2021

The University of North Carolina at Chapel Hill

Annual Comprehensive Financial Report

A constituent institution of the University of North Carolina System, a component unit of the State of North Carolina. Prepared by the University Controller's Office.

Fiscal year ended June 30, 2021

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A Message from the Chancellor

November 29, 2021

It is my privilege to share the University of North Carolina at Chapel Hill's Annual Comprehensive Financial Report for Fiscal Year 2020-21. As an introduction, I am highlighting the many accomplishments behind these numbers and the ways we have continued to excel as students, faculty and staff.

FY 20-21 has been filled with difficult challenges and tremendous undertakings for our community. From continuing to address the COVID-19 pandemic to responding to a nationwide mental health crisis, this year has not been easy. Yet despite the hurdles, Carolina continues to fulfill its mission of teaching, research and service to become the leading global public research university.

Our position as one of the nation's top universities is evident in the year's rankings. U.S. News & World Report rankings named Carolina fifth in their list of top public schools among national universities for the 21st consecutive year. The rankings also placed the University atop their best value schools list among public national universities, and 14th overall among both public and private institutions. More than 30 of our graduate programs were among the top 10 overall or among public universities in their respective categories.

These rankings are just a sample of the national accolades our university has received in the last year. We ranked sixth among universities in the United States for federal research expenditures in the most recent (2019) Higher Education Research and Development Survey by the National Science Foundation, and we received $1.07 billion in total research awards in 2021. We celebrated a year in which we had more Carolina faculty elected into the National Academy of Sciences and the American Academy of Arts & Sciences than ever before. U.S. News & World Report ranked Carolina 11th among global universities for our infectious diseases program. We continue to lead in research with, for example, 266 successful proposal submissions totaling nearly $100 million in awards for COVID-19-related research. The research by our faculty, staff and students continues to solve some of the greatest challenges of our time.

We have continued to make progress with our strategic plan, Carolina Next: Innovations for Public Good. This plan has guided our strategic investment and decision-making through our budget process this year. Given the budgetary challenges brought on by the pandemic, in August our leadership team put measures in place to address the problem along with a structural deficit issue that had been many years in the making. Our efforts to balance the budget and eliminate a structural imbalance created additional fiscal stability to weather pandemic impacts. On January 13, I directed our schools and units (university-wide) to reduce personnel funds by 1.5% and operating funds by 7.5% for

Kevin M. Guskiewicz
Chancellor

The University of
North Carolina at Chapel Hill

FY 20-21 and FY 21-22. These strategic reductions will enable us to eliminate the $100 million structural deficit in central funds by the end of FY 21-22. This has not been easy, but we are now able to balance our budget, both this upcoming year and in the future.

As always, our primary focus throughout this year has been on our students. I don't believe there has been a time in our history when the uncertainty and challenges of our world have weighed more heavily on our students than right now. As a result, this year we have prioritized student support. Tuition rates for the fiscal year 2021 remained consistent with 2020 rates for undergraduate residents and nonresident students. 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. We have supported students through one-time grants as families have lost jobs due to the pandemic. The Carolina Edge, our bold commitment to raise $1 billion in scholarships, makes it possible for us to support students at every level.

I am confident in our ability to provide for our students, faculty and staff moving forward because of the strong support of our state government and through the Campaign for Carolina. More than 62,700 alumni and friends contributed to the Campaign for Carolina in 2021, making it the University's third best fundraising year ever, with new cash and commitments totaling $601.7 million. This represents a 6.6% increase over the prior fiscal year. Cash gifts alone set a record at $455 million. These important gifts support student opportunities and faculty research, as well as initiatives benefiting North Carolina citizens as well as lives throughout our nation and around the world.

In my installation speech on October 11, 2021, I laid out my vision for our university's future, reflecting on our founding charter's calling to "consult the happiness of the rising generation." I talked about the spirit of our students that has, quietly and not so quietly, moved our university forward to become the leading global public research university we are today. Decade after decade, rising generations have changed us and made us better. I outlined how our university is founded on the idea that things can get better, and that we must always be part of that change.

As part of that change, I announced that we will expand the number of students we accept into our community and bring more first-generation students, more minority students, and more rural students to Carolina. This year, Carolina enrolled its largest ever class of first year students, despite questions around remote learning with the pandemic. Each of the next four years, we will increase our first-year class size and build the largest ever Carolina undergraduate community. This state is expanding — and Carolina must expand as well.

FY 20-21 was marked by our resilience as a community. As chancellor, I'm proud of how our students, faculty and staff have persevered. 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. Their continued belief in our mission allows us to serve the citizens of North Carolina, the United States and the world. I remain committed to strengthening our partnership with the people of North Carolina as we move forward in the years ahead.

Nate Knuffman
Vice Chancellor for
Finance and Operations

The University of
North Carolina at Chapel Hill

Letter of Transmittal

November 29, 2021

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

This Annual Comprehensive Financial Report (ACFR) includes the financial statements for the year ended June 30, 2021, 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 ACFR 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, 2021.

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, nursing, pharmacy and law. Five health schools, which, with UNC Health, comprise one of the nation's most complete academic medical centers, are integrated with liberal arts, basic sciences and high-tech academic programs.

The accompanying financial statements present all funds belonging to the University and its component units. While the multi-campus University of North Carolina System's Board of Governors has ultimate responsibility, the chancellor, the University's Board of Trustees, and the Board of Trustees of the Endowment Fund have both delegated and statutory responsibilities for financial accountability of the University's funds. The University prepares its financial statements and related disclosures in accordance with standards set by the Governmental Accounting Standards Board (GASB) and implements new GASB statements as they are required.

The financial reporting entity for the financial statements is comprised of the University and 12 component units. Nine 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 of North Carolina at Chapel Hill Foundation, Inc., (UNC-Chapel Hill Foundation); The Kenan-Flagler Business School Foundation (Business School Foundation); WUNC Public Radio, LLC (WUNC); Carolina Research Ventures, LLC (Research Ventures) and HVPV Holdings, LLC (HVPV). Based on GASB Statement 84, the external portion of the investment funds are reported separately in the fiduciary financial statements.

Separate financial statements for three other component units are reported based on GASB Statement No. 39. UNC Health Foundation, Inc., (UNC Health 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, WUNC Public Radio, Research Ventures, HVPV, Arts & Sciences Foundation, UNC Health 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, 2021, North Carolina experienced unexpected growth during the COVID-19 pandemic.

The Business Cycle Dating Committee of the National Bureau of Economic Research (NBER) reported a recession began in February 2020 and ended in April 2020, the shortest U.S. recession on record. By July 30, 2021, the U.S. Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce reported a new record set for our national total real (adjusted for price changes) gross domestic product (GDP) in the second quarter of 2021 – regaining

any ground lost since the fourth quarter of 2019. North Carolina's economy is expected to show similar gains when the GDP reports are released October 1, 2021.

In their June 25, 2021 release of current-dollar state GDP data for the first quarter of 2021, the BEA said North Carolina set a new record of $603.0 billion in the fourth quarter of 2020 and surpassed that with $619.6 billion in the first quarter of 2021. Both of those were calculated at seasonally adjusted annual rates. These numbers suggest that the recession was shallower in North Carolina than the U.S. average and that the recovery to new records was quicker and stronger than the total U.S. as well.

