249,156

Changes in Net Position

Last ten fiscal years

expressed as a percent of total revenues / total expenses

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Operating Revenues:				(as restated)	
Student Tuition and Fees, Net	11.9	12.9	13.1	14.2	12.8
Patient Services, Net	14.6	14.2	13.6	14.6	10.5
Federal Grants and Contracts	20.2	21.0	19.8	22.4	23.2
State and Local Grants and Contracts	0.3	0.4	0.6	1.0	0.6
Nongovernmental Grants and Contracts	4.0	3.4	4.5	5.6	3.5
Sales and Services, Net	13.7	13.2	13.1	14.5	15.0
Interest Earnings on Loans	0.0	0.1	0.0	0.1	0.0
Other Operating Revenues	0.2	0.2	0.5	0.6	0.3
Total Operating Revenues	64.5	65.4	65.2	73.0	65.9
Operating Expenses:					
Salaries and Benefits	55.3	54.7	54.5	52.5	50.3
Supplies and Materials	7.0	5.6	6.1	7.4	6.3
Services	25.7	24.7	25.1	24.6	29.6
Scholarships and Fellowships	2.9	4.2	4.0	4.2	4.0
Utilities	2.9	2.7	2.5	2.8	3.0
Depreciation and Amortization	4.6	4.4	4.5	4.6	4.6
Total Operating Expenses	85.7	89.8	92.5	98.9	94.9
Operating Loss	(21.2)	(24.4)	(27.3)	(25.9)	(29.0)
Nonoperating Revenues (Expenses):					
State Appropriations	15.3	15.3	15.4	17.3	15.5
State Aid — Federal Recovery Funds	0.0	0.0	0.0	0.0	0.0
Noncapital Grants — Federal Student Financial Aid	1.2	1.2	0.5	0.7	1.2
Noncapital Grants	2.3	2.9	3.6	2.7	2.9
Noncapital Gifts, Net	5.4	5.1	5.5	4.3	5.0
Investment Income (Loss), Net	5.8	8.6	8.2	(1.7)	6.3
Interest and Fees on Debt	(1.6)	(1.7)	(1.8)	(2.1)	(2.3)
Federal Interest Subsidy on Debt	0.1	0.1	0.1	0.1	0.1
Other Nonoperating Revenues (Expenses)	2.9	2.0	(1.4)	1.0	1.1
Net Nonoperating Revenues	31.5	29.7	30.2	22.0	29.9
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	10.3	5.3	2.9	(3.9)	0.9
Capital Appropriations	0.1	0.3	0.4	0.3	0.1
Refund of Prior Years Capital Appropriations	0.0	0.0	0.0	0.0	0.0
Capital Grants	0.3	0.3	0.1	0.4	0.9
Capital Gifts	1.4	0.1	0.5	0.0	0.4
Additions to Endowments	0.8	0.7	0.5	0.4	0.6
Increase (Decrease) in Net Position	12.9	6.7	4.4	(2.8)	2.9

Changes in Net Position

Last ten fiscal years

expressed as a percent of total revenues / total expenses

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Operating Revenues:	(as restated)				
Student Tuition and Fees, Net	11.7	12.0	12.1	10.1	9.6
Patient Services, Net	10.1	10.1	10.6	9.7	9.3
Federal Grants and Contracts	22.8	20.4	21.8	19.8	20.5
State and Local Grants and Contracts	1.2	1.4	1.6	1.3	1.4
Nongovernmental Grants and Contracts	5.1	4.6	4.0	5.1	4.6
Sales and Services, Net	14.8	14.8	15.1	13.0	13.6
Interest Earnings on Loans	0.0	0.0	0.0	0.0	0.0
Other Operating Revenues	0.1	0.3	0.3	0.2	0.2
Total Operating Revenues	65.8	63.6	65.5	59.1	59.2
Operating Expenses:					
Salaries and Benefits	53.1	54.7	54.6	55.3	56.9
Supplies and Materials	5.2	6.1	6.5	6.5	6.6
Services	28.6	24.8	24.5	24.7	22.9
Scholarships and Fellowships	3.7	4.0	3.8	3.7	2.9
Utilities	2.8	3.2	3.2	3.3	3.4
Depreciation and Amortization	4.3	4.5	4.5	4.1	3.9
Total Operating Expenses	96.3	88.3	92.4	84.4	87.4
Operating Loss	(30.5)	(24.7)	(26.9)	(25.3)	(28.2)
Nonoperating Revenues (Expenses):					
State Appropriations	15.6	17.8	18.4	18.0	19.6
State Aid — Federal Recovery Funds	0.0	0.0	0.0	0.5	1.2
Noncapital Grants — Federal Student Financial Aid	0.6	0.6	0.7	0.7	0.7
Noncapital Grants	4.0	5.7	6.2	6.1	6.0
Noncapital Gifts, Net	3.1	2.3	3.8	3.2	2.9
Investment Income (Loss), Net	8.3	6.6	1.3	7.2	4.0
Interest and Fees on Debt	(2.2)	(2.7)	(2.6)	(2.3)	(2.7)
Federal Interest Subsidy on Debt	0.1	0.1	0.1	0.1	0.0
Other Nonoperating Revenues (Expenses)	(0.2)	(0.1)	(0.2)	(0.1)	(0.6)
Net Nonoperating Revenues	29.4	30.7	27.6	33.9	31.3
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1.1)	6.0	0.7	8.6	3.1
Capital Appropriations	0.1	0.1	0.0	0.0	0.0
Refund of Prior Years Capital Appropriations	0.0	0.0	0.0	0.0	0.0
Capital Grants	1.4	1.6	3.0	3.2	3.3
Capital Gifts	0.2	0.8	0.2	0.3	1.9
Additions to Endowments	0.8	0.8	1.0	1.5	1.2
Increase (Decrease) in Net Position	1.4	9.3	4.9	13.6	9.6

Operating Expenses by Function

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
				(as restated)	
Instruction	\$747,907	\$749,322	\$721,569	\$728,243	\$683,793
Research	595,395	601,890	595,219	546,228	714,093
Public Service	157,063	148,579	142,315	164,235	152,661
Academic Support	135,886	132,369	137,947	137,657	110,417
Student Services	44,403	44,497	45,506	39,162	35,845
Institutional Support	196,207	198,111	186,342	139,743	130,905
Operations and Maintenance of Plant	149,787	142,403	193,988	152,396	162,016
Student Financial Aid	90,380	129,050	123,740	122,816	119,453
Auxiliary Enterprises	791,409	759,804	726,701	660,197	662,094
Depreciation and Amortization	142,244	138,401	140,085	136,572	136,493
Pension Expense*					16,914
Total Operating Expenses by Function	\$3,050,681	\$3,044,426	\$3,013,412	\$2,827,249	\$2,924,684

expressed as a percent of the total

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
				(as restated)	
Instruction	24.5	24.6	23.9	25.8	23.4
Research	19.5	19.8	19.8	19.3	24.4
Public Service	5.1	4.9	4.7	5.8	5.2
Academic Support	4.5	4.3	4.6	4.9	3.8
Student Services	1.5	1.5	1.5	1.4	1.2
Institutional Support	6.4	6.5	6.2	4.9	4.5
Operations and Maintenance of Plant	4.9	4.7	6.4	5.4	5.5
Student Financial Aid	3.0	4.2	4.1	4.3	4.1
Auxiliary Enterprises	25.9	25.0	24.1	23.4	22.6
Depreciation and Amortization	4.7	4.5	4.7	4.8	4.7
Pension Expense*	0.0	0.0	0.0	0.0	0.6
Total Operating Expenses by Function	100.0	100.0	100.0	100.0	100.0

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

in thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
	(as restated)				
Instruction	\$675,822	\$694,692	\$682,857	\$698,770	\$684,836
Research	703,621	529,102	472,102	468,685	431,317
Public Service	134,917	133,059	122,989	137,279	138,044
Academic Support	118,680	114,371	111,719	105,883	107,806
Student Services	32,807	27,565	25,992	28,320	26,961
Institutional Support	100,238	93,852	84,400	91,558	83,962
Operations and Maintenance of Plant	150,013	135,314	140,417	145,270	136,008
Student Financial Aid	112,450	104,557	96,871	91,140	69,083
Auxiliary Enterprises	669,423	601,996	598,602	562,811	508,213
Depreciation and Amortization	130,439	117,968	113,530	102,724	90,861
Pension Expense*	154,639				
Total Operating Expenses by Function	\$2,983,049	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091

expressed as a percent of the total

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
	(as restated)				
Instruction	22.7	27.2	27.9	28.7	30.1
Research	23.6	20.7	19.3	19.3	18.9
Public Service	4.4	5.2	5.0	5.6	6.1
Academic Support	4.0	4.5	4.6	4.4	4.7
Student Services	1.1	1.1	1.1	1.2	1.2
Institutional Support	3.4	3.7	3.4	3.8	3.7
Operations and Maintenance of Plant	5.0	5.3	5.7	6.0	6.0
Student Financial Aid	3.8	4.1	4.0	3.7	3.0
Auxiliary Enterprises	22.4	23.6	24.4	23.1	22.3
Depreciation and Amortization	4.4	4.6	4.6	4.2	4.0
Pension Expense*	5.2	0.0	0.0	0.0	0.0
Total Operating Expenses by Function	100.0	100.0	100.0	100.0	100.0

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

Revenue Capacity

Academic Year Tuition and Required Fees

Last ten fiscal years

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
UNC-Chapel Hill vs Association of American Universities (AAU):				(as restated)	
Resident Undergraduate — UNC-CH	\$8,987	\$9,005	\$8,834	\$8,591	\$8,336
% increase (decrease) from prior year	(0.20%)	1.94%	2.83%	3.06%	(0.05%)
AAU Public Universities (mean)	\$12,526	\$12,277	\$11,833	\$12,285	\$11,465
% increase (decrease) from prior year	2.03%	3.75%	(3.68%)	7.15%	1.30%
Non-Resident Undergraduate — UNC-CH	\$35,170	\$34,588	\$33,916	\$33,673	\$33,418
% increase from prior year	1.68%	1.98%	0.72%	0.76%	10.94%
AAU Public Universities (mean)	\$35,230	\$34,533	\$32,890	\$31,026	\$30,618
% increase from prior year	2.02%	5.00%	6.01%	1.33%	3.20%
Resident Graduate — UNC-CH	\$12,212	\$11,929	\$11,606	\$11,074	\$10,594
% increase from prior year	2.37%	2.78%	4.80%	4.53%	3.38%
AAU Public Universities (mean)	\$14,625	\$14,355	\$13,848	\$13,751	\$13,415
% increase from prior year	1.88%	3.66%	0.71%	2.50%	1.71%
Non-Resident Graduate — UNC-CH	\$29,423	\$29,140	\$28,817	\$28,285	\$27,805
% increase from prior year	0.97%	1.12%	1.87%	1.72%	1.25%
AAU Public Universities (mean)	\$30,038	\$29,507	\$28,609	\$28,182	\$27,495
% increase from prior year	1.80%	3.14%	1.52%	2.50%	2.62%

Sources: AAU Data Exchange, 2009–2019 Missouri Tuition & Fees Survey (amounts not available in the survey were found on websites of individual institutions), Office of Institutional Research & Assessment Analytic Reports

Principal Revenue Payers

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
				(as restated)	
State and Local Grants and Contracts	\$12,172	\$12,754	\$19,600	\$29,433	\$17,227
State Appropriations and State Aid	543,274	518,231	500,212	493,923	479,186
Capital Appropriations	4,060	9,038	12,869	8,767	1,600
Capital Grants	13,828	13,150	3,790	8,997	29,631
NC State Government	\$573,334	\$553,173	\$536,471	\$541,120	\$527,644
% increase (decrease) from prior year	3.64%	3.11%	(0.86%)	2.55%	(6.80%)
Federal Grants and Contracts	\$710,288	\$711,778	\$643,953	\$639,351	\$716,564
Noncapital Grants	125,698	139,715	134,746	95,563	124,829
Federal Government	\$835,986	\$851,493	\$778,699	\$734,914	\$841,393
% increase (decrease) from prior year	(1.82%)	9.35%	5.96%	(12.66%)	(0.87%)

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
UNC-Chapel Hill vs Association of American Universities (AAU):	(as restated)	(as restated)			
Resident Undergraduate — UNC-CH	\$8,340	\$7,690	\$7,009	\$6,665	\$5,625
% increase from prior year	8.45%	9.72%	5.15%	18.50%	4.23%
AAU Public Universities (mean)	\$11,318	\$11,142	\$10,642	\$9,786	\$8,806
% increase from prior year	1.58%	4.70%	8.75%	11.13%	6.31%
Non-Resident Undergraduate — UNC-CH	\$30,122	\$28,442	\$26,834	\$25,280	\$23,513
% increase from prior year	5.91%	5.99%	6.14%	7.52%	5.46%
AAU Public Universities (mean)	\$29,668	\$28,991	\$28,031	\$26,577	\$24,775
% increase from prior year	2.34%	3.42%	5.47%	7.27%	7.23%
Resident Graduate — UNC-CH	\$10,248	\$9,689	\$8,646	\$8,202	\$7,162
% increase from prior year	5.77%	12.06%	5.42%	14.52%	7.01%
AAU Public Universities (mean)	\$13,189	\$12,849	\$12,364	\$11,367	\$10,795
% increase from prior year	2.65%	3.92%	8.77%	5.30%	6.53%
Non-Resident Graduate — UNC-CH	\$27,459	\$25,780	\$24,333	\$22,932	\$21,560
% increase from prior year	6.50%	5.94%	6.11%	6.36%	2.22%
AAU Public Universities (mean)	\$26,793	\$26,145	\$25,381	\$24,085	\$23,002
% increase from prior year	2.48%	3.01%	5.38%	4.71%	4.97%