The U.S. Census Bureau reported North Carolina had a record population of 10,439,388 as of April 26, 2021. Once again, North Carolina placed ninth in the country's population, 3.15% of the total U.S. population, ranking just below Georgia and slightly above Michigan. The population growth from 2010-2020 leads to North Carolina gaining one additional seat in the U.S. House of Representatives.

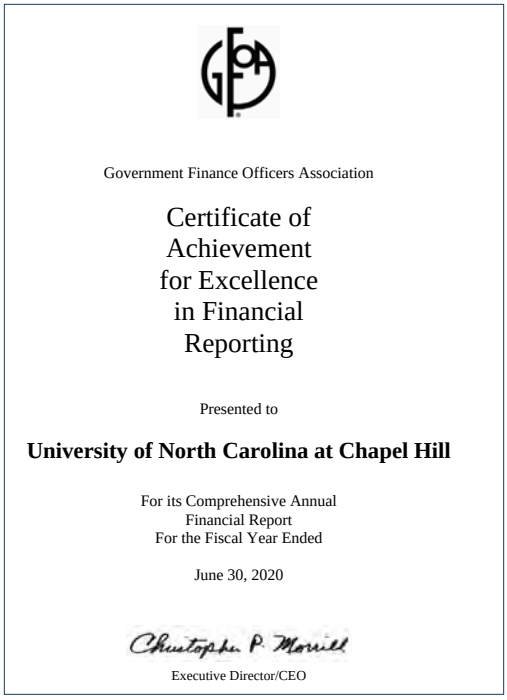
On August 8, 2021, the North Carolina Office of State Budget and Management (OSBM) reported revenues of $29.7 billion for the fiscal year ended June 30, 2021, a 24% increase over the previous fiscal year. Similarly, state agencies returned $523 million in unused funds with reversions 31% more than anticipated.

Fiscal year 2021-2022 should see many economic records for employment, personal income, industrial production, retail sales and total economic activity for both North Carolina and the U.S., assuming there are no new widespread shutdowns caused by new variants of the COVID-19 virus, which would disrupt all current economic forecasts.

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 ACFR for the fiscal year ended June 30, 2020. This was the 26th 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 ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this ACFR 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 Treasury Services, 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, Dr. James F. Smith of the Kenan Flagler Business School and the Office of the State Auditor.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

University of North Carolina at Chapel Hill

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO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Progress and Major Initiatives

Carolina by the Numbers

1

Carolina received 53,775 applications for first-year undergraduate admissions for 2021, compared with 44,382 for fall 2020, for an increase of 21%.

2

Carolina ranked 29th in the 2021 Academic Ranking of World Universities released by the ShanghaiRanking Consultancy on Aug. 15, 2021, up a point from the previous year. It also ranked in the top 20 for 11 academic subject areas.

3

For the 21st consecutive year, Carolina ranked fifth for top public schools among national universities and 10th overall in the latest rankings for best value schools in U.S. News & World Report's 2022 rankings list. It also retained first place for the 17th year for the best value among public institutions.

4

Carolina is the third best public university in the United States, according to the 2022 Wall Street Journal/Times Higher Education College rankings. UNC-Chapel Hill also placed 33rd among all public and private Universities in the United States. The rankings are based on 15 factors across four main categories, including resources,engagement, outcomes and environment.

5

In January 2021, U.S. News & World Report ranked Carolina 11th among global universities for its infectious diseases program. This category of rankings, now in its seventh year, focuses on academic research, publications and citations, international collaboration and overall reputation. This is the first time infectious diseases programs have been included in the global rankings.

6

Carolina is ranked sixth in the United States for federal research, totaling $721 million annually, according to the HERD 2019 survey. It conducts $1.15 billion of sponsored research from all sources annually, making it the 11th largest U.S. research university in research volume and annual expenditures.

7

Numerous graduate programs at Carolina received high rankings in U.S. News & World Report's 2022 "Best Graduate Schools" list. Among the top in their respective categories were: the School of Information and Library Science's Health Librarianship which ranked first in its field. The Gillings School of Global Public Health's Health Doctoral Program; the School of Information and Library Science's Library and Information Studies Program; and the School of Government's Local Government Management program all ranked second in their categories. The School of Medicine's Primary Care and Family Medicine programs both ranked third, as well as the School of Nursing's Nurse Practitioner's degree in Psychiatric/Mental Health, which tied for third.

Carolina Plays Leading Role in COVID-19 Response

The University's faculty and staff engaged in an abundance of COVID-19 related projects throughout fiscal year 2020-21, making Carolina the most cited university in the nation for coronavirus research. From developing diagnostic tests to studying how the disease spreads within households, to measuring the efficacy of masks in filtering air, the campus rallied to bring rapid-response solutions to America's greatest health outbreak in recent history.

Ralph Baric and his team at the UNC Gillings School of Global Public Health continued to make headlines with his work. Baric, whose research in 2019 led to effective COVID-19 treatment through remdesivir, partnered this year with UNC School of Medicine's Melissa Miller and Dirk Dittmer to set up a system to detect virus mutations more effectively. Miller's lab processed about 5,000 COVID-19 tests from UNC Health per week and positive results were sent to Dittmer's lab, which utilized an infrastructure based upon methods previously used to study genetic sequencing in viral cancers. Dittmer's lab located coronavirus variants and sent them to Baric's lab for analysis in human cells and animal models to understand how the virus responds to different types of interventions.

In other areas, Carolina scholars and staff:

- Played an integral role in conducting clinical trials for the Moderna and Novavax COVID-19 vaccine.

- Tracked the virus in the state through wastewater and nasal test swabs.

- Worked with community partners to reach minorities and underrepresented populations on getting their vaccinations.

- Studied Post-COVID syndrome to help patients deal with long-term symptoms.

- Proposed public health education campaigns to fight COVID-19.

- Influenced the discussion of health and safety practices and wearing masks during COVID-19.

- Assisted the National Basketball Association in overcoming one of the most challenging epidemiological situations by creating a "bubble" at Walt Disney World Resort's ESPN Wide World of Sports Complex in Orlando, Florida for them to compete. Driven by data collection and scientific expertise from UNC faculty and alumni, the NBA was able to complete their season with zero cases of COVID-19 in the bubble.

- Continued to study drugs and therapeutics for future viral outbreaks though the Rapidly Emerging Antiviral Drug Discovery Initiative.

- UNC's Renaissance Computing Institute scientists developed a new digital data science laboratory called Blackbalsam which helped significantly shorten the planning stage for scientists to answer questions about COVID-19 by creating a standardized environment housing computational and data sets for the virus.

- The National Institutes of Health awarded Dr. Myron Cohen, director of Carolina's Institute for Global Health and Infectious Diseases, and Family Health International $9.2 million to support research through the new COVID Prevention Network.

- Dr. Amir Barzin of UNC's Health Respiratory Diagnostic Center, along with laboratory manager for Carolina's Global Clinical Trials Unit Amy James Loftis, the department of Information Technology Services and the Hussman School of Journalism and Media worked tirelessly with a number of UNC faculty and staff to build a state-of-the-art COVID-19 asymptomatic evaluation testing program for Carolina, which included three main elements: testing sites, a processing lab and an innovative data management system called HallPass. The Carolina Together Testing Program, which tested nearly 7,000 students in the first week, was instrumental in the success of reopening the campus.