Sources: AAU Data Exchange, 2009–2019 Missouri Tuition & Fees Survey (amounts not available in the survey were found on websites of individual institutions), Office of Institutional Research & Assessment Analytic Reports

in thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
	(as restated)			(as restated)	
State and Local Grants and Contracts	\$37,613	\$41,471	\$41,953	\$38,251	\$37,679
State Appropriations and State Aid	482,728	515,121	486,492	534,678	541,753
Capital Appropriations	4,313	2,285			
Capital Grants	41,507	44,177	78,133	91,864	86,117
NC State Government	\$566,161	\$603,054	\$606,578	\$664,793	\$665,549
% increase (decrease) from prior year	(6.12%)	(0.58%)	(8.76%)	(0.11%)	9.63%
Federal Grants and Contracts	\$707,514	\$587,220	\$578,702	\$571,288	\$530,368
Noncapital Grants	141,233	182,801	181,339	194,546	172,113
Federal Government	\$848,747	\$770,021	\$760,041	\$765,834	\$702,481
% increase (decrease) from prior year	10.22%	1.31%	(0.76%)	9.02%	12.27%

Debt Capacity

Long-Term Debt

Last ten fiscal years

in thousands

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
				(as restated)	
General Revenue Debt	\$1,284,745	\$1,305,775	\$1,271,860	\$1,293,735	\$1,288,640
Plus Unamortized Discount/Premium	782	1,282	7,345	7,688	18,008
Less Unamortized Loss on Refunding					
Net General Revenue Debt	1,285,527	1,307,057	1,279,205	1,301,423	1,306,648
Revenue Bonds	23,819	30,961	37,713	44,116	50,152
Plus Unamortized Discount/Premium	(24)	(32)	(40)	(48)	(56)
Net Revenue Bonds	23,795	30,929	37,673	44,068	50,096
Total Bonds Payable	1,309,322	1,337,986	1,316,878	1,345,491	1,356,744
Notes Payable and Line of Credit	56,127	60,254	62,326	71,739	58,125
Capital Leases Payable	989	1,345	1,147		192
Total	\$1,366,438	\$1,399,585	\$1,380,351	\$1,417,230	\$1,415,061
Long Term Debt (whole dollars):					
per Student FTE	\$48,873	\$50,305	\$50,156	\$52,728	\$52,464
per Dollar of Total Grants and Contracts	\$1.38	\$1.43	\$1.46	\$1.53	\$1.47
per Dollar of State Appropriations and State Aid	\$2.52	\$2.70	\$2.76	\$2.87	\$2.95

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Net General Revenue Debt	\$1,285,527	\$1,307,057	\$1,279,205	\$1,301,423	\$1,306,648
Commercial Paper Program	25,000	15,000	63,000	33,000	28,000
Total General Revenue Debt	\$1,310,527	\$1,322,057	\$1,342,205	\$1,334,423	\$1,334,648
General Revenue Debt (whole dollars):					
per Student FTE	\$46,874	\$47,518	\$48,770	\$49,647	\$49,483
per Dollar of Total Grants and Contracts	\$1.32	\$1.35	\$1.42	\$1.44	\$1.38
per Dollar of State Appropriations and State Aid	\$2.41	\$2.55	\$2.68	\$2.70	\$2.79

Data Used in the Above Calculations	2019	2018	2017	2016	2015
Total Student FTE	27,959	27,822	27,521	26,878	26,972
State Appropriations and State Aid	\$543,274	\$518,231	\$500,212	\$493,923	\$479,186
Federal Grants and Contracts	710,288	711,778	643,953	639,351	716,564
State and Local Grants and Contracts	12,172	12,754	19,600	29,433	17,227
Nongovernmental Grants and Contracts	143,681	113,974	147,670	160,714	106,762
Noncapital Grants	125,698	139,715	134,746	95,563	124,829
Total Grants and Contracts	\$991,839	\$978,221	\$945,969	\$925,061	\$965,382

Source: Student FTE — Office of Institutional Research & Assessment Analytic Reports (University Registrar's Student Datamart prior to Fall 2010 and ConnectCarolina Census Instance since Fall 2010)

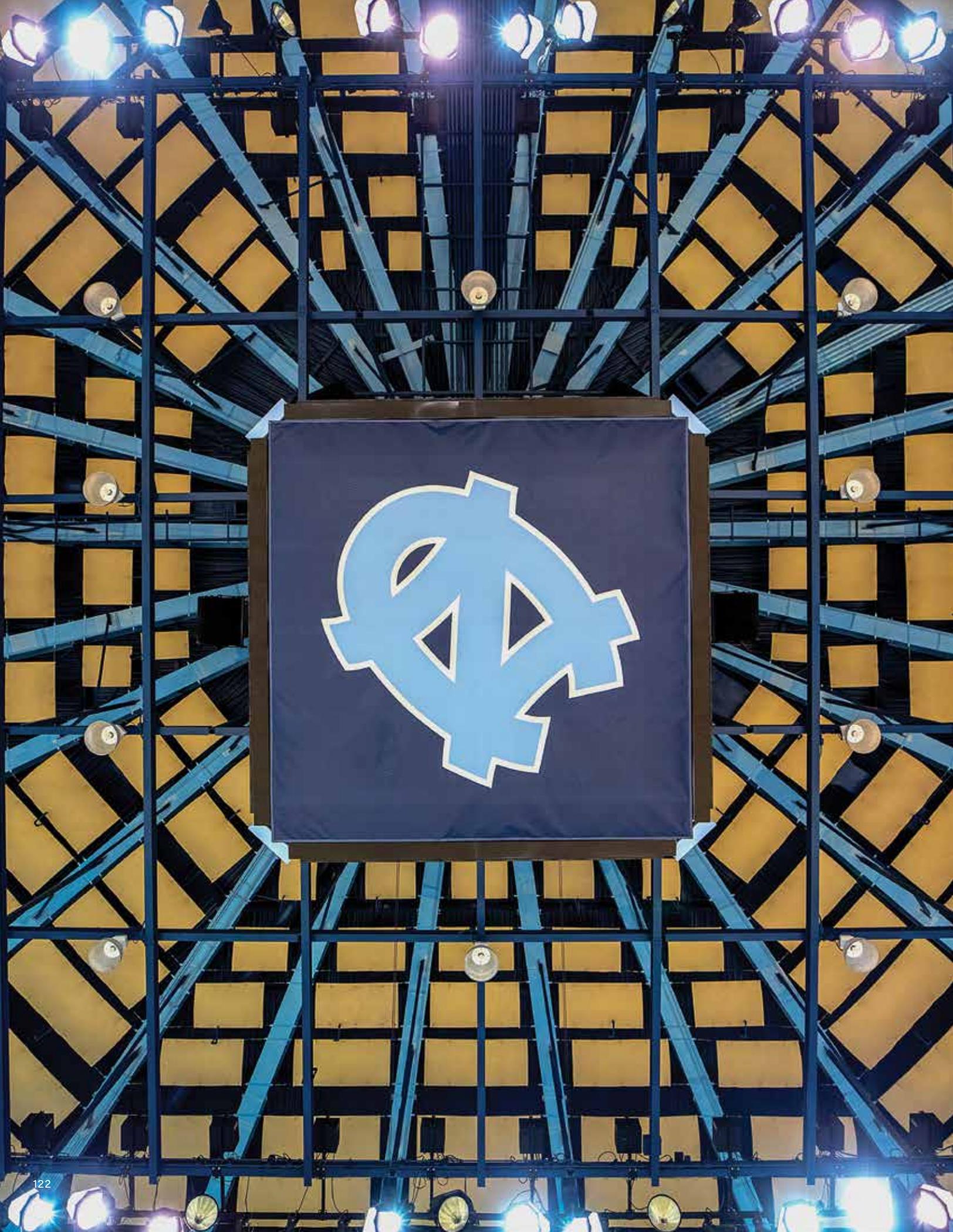
in thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
	(as restated)				
General Revenue Debt	\$1,302,255	\$1,319,835	\$1,088,320	\$1,112,480	\$1,135,545
Plus Unamortized Discount/Premium	28,855	30,189	34,312	36,068	37,824
Less Unamortized Loss on Refunding		(3,234)	(1,829)	(2,231)	(2,633)
Net General Revenue Debt	1,331,110	1,346,790	1,120,803	1,146,317	1,170,736
Revenue Bonds	59,866	68,952	77,449	77,903	82,944
Plus Unamortized Discount/Premium	(92)	(128)	(164)	(200)	(243)
Net Revenue Bonds	59,774	68,824	77,285	77,703	82,701
Total Bonds Payable	1,390,884	1,415,614	1,198,088	1,224,020	1,253,437
Notes Payable and Line of Credit	44,829	45,257	45,941	45,750	46,100
Capital Leases Payable	485	765	54	814	3,462
Total	\$1,436,198	\$1,461,636	\$1,244,083	\$1,270,584	\$1,302,999
Long Term Debt (whole dollars):					
per Student FTE	\$53,214	\$53,997	\$46,357	\$47,022	\$48,789
per Dollar of Total Grants and Contracts	\$1.38	\$1.55	\$1.37	\$1.34	\$1.51
per Dollar of State Appropriations and State Aid	\$2.98	\$2.84	\$2.56	\$2.38	\$2.41

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Net General Revenue Debt	\$1,331,110	\$1,346,790	\$1,120,803	\$1,146,317	\$1,170,736
Commercial Paper Program	18,000	18,000	132,650	73,650	59,784
Total General Revenue Debt	\$1,349,110	\$1,364,790	\$1,253,453	\$1,219,967	\$1,230,520
General Revenue Debt (whole dollars):					
per Student FTE	\$49,987	\$50,419	\$46,706	\$45,149	\$46,075
per Dollar of Total Grants and Contracts	\$1.29	\$1.45	\$1.38	\$1.28	\$1.43
per Dollar of State Appropriations and State Aid	\$2.79	\$2.65	\$2.58	\$2.28	\$2.27

Data Used in the Above Calculations	2014	2013	2012	2011	2010
Total Student FTE	26,989	27,069	26,837	27,021	26,707
State Appropriations and State Aid	\$482,728	\$515,121	\$486,492	\$534,678	\$541,753
Federal Grants and Contracts	707,514	587,220	578,702	571,288	530,368
State and Local Grants and Contracts	37,613	41,471	41,953	38,251	37,679
Nongovernmental Grants and Contracts	158,133	132,506	105,191	146,081	120,674
Noncapital Grants	141,233	182,801	181,339	194,546	172,113
Total Grants and Contracts	\$1,044,493	\$943,998	\$907,185	\$950,166	\$860,834

Source: Student FTE — Office of Institutional Research & Assessment Analytic Reports (University Registrar's Student Datamart prior to Fall 2010 and ConnectCarolina Census Instance since Fall 2010)



Summary of Ratios

Last ten fiscal years

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Composite Fiscal Index:										
+ Primary Reserve Ratio	1.06 x	0.97 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
/ 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	7.97	7.29	6.84	6.92	6.99	6.32	7.22	6.54	6.54	6.24
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	2.79	2.55	2.39	2.42	2.45	2.21	2.53	2.29	2.29	2.18
= Ratio 10.00 Cap Subtotal	2.79	2.55	2.39	2.42	2.45	2.21	2.53	2.29	2.29	2.18
+ Return on Net Position Ratio	24.9%	14.1%	3.2%	(1.7%)	2.0%	1.0%	6.3%	3.2%	10.5%	7.2%
/ 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	12.45	7.05	1.60	(0.85)	1.00	0.50	3.15	1.60	5.25	3.60
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	2.49	1.41	0.32	(0.17)	0.20	0.10	0.63	0.32	1.05	0.72
= Ratio 10.00 Cap Subtotal	2.49	1.41	0.32	(0.17)	0.20	0.10	0.63	0.32	1.05	0.72
+ Net Operating Revenues Ratio	10.9%	5.4%	2.9%	(4.0%)	1.0%	(1.1%)	6.2%	0.8%	9.0%	3.3%
/ 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	15.57	7.71	4.14	(5.71)	1.43	(1.57)	8.86	1.14	12.86	4.71
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	1.56	0.77	0.41	(0.57)	0.14	(0.16)	0.89	0.11	1.29	0.47
= Ratio 10.00 Cap Subtotal	1.00	0.77	0.41	(0.57)	0.14	(0.16)	0.89	0.11	1.00	0.47
+ Viability Ratio	2.4 x	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
/ 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	5.76	5.04	4.56	4.32	4.56	4.32	4.08	3.84	3.84	3.36
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	2.02	1.76	1.60	1.51	1.60	1.51	1.43	1.34	1.34	1.18
= Ratio 10.00 Cap Subtotal	2.02	1.76	1.60	1.51	1.60	1.51	1.43	1.34	1.34	1.18
Composite Financial Index	8.86	6.49	4.72	3.19	4.39	3.66	5.48	4.06	5.97	4.55
Composite Financial Index with 10.00 Cap	8.30	6.49	4.72	3.19	4.39	3.66	5.48	4.06	5.68	4.55

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,	2019	2018	2017	2016	2015
Primary Reserve Ratio:		(as restated)	(as restated)	(as restated)	(as restated)
Unrestricted Net Position*	\$1,166,941	\$1,030,338	\$774,189	\$862,613	\$883,668
Unrestricted Net Assets — Component Units **	76,396	68,128	60,885	54,446	50,784
Expendable Restricted Net Position	1,568,685	1,444,331	1,545,891	1,372,533	1,453,008
Temporarily Restricted Net Assets — Component Units **	489,026	449,747	425,424	372,368	401,177
Expendable Net Position and Net Assets	3,301,048	2,992,544	2,806,389	2,661,960	2,788,637
Operating Expenses	3,050,681	3,044,426	3,013,412	2,827,249	2,924,684
Interest and Fees on Debt	51,052	53,540	56,960	62,561	67,459
Total Expenses	\$3,101,733	\$3,097,966	\$3,070,372	\$2,889,810	\$2,992,143
Expendable Net Position and Net Assets	\$3,301,048	\$2,992,544	\$2,806,389	\$2,661,960	\$2,788,637
Total Expenses	\$3,101,733	\$3,097,966	\$3,070,372	\$2,889,810	\$2,992,143
Ratio	1.06 x	0.97 x	0.91 x	0.92 x	0.93 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,	2019	2018	2017	2016	2015
Return on Net Assets Ratio:				(as restated)	
Change in Net Position	\$460,211	\$226,949	\$144,668	(\$80,776)	\$90,556
Total Net Position (Beginning of Year)	\$1,851,379	\$1,611,069	\$4,579,480	\$4,660,256	\$4,576,356
Ratio	24.9%	14.1%	3.2%	(1.7%)	2.0%