The Great Pivot to Online Learning

Due to the increased positivity rates in COVID-19 cases and clusters on campus, Carolina made the decision to transition to remote undergraduate instruction and further reduce the number of residents on campus. After diligently learning from the spring semester, then collaborating and reimagining the classroom with seasoned faculty members, Carolina successfully transitioned to online learning in fall 2020.

Innovations from the College of Arts & Sciences Information Services, the Center for Faculty Excellence, ITS and Digital and Lifelong Learning enabled faculty to pilot new platforms, such as Google's G Suite for writing courses, or make lab computers remotely accessible, or conduct virtual global experiences via Zoom and other platforms. A website, Keep Teaching, posted helpful resources to inform faculty about differences in remote teaching, provide how-to-guides for digital solutions and gave instructions on how to conduct remote exams and assessments.

UNC undergraduate student Eli Grossman studies in Davis Library.

Campus celebrated the launch of the Campaign for Carolina at the UNC-Chapel Hill vs. Notre Dame football game on Oct. 7, 2017.

The Campaign for Carolina Nears Goal of $4.25 Billion

As of June 30, 2021, five years after the launch, donors have contributed more than $3.95 billion, marking 93% to the goal of $4.25 billion. The largest fundraising effort by a North Carolina university was also the second largest campaign among public institutions in the nation at the time of its launch.

In addition to raising funds for students, faculty and innovation, the Campaign for Carolina has enabled the University to build a robust fundraising infrastructure that will enable Carolina to continue to achieve fundraising success.

Carolina Retains Top Bond Rating

Carolina retained its top bond rating across all three major rating agencies — Standard & Poor's, Moody's Investors Service and Fitch ratings — the highest possible rating for the University, at the end of its fiscal year.

Rating agencies reviewed everything from student enrollment to existing debt to donor support and leadership. The University's efforts to rein in its structural deficit, mitigate shortfalls resulting from the COVID-19 pandemic and centralize its budget helped bolster the rating, according to Vice Chancellor for Finance and Operations Nate Knuffman.

Beloved Tar Heels Coach Roy Williams Announces Retirement

Roy Williams, beloved Hall of Fame basketball coach who led the Tar Heels to three NCAA championships and 903 wins, announced his retirement plans in April 2021. Born in Marion, North Carolina, Williams was the first in his family to attend college when he enrolled in Carolina, playing on the freshman basketball team in the 1968-69 season. He earned a bachelor's degree in education in 1972 and a master's degree in teaching in 1973.

After graduating, he coached basketball in Black Mountain, North Carolina, before Dean Smith called him back to serve as his assistant from 1978 until 1988. He then became head coach at Kansas and successfully made his name there for 15 years. Williams returned to coach Carolina basketball in 2003, and since his return, he and his wife have been active in the Carolina community. The couple has generously given more than $5.8 million to the University, supporting athletic scholarships, the Carolina Covenant and the Chancellor's Science program.

Former UNC Men's Basketball head coach Roy Williams.

UNC Chancellor Kevin M. Guskiewicz presents Carolina Next: Innovations for Public Good during the UNC Board of Trustees meeting, January 30, 2020.

UNC Board of Trustees Endorses New University Strategic Plan

For nine months, Carolina's leadership revisited the University's strategic plan, Carolina Next: Innovations for Public Good and revised it considering the global pandemic and the Black Lives Matter movement, and the Board of Trustees unanimously endorsed it at the end of January. Intended to be a "living, breathing, evolving strategic plan," the plan helps prioritize where the institution feels it has the greatest need to create positive change. The resulting document is framed around eight strategic initiatives: (1) Build Our Community Together, (2) Strengthen Student Success, (3) Enable Career Development, (4) Discover, (5) Promote Democracy, (6) Serve to Benefit Society, (7) Globalize and (8) Optimize Operations.

National Science Foundation Renews $5.5 Million Nanotechnology Grant

The National Science Foundation has renewed a $5.5 million grant over five years to a partnership between Carolina, Duke and NC State called the Research Triangle Nanotechnology Network, which focuses on the innovation and commercialization of promising new nanotechnologies. At Carolina, the effort will be led by the Chapel Hill Analytical and Nanofabrication Laboratory, a hub for experimentation and discovery based in the College's department of applied physical sciences. Participants share best practices and coordinate on new initiatives, give open access to an evolving and integrated suite of cutting-edge fabrication and characterization facilities, engage with experienced faculty with research expertise and devise new innovative training programs.

Record Year for Research Awards Tops $1 Billion

For the first time in the University's history, annual new awards for research conducted at the University of North Carolina at Chapel Hill have exceeded the $1 billion mark in 2020. Although Carolina played a strong role in COVID-19 research, no single source of funding or area of study accounted for the high mark: funding grew from almost all sponsor sources and within most of the schools. Clean water, criminal justice reform, back pain research and internet technology were among some of the larger awards granted. Much of the money comes from sources outside of North Carolina: 69% came from federal funds. Research at Carolina employs more than 10,000 North Carolinians in projects that touch all 100 counties.

David R. Martinez works in a lab at the Michael Hooker Research Building on the campus of the University of North Carolina at Chapel Hill.

Department of African, African American and Diaspora Studies Celebrates Its First Endowment

Nicci Gafinowitz (MSIS '16) and her family have made a lasting pledge to the African, African American and Diaspora Studies department with the creation of the *Dr. Eunice N. Sahle Excellence Fund in African, African American and Diaspora Studies* in the College of Arts & Sciences, in tribute to this beloved instructor who has chaired the department for two terms. The endowment has the potential to propel a variety of departmental efforts, including the AAAD's annual Global Africana Conference that brings scholars from around the world to Carolina; its journal, Global Africana Review; and a summer abroad program in Malawi.

Eunice Sahle, associate professor and former chair of the African, African American and Diaspora Studies department at the University of North Carolina at Chapel Hill.

UNC-Chapel Hill Holds First Race, Racism and Racial Equality Online Symposium

More than 2,200 people attended a virtual symposium co-hosted by the University Office for Diversity, Equity and Inclusion, "The Historical Exploitation of Black and Brown Bodies at UNC: Learning from the Past to Change the Present." Designed to provide context on the state of race nationally and locally, the symposium was designed to create a more complete and accurate narrative of the University's history.

$3.3 Million Grant to Study Educational Interventions for Students with Autism

The Institute of Education Sciences awarded a 5-year grant to a team that includes School of Education faculty member Kara Hume, whose portion of the project included a $1.3 million allotment that will focus on measuring the effectiveness of interventions that support high school students with autism in North Carolina.

Peabody Hall, School of Education.