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,	2019	2018	2017	2016	2015
Net Operating Revenue Ratio:					
Total Operating Revenues	\$2,296,008	\$2,216,424	\$2,124,203	\$2,087,212	\$2,031,285
State Appropriations and State Aid	543,274	518,231	500,212	493,923	479,186
Noncapital Gifts and Grants, Net	317,153	312,156	313,746	219,019	279,894
Investment Income (Loss), Net	206,536	292,215	267,070	(50,950)	195,407
Adjusted Net Operating Revenues	\$3,362,971	\$3,339,026	\$3,205,231	\$2,749,204	\$2,985,772
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	\$365,788	\$178,661	\$94,046	(\$110,968)	\$28,367
Adjusted Net Operating Revenues	\$3,362,971	\$3,339,026	\$3,205,231	\$2,749,204	\$2,985,772
Ratio	10.9%	5.4%	2.9%	(4.0%)	1.0%

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

in thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Primary Reserve Ratio:	(as restated)				
Unrestricted Net Position*	\$766,194	\$972,888	\$896,092	\$851,254	\$778,439
Unrestricted Net Assets — Component Units **	46,701	40,075	35,651	37,848	26,543
Expendable Restricted Net Position	1,390,715	1,193,821	990,908	1,007,536	891,182
Temporarily Restricted Net Assets — Component Units **	362,695	307,147	269,856	278,740	245,187
Expendable Net Position and Net Assets	2,566,305	2,513,931	2,192,507	2,175,378	1,941,351
Operating Expenses	2,983,049	2,552,476	2,449,479	2,432,440	2,277,091
Interest and Fees on Debt	66,218	70,119	64,321	56,765	64,261
Total Expenses	\$3,049,267	\$2,622,595	\$2,513,800	\$2,489,205	\$2,341,352
Expendable Net Position and Net Assets	\$2,566,305	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351
Total Expenses	\$3,049,267	\$2,622,595	\$2,513,800	\$2,489,205	\$2,341,352
Ratio	0.84 x	0.96 x	0.87 x	0.87 x	0.83 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,	2014	2013	2012	2011	2010
Return on Net Assets Ratio:	(as restated)				
Change in Net Position	\$43,161	\$267,803	\$130,687	\$391,361	\$249,156
Total Net Position (Beginning of Year)	\$4,533,195	\$4,233,646	\$4,102,959	\$3,711,598	\$3,462,442
Ratio	1.0%	6.3%	3.2%	10.5%	7.2%

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,	2014	2013	2012	2011	2010
Net Operating Revenue Ratio:	(as restated)				
Total Operating Revenues	\$2,039,238	\$1,838,694	\$1,736,529	\$1,704,936	\$1,542,275
State Appropriations and State Aid	482,728	515,121	486,492	534,678	541,753
Noncapital Gifts and Grants, Net	238,649	250,442	280,785	287,712	247,994
Investment Income (Loss), Net	258,372	191,969	33,134	208,184	103,605
Adjusted Net Operating Revenues	\$3,018,987	\$2,796,226	\$2,536,940	\$2,735,510	\$2,435,627
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(\$34,332)	\$174,205	\$19,361	\$245,908	\$81,186
Adjusted Net Operating Revenues	\$3,018,987	\$2,796,226	\$2,536,940	\$2,735,510	\$2,435,627
Ratio	(1.1%)	6.2%	0.8%	9.0%	3.3%

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,	2019	2018	2017	2016	2015
Viability Ratio:		(as restated)	(as restated)	(as restated)	(as restated)
Unrestricted Net Position*	\$1,166,941	\$1,030,338	\$774,189	\$862,613	\$883,668
Unrestricted Net Assets — Component Units **	76,396	68,128	60,885	54,446	50,784
Expendable Restricted Net Position	1,568,685	1,444,331	1,545,891	1,372,533	1,453,008
Temporarily Restricted Net Assets — Component Units **	489,026	449,747	425,424	372,368	401,177
Expendable Net Position and Net Assets	3,301,048	2,992,544	2,806,389	2,661,960	2,788,637
Bonds	1,309,323	1,337,986	1,316,878	1,345,491	1,356,744
Commercial Paper	25,000	15,000	63,000	33,000	28,000
Capital Leases	989	1,345	1,147		192
Notes	56,127	60,254	62,326	71,739	58,125
Notes — Component Units **	2,372	2,520	2,444	1,943	2,000
Total Adjusted University Debt	\$1,393,811	\$1,417,105	\$1,445,795	\$1,452,173	\$1,445,061
Expendable Net Position and Net Assets	\$3,301,048	\$2,992,544	\$2,806,389	\$2,661,960	\$2,788,637
Total Adjusted University Debt	\$1,393,811	\$1,417,105	\$1,445,795	\$1,452,173	\$1,445,061
Ratio	2.4 x	2.1 x	1.9 x	1.8 x	1.9 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 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,	2019	2018	2017	2016	2015
Debt Service to Operations:		(as restated)	(as restated)	(as restated)	(as restated)
Interest and Fees Paid on Debt and Leases	\$51,052	\$53,540	\$56,960	\$62,561	\$58,235
Less: Interest and Fees Paid — U.S. EPA Project Bonds *					
Principal Paid on Debt and Leases	184,497	86,482	99,119	555,598	293,282
Less: Non-contractual Principal Paid from Gifts and Excess Funds			(68,829)	(1,328)	(1,149)
Less: Principal Paid from Refinancing Activities	(150,000)	(54,925)		(527,055)	(261,000)
Less: Principal Paid — U.S. EPA Project Bonds *					(4,210)
Debt Service	\$85,549	\$85,097	\$87,250	\$89,776	\$85,158
Operating Expenses	\$3,050,681	\$3,044,426	\$3,013,412	\$2,827,249	\$2,924,684
Debt Service	\$85,549	\$85,097	\$87,250	\$89,776	\$85,158
Operating Expenses	\$3,050,681	\$3,044,426	\$3,013,412	\$2,827,249	\$2,924,684
Ratio	2.8%	2.8%	2.9%	3.2%	2.9%

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.

in thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Viability Ratio:	(as restated)				
Unrestricted Net Position*	\$766,194	\$972,888	\$896,092	\$851,254	\$778,439
Unrestricted Net Assets — Component Units **	46,701	40,075	35,651	37,848	26,543
Expendable Restricted Net Position	1,390,715	1,193,821	990,908	1,007,536	891,182
Temporarily Restricted Net Assets — Component Units **	362,695	307,147	269,856	278,740	245,187
Expendable Net Position and Net Assets	2,566,305	2,513,931	2,192,507	2,175,378	1,941,351
Bonds	1,390,884	1,415,614	1,198,088	1,224,020	1,253,437
Commercial Paper	18,000	18,000	132,650	73,650	59,784
Capital Leases	485	765	54	814	3,462
Notes	44,829	45,257	45,941	45,750	46,100
Notes — Component Units **		420	625	850	850
Total Adjusted University Debt	\$1,454,198	\$1,480,056	\$1,377,358	\$1,345,084	\$1,363,633
Expendable Net Position and Net Assets	\$2,566,305	\$2,513,931	\$2,192,507	\$2,175,378	\$1,941,351
Total Adjusted University Debt	\$1,454,198	\$1,480,056	\$1,377,358	\$1,345,084	\$1,363,633
Ratio	1.8 x	1.7 x	1.6 x	1.6 x	1.4 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 the nature and significance of their relationship to the University. The component units of the University are discretely presented in the Financial Section.

in thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Debt Service to Operations:	(as restated)				
Interest and Fees Paid on Debt and Leases	\$72,031	\$67,685	\$58,903	\$55,699	\$53,180
Less: Interest and Fees Paid — U.S. EPA Project Bonds *	(5)	(5)	(5)	(5)	(6)
Principal Paid on Debt and Leases	35,618	273,155	66,730	47,647	148,637
Less: Non-contractual Principal Paid from Gifts and Excess Funds	(5,133)	(684)	(221)	(16,484)	(17,639)
Less: Principal Paid from Refinancing Activities		(241,645)	(36,500)		(104,858)
Less: Principal Paid — U.S. EPA Project Bonds *	(4,210)	(4,210)	(4,215)	(4,215)	(4,215)
Debt Service	\$98,301	\$94,296	\$84,692	\$82,642	\$75,099
Operating Expenses	\$2,983,049	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091
Debt Service	\$98,301	\$94,296	\$84,692	\$82,642	\$75,099
Operating Expenses	\$2,983,049	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091
Ratio	3.3%	3.7%	3.5%	3.4%	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

in thousands

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Research Expenses to Total Expenses:					
Operating Expenses	\$3,050,681	\$3,044,426	\$3,013,412	\$2,827,249	\$2,924,684
Interest and Fees on Debt	51,052	53,540	56,960	62,561	67,459
Total Expenses	\$3,101,733	\$3,097,966	\$3,070,372	\$2,889,810	\$2,992,143
Research Expenses	\$595,395	\$601,890	\$595,219	\$546,228	\$714,093
Total Expenses	\$3,101,733	\$3,097,966	\$3,070,372	\$2,889,810	\$2,992,143
Ratio	19.2%	19.4%	19.4%	18.9%	23.9%

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

in thousands

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Net Tuition Per Student:					
Student Tuition and Fees, Net	\$424,391	\$438,405	\$426,856	\$405,808	\$395,005
Less: Scholarships and Fellowships	(88,821)	(131,467)	(123,740)	(122,816)	(119,453)
Net Tuition and Fees	\$335,570	\$306,938	\$303,116	\$282,992	\$275,552
Net Tuition and Fees	\$335,570	\$306,938	\$303,116	\$282,992	\$275,552
Undergraduate, Graduate and Professional FTE	27,959	27,822	27,521	26,878	26,972
Net Tuition per Student (whole dollars)	\$12,002	\$11,032	\$11,014	\$10,529	\$10,216

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

in thousands

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
State Appropriations and State Aid Per Student:					
State Appropriations and State Aid	\$543,274	\$518,231	\$500,212	\$493,923	\$479,186
Undergraduate, Graduate and Professional FTE	27,959	27,822	27,521	26,878	26,972
State Appropriation per Student (whole dollars)	\$19,431	\$18,627	\$18,176	\$18,376	\$17,766

Measures the institution's dependency on state appropriations.

in thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Research Expenses to Total Expenses:	(as restated)				
Operating Expenses	\$2,983,049	\$2,552,476	\$2,449,479	\$2,432,440	\$2,277,091
Interest and Fees on Debt	66,218	70,119	64,321	56,765	64,261
Total Expenses	\$3,049,267	\$2,622,595	\$2,513,800	\$2,489,205	\$2,341,352
Research Expenses	\$546,752	\$529,102	\$472,102	\$468,685	\$431,317
Total Expenses	\$3,049,267	\$2,622,595	\$2,513,800	\$2,489,205	\$2,341,352
Ratio	17.9%	20.2%	18.8%	18.8%	18.4%

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

in thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Net Tuition Per Student:	(as restated)				
Student Tuition and Fees, Net	\$361,771	\$348,049	\$320,535	\$289,897	\$249,083
Less: Scholarships and Fellowships	(112,449)	(104,556)	(96,871)	(91,140)	(69,083)
Net Tuition and Fees	\$249,322	\$243,493	\$223,664	\$198,757	\$180,000
Net Tuition and Fees	\$249,322	\$243,493	\$223,664	\$198,757	\$180,000
Undergraduate, Graduate and Professional FTE	26,989	27,069	26,837	27,021	26,707
Net Tuition per Student (whole dollars)	\$9,238	\$8,995	\$8,334	\$7,356	\$6,740

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

in thousands

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
State Appropriations and State Aid Per Student:	(as restated)				
State Appropriations and State Aid	\$482,728	\$515,121	\$486,492	\$534,678	\$541,753
Undergraduate, Graduate and Professional FTE	26,989	27,069	26,837	27,021	26,707
State Appropriation per Student (whole dollars)	\$17,886	\$19,030	\$18,128	\$19,787	\$20,285

Measures the institution's dependency on state appropriations.

Specific Revenue and General 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,	2019	2018	2017	2016	2015
Specific Revenue Bond Coverage:		(as restated)	(as restated)		(as restated)
Gross Operating Revenues	\$124,783	\$127,645	\$127,344	\$131,807	\$130,501
Direct Operating Expenses	108,989	102,373	101,484	105,950	102,288
Net Revenue Available for Debt Service	15,793	25,272	25,860	25,857	28,213
Principal	8,415	8,410	8,415	8,410	12,625
Interest					
Specific Revenue Debt Service Requirements	\$8,415	\$8,410	\$8,415	\$8,410	\$12,625
Coverage	1.88	3.00	3.07	3.07	2.23
Available Funds General Revenue Bonds:					
Total Unrestricted Revenue	\$2,427,701	\$2,311,918	\$2,448,814	\$1,247,665	\$1,709,235
Less:					
State Appropriations and State Aid	(543,274)	(518,231)	(500,212)	(493,923)	(479,186)
Tuition and Fees	(424,391)	(438,405)	(426,856)	(405,808)	(395,005)
Specific Revenue Debt Service Requirements	(8,415)	(8,410)	(8,415)	(8,410)	(12,625)
Plus:					
Adjusted Beginning Unrestricted Net Position*	1,030,338	774,189	862,613	883,668	766,194
Total Available Funds	\$2,481,958	\$2,121,061	\$2,375,944	\$1,223,192	\$1,588,613
General Revenue Bond Coverage:					
Total Available Funds	\$2,481,958	\$2,121,061	\$2,375,944	\$1,223,192	\$1,588,613
Principal	21,955	21,385	18,805	18,805	18,215
Interest	40,590	38,040	45,542	45,542	48,951
General Revenue Debt Service Requirements	\$62,545	\$59,425	\$64,347	\$64,347	\$67,166
Coverage	39.68	35.69	36.92	19.01	23.65

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. Please see Note 13 for additional information.

in thousands

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

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

*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. Please see Note 13 for additional information.

Demographic and Economic Information

Annual Undergraduate Educational Costs Per Student

In 1997, public concern over tuition prices at colleges and universities led to Congress establishing 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. Criteria that governs the methodology includes the following: it should be simple to use and understand; it should use existing data from annual financial statements; it should be applicable to all types of colleges and universities; and it should produce reasonable results when compared with the more detailed costs 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

Admissions — First-Year Students:	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Applications	43,473	40,918	35,875	31,143	31,332	30,835	28,437	23,753	23,271	23,224
Accepted	9,524	9,709	9,400	9,510	8,929	8,243	7,847	7,469	7,540	7,345
Enrolled	4,336	4,356	4,228	4,076	3,976	3,946	3,915	4,026	3,960	3,960
Accepted as a Percentage of Applications	21.9%	23.7%	26.2%	30.5%	28.5%	26.7%	27.6%	31.4%	32.4%	31.6%
Enrolled as a Percentage of Accepted	45.5%	44.9%	45.0%	42.9%	44.5%	47.9%	49.9%	53.9%	52.5%	53.9%
Average SAT Scores — Total*	1,373	1,358	1,344	1,360	1,364	1,371	1,365	1,363	1,362	1,368
Evidence-Based Reading and Reading	681	674	673	682	685	687	685	682	682	684
Math	692	684	671	678	679	684	680	681	680	684
Average ACT Composite Scores*	30	30	30	29	29	29	29	29	29	29

Enrollment:	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Undergraduate, Graduate and Professional FTE	27,959	27,822	27,521	26,878	26,972	26,989	27,069	26,837	27,021	26,707
Undergraduate, Graduate and Professional Headcount	30,011	29,911	29,469	29,084	29,135	29,127	29,278	29,137	29,390	28,916
Men (Headcount)	12,563	12,737	12,642	12,514	12,654	12,442	12,283	12,169	12,083	11,825
Percentage of Total	41.9%	42.6%	42.9%	43.0%	43.4%	42.7%	42.0%	41.8%	41.1%	40.9%
Women (Headcount)	17,448	17,174	16,827	16,570	16,481	16,685	16,995	16,968	17,307	17,091
Percentage of Total	58.1%	57.4%	57.1%	57.0%	56.6%	57.3%	58.0%	58.2%	58.9%	59.1%
African American (Headcount)	2,963	2,918	2,342	2,353	2,374	2,403	2,486	2,556	2,504	2,793
Percentage of Total	9.9%	9.8%	7.9%	8.1%	8.1%	8.3%	8.5%	8.8%	8.6%	9.8%
White (Headcount)	21,023	21,105	18,257	18,252	18,791	18,967	19,106	19,205	19,587	19,616
Percentage of Total	70.1%	70.6%	62.0%	62.8%	64.5%	65.1%	65.3%	65.9%	66.6%	67.8%
Other (Headcount)	6,025	5,888	8,870	8,479	7,970	7,757	7,686	7,376	7,299	6,507
Percentage of Total	20.1%	19.7%	30.1%	29.2%	27.4%	26.6%	26.2%	25.3%	24.8%	22.4%

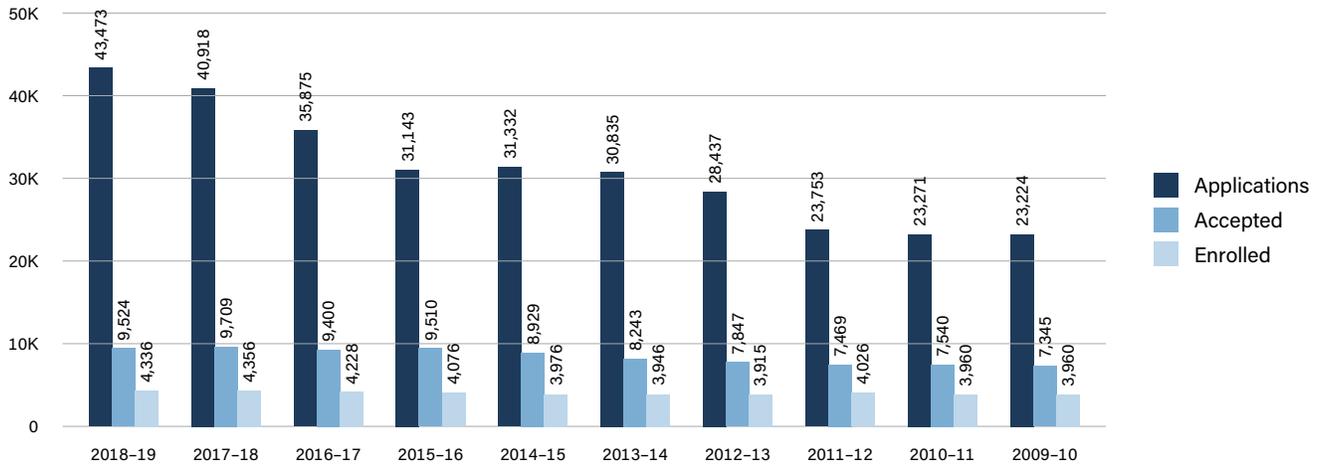
Degrees Earned**:	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Bachelor's	4,662	4,628	4,557	4,525	4,624	4,566	4,627	4,444	4,654	4,396
Master's	2,403	2,178	2,187	2,187	2,140	2,090	2,043	2,004	1,924	1,837
Doctoral	514	501	566	542	519	557	530	495	506	513
Professional	665	707	683	703	700	672	673	684	666	642

Source: Office of Institutional Research & Assessment Analytic Reports — Student Data File Census Snapshot, UNC System Office Student Datamart, Student FTE (University Registrar's Student Datamart prior to Fall 2010 and ConnectCarolina Census Instance since Fall 2010).

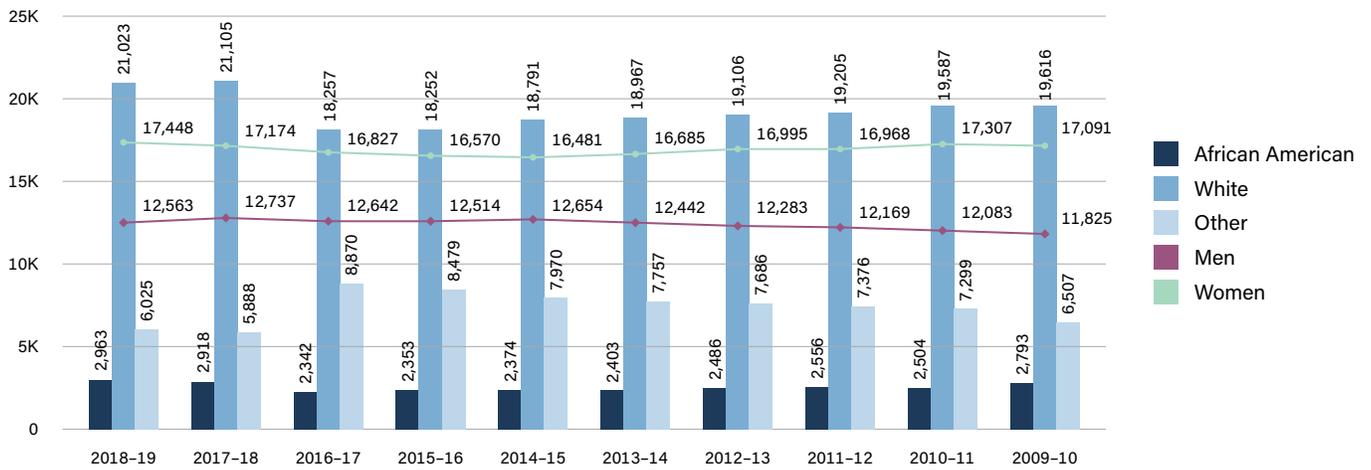
*Averages calculated using only the highest reported scores for enrolled first-time, first-year students. Also, beginning with the 2017 Cohort, SAT scores are reported using the new scoring scale and any old SAT score submitted have been converted to the new scale. Prior to the 2017 Cohort, any new SAT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