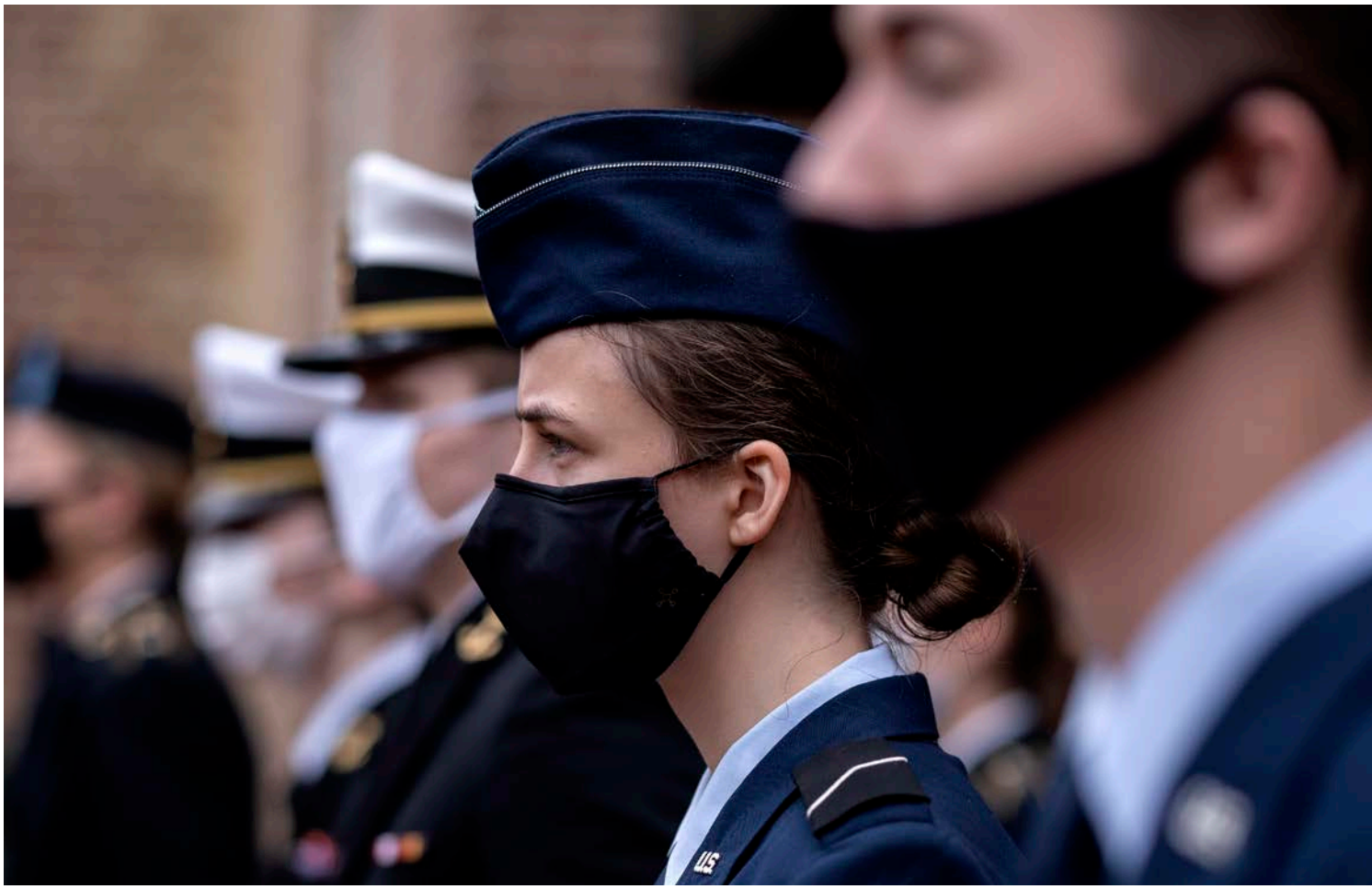
Four Faculty Members Inducted into National Academy of Sciences

In late April 2021, four Carolina professors were inducted into the National Academy of Sciences, one of the highest distinctions for a scientist or engineer in the United States. Ralph S. Baric of the Gillings School of Global Public Health, known for his visionary research of norovirus, flavivirus and coronaviruses, was inducted. He was joined by three professors from the department of biology: Kerry S. Bloom, department chair, was inducted for her work on developing an integrative approach to understand the structural basis of chromosome segregation; Joseph J. Kieber was inducted for his work on understanding cell communication in plants to control their growth and development as they respond to changes in their environment; and Edward D. Salmon, professor emeritus, was inducted for his pioneering work of video and digital imaging microscopy methods for analysis of molecular and structural dynamics in living cells.

Remembering Those Who Served on Veterans Day

Despite most of the community working and learning remotely this fall, the University's Reserve Officers' Training Corps program hosted the traditional Veterans Day Ceremony at the Carolina Alumni Memorial in Memory of Those Lost in Military Service. Chancellor Kevin M. Guskiewicz joined a dozen cadets from Carolina's ROTC programs to pay their respects. The event's guest speaker was Capt. Andrew Hertel, who leads the Naval ROTC programs at Carolina, Duke and NC State as the commanding officer of the NC Piedmont Consortium NROTC. In addition, Carolina's Veterans Resource Center featured various stories from among 342 University employees who are U.S. military veterans.

UNC ROTC Veterans Day Ceremony held November 11, 2020, at the Carolina War Memorial.



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Chancellor's Cabinet and Organizational Chart

As of June 2021

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Chancellor

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Special Advisor for Equity and Inclusion and Interim Chief Diversity Officer

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Vice Chancellor for Information Technology and Chief Information Officer

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Associate Provost and Director, Office of Scholarship and Student Aid

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Amy Johnson
Vice Chancellor for Student Affairs

Nathan Knuffman
Vice Chancellor for Finance and Operations

Terry Magnuson
Vice Chancellor for Research

Charles Marshall
Vice Chancellor and General Counsel

Becci Menghini
Vice Chancellor for Human Resources and Equal Opportunity Compliance

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Director, UNC Institute for the Environment, Chief Sustainability Officer & Special Assistant to the Chancellor for Sustainability

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David Routh
Vice Chancellor for University Development

Barbara Stephenson
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Ron Strauss
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Clayton Somers
Vice Chancellor for Public Affairs and Secretary of the University

Dean Weber
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Board of Trustees

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Chancellor
The University of North Carolina at Chapel Hill

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Vice Chancellor for Institutional Integrity and Risk Management

Wesley Burks
Vice Chancellor for Medical Affairs, CEO, UNC Health and Dean, UNC School of Medicine

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Vice Chancellor and General Counsel

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Vice Chancellor for University Development

Dean Weber***
Chief Audit Officer

Dawn Osborne-Adams
University Ombuds

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Michael Barker*
Vice Chancellor for Information Technology and CIO

Michelle Bolas*
Associate Vice Chancellor for Innovation Strategy and Programs

Amy Johnson*
Vice Chancellor for Student Affairs

Terry Magnuson*
Vice Chancellor for Research

Becci Menghini*
Vice Chancellor for Human Resources and Equal Opportunity Compliance

Sibby Anderson-Thompkins*
Special Advisor for Equity and Inclusion and Interim Chief Diversity Officer

James Moeser
Special Assistant to the Chancellor for the Arts

Vacant
Senior Advisor to the Chancellor and Chief Strategist

Michael Piehler
Director, UNC Institute for the Environment, Chief Sustainability Officer & Special Assistant to the Chancellor for Sustainability

Amy Locklear Hertel
Chief of Staff

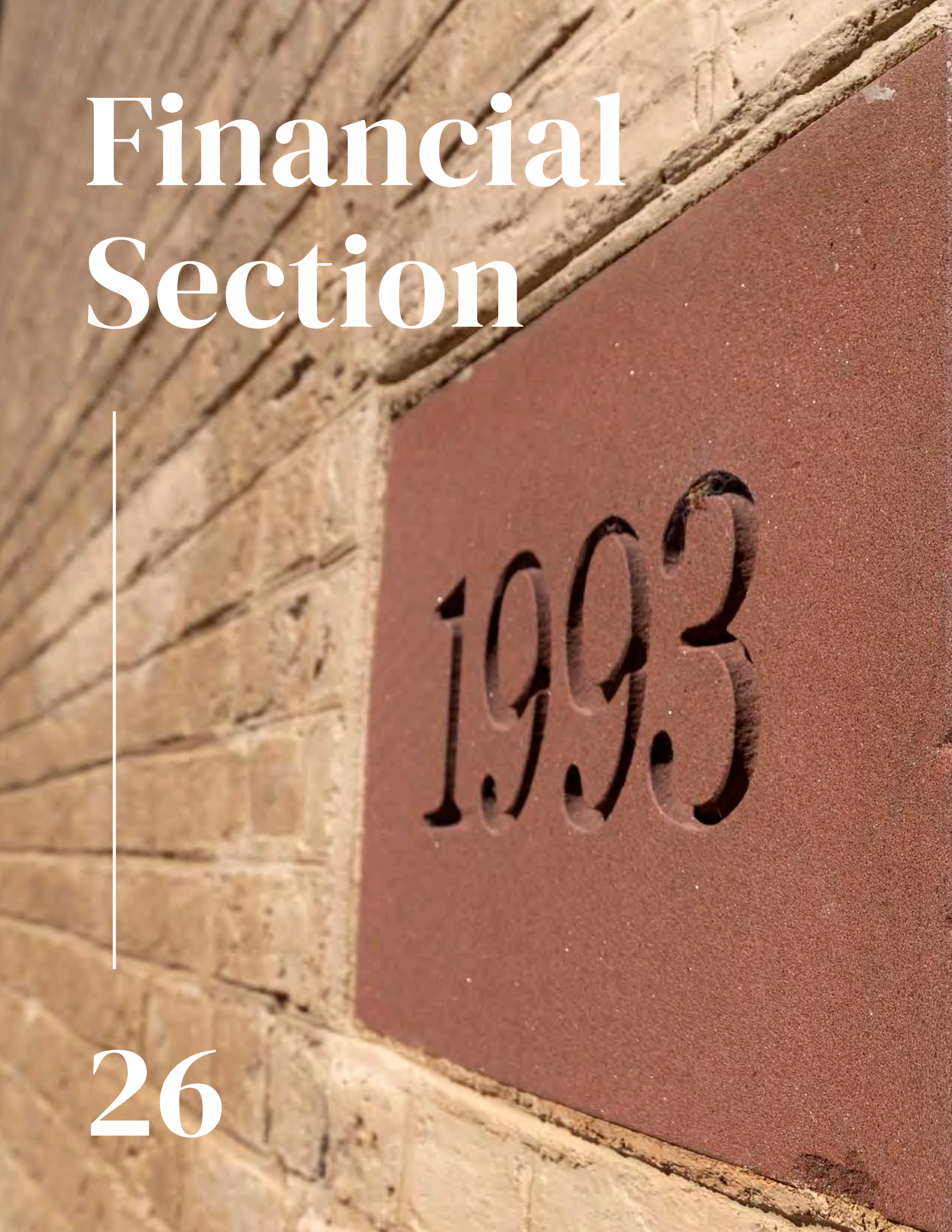
Douglas S. Dibbert
President
General Alumni Association

Mimi Chapman
Chair of the Faculty

Shayna Hill
Chair of the Employee Forum

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

Financial Section



Old East cornerstone commemorating the bicentennial celebration of the University of North Carolina at Chapel Hill.

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities 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, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of The University of North Carolina at Chapel Hill, and its discretely presented component units, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following:

- The University of North Carolina at Chapel Hill Foundation, Inc., which represent 9 percent and 4 percent, respectively, of the assets and revenues of the business-type activities.
- The Kenan-Flagler Business School Foundation, which represent 3 percent and 2 percent, respectively, of the assets and revenues of the business-type activities.
- The UNC Investment Fund, LLC, which represent 30 percent and 15 percent, respectively, of the assets and revenues of the business-type activities, and 70 percent and 64 percent, respectively, of the assets and revenues of the fiduciary activities.
- The UNC Intermediate Pool, LLC, which represent 13 percent and 21 percent, respectively, of the assets and revenues of the fiduciary activities.

- The UNC Health Foundation, 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 thereon 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.

*Basis for Opinion*s

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The University of North Carolina at Chapel Hill and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 24 to the financial statements, during the year ended June 30, 2021, The University of North Carolina at Chapel Hill adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The University's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do

not cover the other information, and we do not express on opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance. The report on internal control and compliance has been issued under a separate cover in the Financial Statement Audit Report of The University of North Carolina at Chapel Hill published by this office.

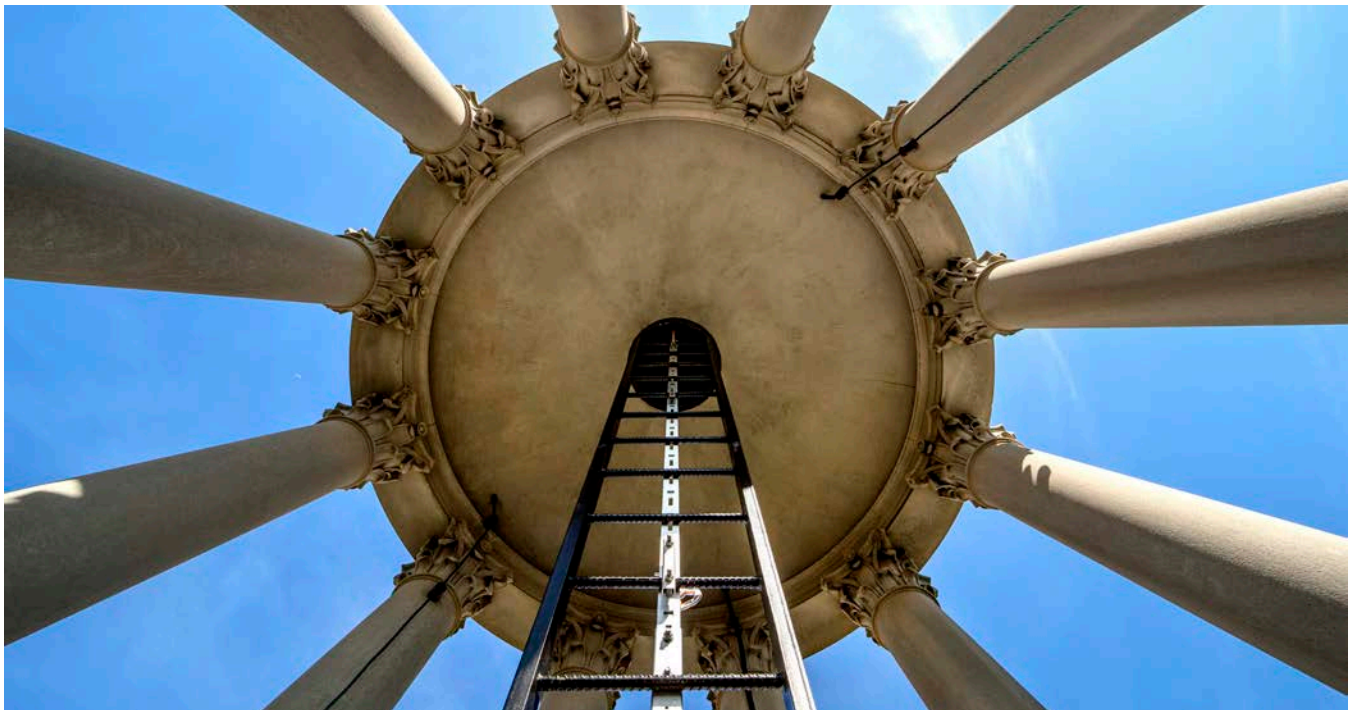
Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 29, 2021

View at the top of the UNC Belltower.