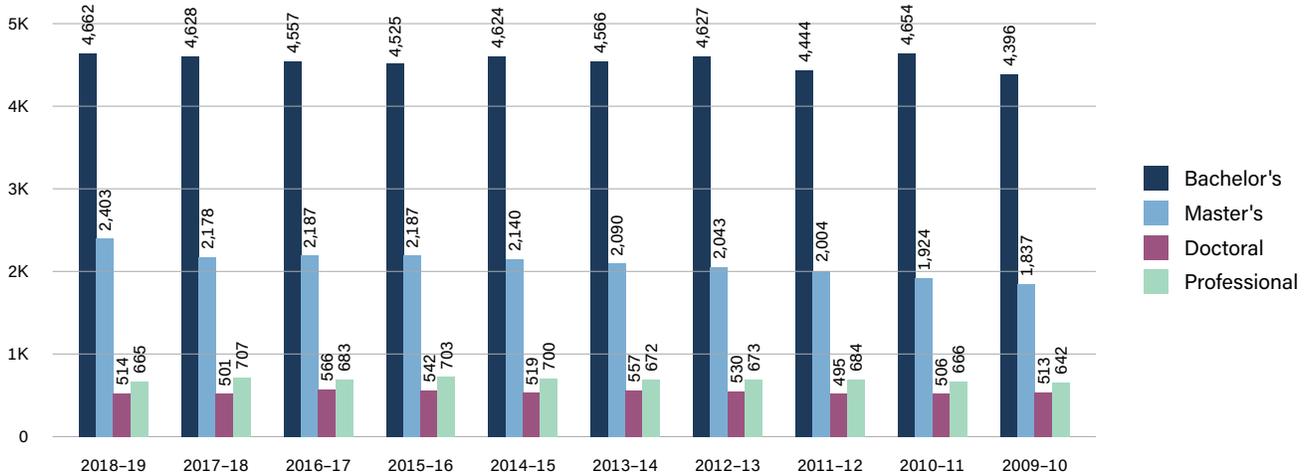
First Year Students Applied, Accepted, and Enrolled



Headcount Total



Degrees Earned



Demographic Data

Last ten fiscal years

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
North Carolina Population	10,497,679	10,383,620	10,270,800	10,156,679	10,033,079
North Carolina Personal Income (in millions)	\$508,014	\$478,861	\$453,764	\$433,193	\$419,894
North Carolina Per Capita Income	\$48,393	\$46,117	\$44,180	\$42,651	\$41,851
North Carolina Unemployment Rate	4.20%	4.20%	4.20%	4.90%	5.80%

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
North Carolina Population	9,933,944	9,843,599	9,749,123	9,656,754	9,535,483
North Carolina Personal Income (in millions)	\$397,994	\$376,025	\$379,923	\$355,050	\$340,245
North Carolina Per Capita Income	\$40,064	\$38,200	\$38,970	\$36,767	\$35,682
North Carolina Unemployment Rate	6.40%	8.80%	9.40%	9.90%	10.00%

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

Notes: Prior year numbers have been updated based on final figures not available at publication deadline.

Principal Employers

Last ten fiscal years

Fiscal Year	2019			2010		
Employer	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of North Carolina	180,000–184,999	1	3.75%	180,000–184,999	1	4.46%
Federal Government	70,000–74,999	2	1.49%	65,000–69,999	2	1.65%
Wal-Mart Associates, Inc.	45,000–59,999	3	1.08%	50,000–54,999	3	1.28%
Duke University	35,000–39,999	4	0.77%	25,000–29,999	4	0.67%
Charlotte-Mecklenburg Hospital Authority	35,000–39,999	5	0.77%	25,000–29,999	5	0.67%
Food Lion, LLC	30,000–34,999	6	0.67%	25,000–29,999	6	0.67%
Wells Fargo Bank NA	30,000–34,999	7	0.67%	20,000–24,999	8	0.55%
Lowes Home Centers, Inc.	20,000–24,999	8	0.46%	15,000–19,999	10	0.43%
Wake County Public Schools	20,000–24,999	9	0.46%	15,000–19,999	9	0.43%
Charlotte-Mecklenburg Board of Education	20,000–24,999	10	0.46%	20,000–24,999	7	0.55%
Total	485,000–544,990		10.58%	440,000–489,990		11.36%

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

Source: North Carolina Department of Commerce — Labor and Economic Analysis Division.

Operating Information

Capital Assets (Number of Facilities)

Last ten fiscal years

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Academic/Administrative Buildings	136	136	136	137	135	135	134	135	133	131
Dormitories/Auxiliary Buildings	91	91	91	91	91	91	91	91	90	90
Art/Library Collections	6	6	6	6	6	6	6	6	6	6

Faculty and Staff

Last ten fiscal years

Fall Employment of Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Faculty:										
Full-Time	3,660	3,589	3,557	3,482	3,375	3,406	3,318	3,291	3,234	3,221
Part-Time	290	298	293	296	292	290	290	293	284	285
Total Faculty	3,950	3,887	3,850	3,778	3,667	3,696	3,608	3,584	3,518	3,506
Percentage Tenured	35.3%	35.8%	35.1%	37.7%	38.3%	38.3%	39.8%	40.2%	41.4%	41.2%
Staff and EHRA Non-Faculty:										
Full-Time	2,234	2,136	2,024	1,918	1,847	1,815	1,780	1,725	1,738	1,771
Part-Time	104	109	120	153	128	126	131	132	138	139
EHRA Non-Faculty	2,338	2,245	2,144	2,071	1,975	1,941	1,911	1,857	1,876	1,910
Full-Time	6,248	6,300	6,191	6,115	6,110	6,099	6,133	6,197	6,385	6,484
Part-Time	205	220	226	223	212	247	248	271	273	303
SHRA	6,453	6,520	6,417	6,338	6,322	6,346	6,381	6,468	6,658	6,787
Total Full-Time	8,482	8,436	8,215	8,033	7,957	7,914	7,913	7,922	8,123	8,255
Total Part-Time	309	329	346	376	340	373	379	403	411	442
Total Staff and EHRA Non-Faculty	8,791	8,765	8,561	8,409	8,297	8,287	8,292	8,325	8,534	8,697
Total Faculty, Staff, and EHRA Non-Faculty	12,741	12,652	12,411	12,187	11,964	11,983	11,900	11,909	12,052	12,203

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

Source: Office of Institutional Research & Assessment Analytic Reports — Personnel Data File.

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