Management's Discussion and Analysis

Introduction

Management's Discussion and Analysis provides an overview of the financial position and activities of The University of North Carolina at Chapel Hill (the University) for the fiscal year ended June 30, 2021, with comparative information for the fiscal year ended June 30, 2020. 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 Annual Comprehensive Financial Report (ACFR). 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 78 bachelor's, 112 master's, 68 doctorate, and seven professional degree programs through 14 schools and the College of Arts and Sciences. A total of 30,092 undergraduate, graduate, and professional students learn from a faculty of 4,085.

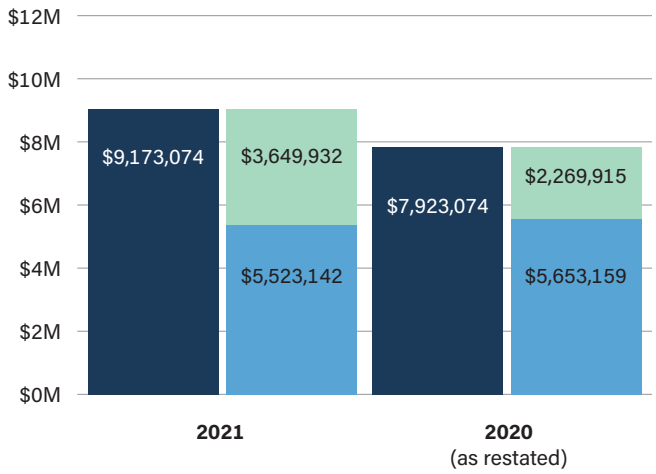
The financial reporting entity for the financial statements is comprised of the University and its component units. Certain component units are reported as if they were part of the University, and others are reported as discretely presented component units based on the nature and significance of their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

Financial Overview

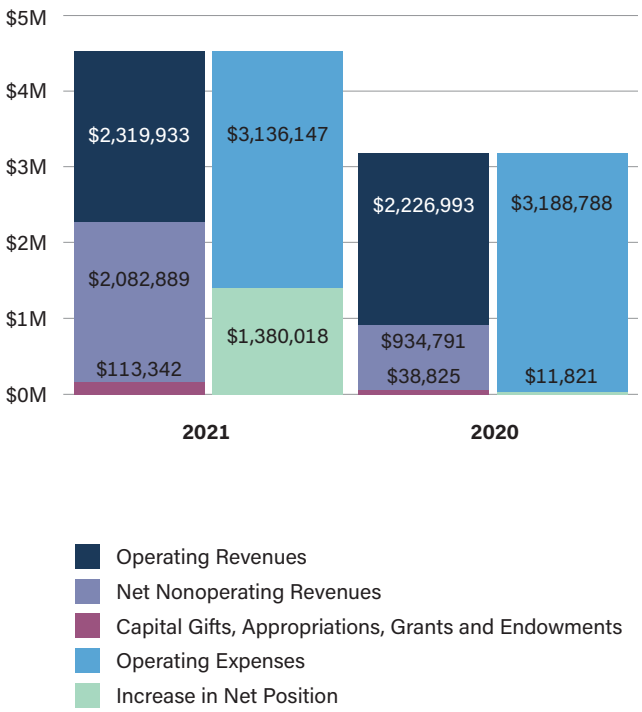
The University maintained its stable financial position at June 30, 2021. The current ratio at June 30, 2021 was 4.2 times, compared to 3.6 times at June 30, 2020. Net position, which represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources, was $3.6 billion at June 30, 2021, up from $2.3 billion at June 30, 2020. The University's total assets and deferred outflows of resources were $9.2 billion, and the total liabilities and deferred inflows were $5.5 billion at June 30, 2021.

A comparison of the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2021, and June 30, 2020, respectively, along with the major components of the changes in net position for the two fiscal years is presented below:

Statement of Net Position
Dollars in thousands



Statement of Revenues, Expenses and Changes in Net Position
Dollars in thousands



Net position increased $1.4 billion at June 30, 2021, from the prior year's balance.

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. The University presents two sets of fund financial statements 1) proprietary fund financial statements, which account for the University's primary activities and 2) fiduciary fund financial statements, which account for the University's custodial funds. The MD&A will only discuss proprietary fund financial statements.

The University's financial statements include the following financial statements with related note disclosures:

- *Statement of Net Position – Proprietary Funds*
- *Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds*
- *Statement of Cash Flows – Proprietary Funds*
- *Statement of Fiduciary Net Position*
- *Statement of Changes in Fiduciary Net Position*
- *Statement of Financial Position for Component Units of the University*
- *Statement of Activities for Component Units of the University*

The Statement of Fiduciary Net Position includes assets, liabilities, and net position for external pool participants in the University's External Investment Fund and Other Funds that are held in a custodial capacity. The Statement of Changes in Fiduciary Position reports the additions and deductions to these custodial funds during the period. See Note 1J - Accounting and Reporting of Fiduciary Activities for additional information regarding the University's fiduciary activities.

Management's discussion and analysis concentrates on the University's Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position as condensed comparative financial information is not required for fiduciary activities.

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, 2021 and June 30, 2020:

Condensed Statement of Net Position
Dollars in thousands

	2021	2020 (as restated)	Percent Change
Assets:			
Current Assets	$2,054,702	$1,698,710	21.0
Noncurrent Assets:			
Endowment and Other Investments	3,232,425	2,369,076	36.4
Capital Assets, Net	3,059,695	3,050,092	0.3
Other Noncurrent Assets	220,906	136,582	61.7
Total Assets	**8,567,728**	**7,254,460**	**18.1**
Total Deferred Outflows of Resources	**605,346**	**668,614**	**(9.5)**
Liabilities:			
Current Portion of Long-Term Liabilities	119,867	96,795	23.8
Other Current Liabilities	372,967	372,635	0.1
Noncurrent Liabilities:			
Long-Term Liabilities, Net	3,866,563	4,009,613	(3.6)
Other Noncurrent Liabilities	153,301	194,338	(21.1)
Total Liabilities	**4,512,698**	**4,673,381**	**(3.4)**
Total Deferred Inflows of Resources	**1,010,444**	**979,778**	**3.1**
Net Position:			
Net Investment in Capital Assets	1,656,473	1,682,287	(1.5)
Restricted	3,331,398	2,423,067	37.5
Unrestricted	(1,337,939)	(1,835,439)	(27.1)
Total Net Position	**$3,649,932**	**$2,269,915**	**60.8**

Current Assets and Liabilities

As derived from the Statement of Net Position, working capital was $1.6 billion at June 30, 2021, compared to $1.2 billion at June 30, 2020. Working capital is defined as current assets less current liabilities. Current assets were $2.1 billion at June 30, 2021, up from $1.7 billion at June 30, 2020, primarily attributable to an increase in cash, investments, and receivables. These accounts increased mainly due to an increase in investment earnings, patient services revenue, and amounts received from the healthcare system.

Endowment and Other Investments

Investment assets — Total endowment and other investments were $3.2 billion at June 30, 2021, which represents an increase of 36.4% from June 30, 2020. 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 - Financial Reporting Entity. 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 fair value of the Chapel Hill Investment Fund. For the fiscal year ended June 30, 2021, 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 2021, the UNC Investment Fund recorded a 42.3% investment return, compared to the prior year's return of 2.3%. The 42.3% return exceeded both the Strategic Investment Policy Portfolio (SIPP) return of 32.6% and the Fund's primary long-term objective of earning a real rate of return of at least 5.5% plus inflation which amounted to 10.8% in fiscal year 2021. For the fiscal year, all seven of the Fund's primary asset classes generated positive returns and four exceeded their respective SIPP benchmarks.

Over a longer term time horizon, UNCIF's five year annualized performance of 14.5% surpassed its SIPP return of 11.9% and the primary objective of earning an average annual rate of return of at least 5.5% plus inflation, net of all fees, over a rolling five-year period (which amounted to 7.9% for the period). The Fund's 10 year annualized return of 10.8% also surpassed its SIPP return of 9.1% and met the primary return objective of earning an average annual rate of return of at least 5.5% plus inflation, net of all fees, over a rolling ten-year period (which was 7.4% for the period). Over the last one, three, five and ten year periods, the Fund's performance ranked in the top quartile of the BNY Mellon Endowment & Foundation universe.

Capital Assets and Debt Management

Capital assets increased 0.3% driven by an increase in construction in progress offset by the demolition of Berryhill Hall to make space for the new Medical Education Building.

In fiscal year 2021, the University completed several capital projects including the construction of the Media & Communication Studios, the renovation of the Morehead Planetarium, construction of the Bill Koman Football Practice Complex and Dorrance Field, the new soccer and lacrosse stadium.

Major projects under construction include the Medical Education Building, the renovation of the Chase Dining Hall, and Eshelman School of Pharmacy's Beard Hall.

Current projects in design are an addition to the McColl Building, a new building for the Kenan Flagler Business School, the School of Nursing's Carrington Hall renovations and Campus Safety Upgrades including Energy Management Controls Systems upgrades along with and the Campus Central Alarm Communication Network Replacement.

A summary of changes in capital assets is disclosed in Note 6 - Capital Assets. Capital assets, net of accumulated depreciation and amortization, at June 30, 2021, and June 30, 2020, were as follows:

Capital Assets
Dollars in thousands

	2021	2020 (as restated)	Percent Change
Capital Assets:			
Construction in Progress	$145,374	$114,741	26.7
Land and Other Nondepreciable Assets	238,073	236,879	0.5
Buildings, Net	2,003,064	1,984,676	0.9
General Infrastructure, Net	458,147	480,212	(4.6)
Machinery, Equipment and Computer Software, Net	215,037	233,584	(7.9)
Total	**$3,059,695**	**$3,050,092**	**0.3**

Capital financing — During fiscal year 2021, the University continued to use its commercial paper program to provide low-cost bridge financing for capital projects with the intent to refinance all, or a portion of the funding, through the issuance of long-term bonds.

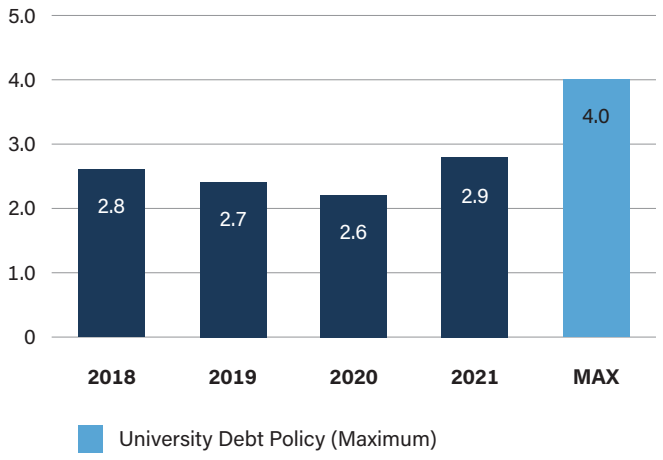
The University began fiscal year 2021 with a balance of $35 million in commercial paper, which was refunded in full with proceeds from the issuance of the General Revenue Bonds, Series 2021C. As of June 30, 2021, the University did not maintain an outstanding commercial paper balance.

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 – Long-Term Liabilities.

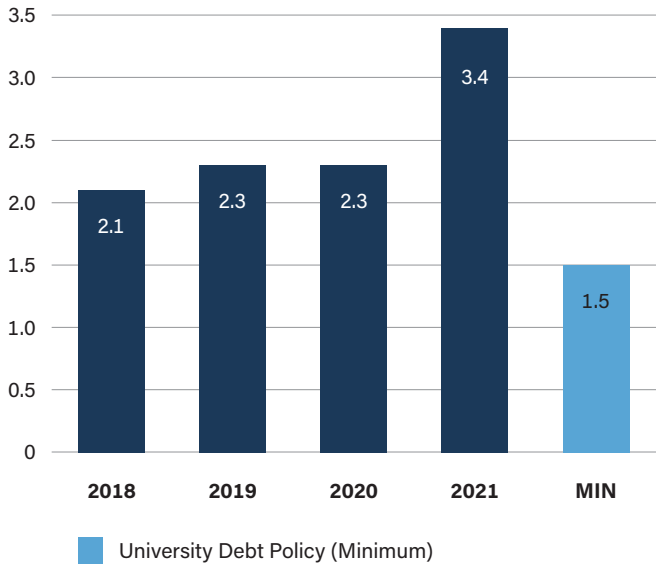
The University's debt policy uses two key ratios to measure debt capacity, financial health, and credit quality. The debt service to operations ratio provides an indicator of the University's ability to repay annual principal and interest relative to its overall operating expenses. The expendable resources to debt ratio measures unrestricted and restricted expendable 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 - Net Position for additional information. Each ratio is compared to the University's debt policy standard. At June 30, 2021, the expendable resources to debt ratio was 3.4 times, and the debt service to operations ratio was 2.9%. Results of both ratios comply with the University's debt policy and indicate healthy coverage of debt requirements.

As a function of its debt management strategy, the University retained a balance of $331.8 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, 2021.

Debt Service to Operations
Percent



Expendable Resources to Debt
Times



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

Other noncurrent assets were $220.9 million at June 30, 2021, and $136.6 million at June 30, 2020, as restated, reflecting a 61.7% increase, primarily in cash and investment accounts, driven by continued utilization of the State Treasurer Short-Term Investment Fund and Public Fund Interest Fund accounts for accessibility and competitive rates. 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 $4.0 billion at June 30, 2021, and $4.2 billion, restated, at June 30, 2020. These include net OPEB liability of $1.9 billion at June 30, 2021 and $2.2 billion at June 30, 2020 along with Bonds Payable of $1.2 billion at June 30, 2021, which was consistent with the prior year. For more information on the change, refer to Note 10 - Long Term Liabilities and Note 17 - Other Postemployment Benefits.

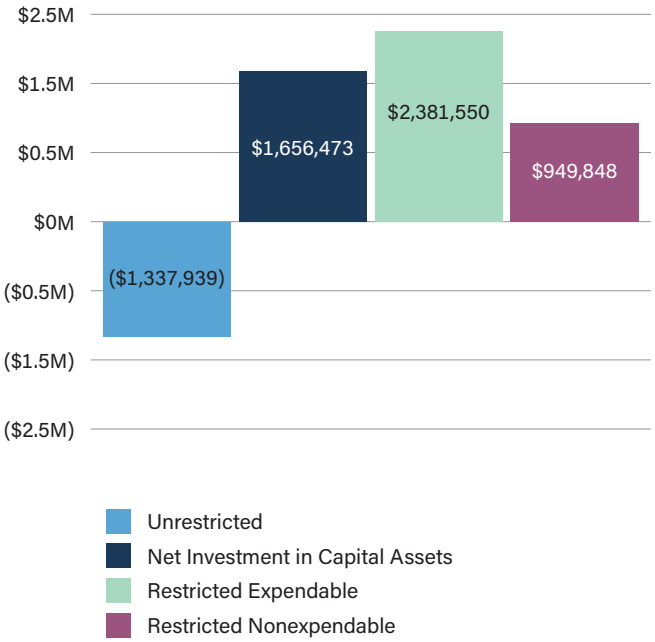
Deferred Outflows and Inflows of Resources

Deferred outflows of resources were $605.3 million at June 30, 2021, and $668.6 million at June 30, 2020. The 9.5% decrease was driven primarily by decreases in deferred outflows related to OPEB. This is a result of a change in the University's proportionate share of contributions. Deferred inflows of resources were $1.0 billion at June 30, 2021, and $980 million at June 30, 2020, reflecting a 3.1% increase. This increase was 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 increased 60.8% from $2.3 billion as of June 30, 2020 to $3.6 billion as of June 30, 2021 driven primarily by investment returns.

2021 Net Position: $3,649,932
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, 2021, and the prior year are summarized as follows:

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

	2021	2020	Percent Change
Operating Revenues:			
Student Tuition and Fees, Net	$412,072	$400,349	2.9
Grants and Contracts	959,215	887,343	8.1
Sales and Services, Net	942,579	926,106	1.8
Other Operating Revenues	6,067	13,195	(54.0)
Total Operating Revenues	**2,319,933**	**2,226,993**	**4.2**
Operating Expenses	**3,136,147**	**3,188,788**	**(1.7)**
Operating Loss	**(816,214)**	**(961,795)**	**(15.1)**
Nonoperating Revenues (Expenses):			
State Appropriations	537,409	534,766	0.5
Student Financial Aid	44,207	44,316	(0.2)
COVID Relief Funding	76,792	5,835	1216.3
Noncapital Contributions, Net	399,820	314,963	26.9
Investment Income, Net	1,099,206	95,460	1051.5
Interest and Fees on Debt	(51,189)	(51,302)	(0.2)
Other Nonoperating (Expenses)	(23,356)	(9,246)	(152.6)
Net Nonoperating Revenues	**2,082,889**	**934,792**	**122.8**
Income (Loss) Before Other Revenues	**1,266,675**	**(27,003)**	**4790.7**
Capital Contributions	78,871	22,081	257.2
Additions to Permanent Endowments	34,471	16,743	105.9
Increase in Net Position	**1,380,018**	**11,821**	**11575.3**
Net Position — July 1	**2,269,914**	**2,258,094**	**0.5**
Net Position — June 30	**$3,649,932**	**$2,269,915**	**60.8**

Fiscal year 2020-2021 revenues and other changes total $4,590,709 and expenses total $3,210,692.

Fiscal year 2019-2020 revenues and other changes total $3,261,157 and expenses total $3,249,336.

Operating Revenues

Operating revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions through various sources, highlighted below.

Student tuition and fees (net) for fiscal year 2021 increased 2.9% over the prior year. This was driven by graduate programs offset by a decrease in the Executive Education program due to the pandemic.

Grants and contract revenues from sponsored projects increased approximately 8.1% from FY 2020 to FY 2021. In terms of research funding, faculty secured $1.073 billion in sponsored program funding in fiscal year 2021. That represents a 2.6% increase from fiscal year 2020 where the University secured $1.05 billion. Consequently, there is still an upward trajectory for overall research activity at UNC-Chapel Hill. 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, so the continued growth is especially remarkable. The key factors the University employs in dealing with competitive pressures includes diversifying funding sources and bringing in more awards from foundations and private industries.

The National Institutes of Health (NIH) remained the University's single largest funding source, with direct awards totaling $538 million, increasing from the fiscal year 2020 total of $523 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, as well as its basic and social science units in the College of Arts and Sciences. As one of the top universities in COVID research, UNC was also well positioned to respond quickly to COVID related funding opportunities. In fiscal year 2021, UNC received over $106 million in COVID related research funding awards from numerous funding sources, including NIH, and continued future funding is anticipated.

The University's other top funders were the U.S. Dept. of Education at $56.9 million; the National Science Foundation (NSF) at $43.6 million; the U.S. Department of Defense at $22 million, and the U.S. Agency for International Development (USAID) at $20.5 million. The University's multidisciplinary research centers and institutes within the Vice Chancellor for Research's Division continue to play a strong role in bringing research funding to the University and the state of North Carolina, accounting for approximately

$152.7 million, which is down slightly from the fiscal year 2020 total of $169.7 million, but represents approximately 14% of the total awards in FY 2021.

Sales and Services (net) includes the revenues generated by campus auxiliary operations such as student housing, campus health services, the utilities system, and parking and transportation, as well as from patient services provided by professional healthcare clinics. Sales and services (net) increased 1.8% in fiscal year 2021 as a direct result of the patient services' recovery from the pandemic. The revenue related to patient services was lower In fiscal year 2020 due to closures of healthcare clinics in response to the COVID-19 pandemic that occurred beginning March 2020. The patient services increase was offset by decreases in the other named auxiliary operations due to the pandemic.

Operating Expenses

The University's operating expenses were $3.1 billion for the fiscal year ended June 30, 2021, a decrease of 1.7% from the prior year.

Operating Expenses by Natural Clasification
Dollars in thousands

	2021	2020	Percent Change
Salaries and Benefits	$1,812,296	$1,802,250	0.6
Supplies and Services	963,510	1,018,615	(5.4)
Scholarships and Fellowships	121,920	106,483	14.5
Utilities	79,240	81,722	(3.0)
Depreciation/Amortization	159,181	179,718	(11.4)
Total Operating Expenses	**$3,136,147**	**$3,188,788**	**(1.7)**

Supplies and services decreased 5.4% as a result of a reduction in travel and meetings because of the pandemic. Scholarships and fellowships increased 14.5% due to the Higher Education Emergency Relief Fund distributions. Depreciation and amortization decreased 11.4%. In FY 2020, the University changed the useful life of the ERP system causing a depreciation acceleration in that year.

Nonoperating Revenues and Expenses

State appropriations, noncapital contributions, 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 $537.4 million for fiscal year 2021, an increase of 0.5% from the $534.8 million received during the prior year.

The University received $48.0 million from the State of North Carolina COVID-19 Recovery Act. Of this amount, the University received $4.5 million in financial support from the State of North Carolina COVID-19 Recovery Act to cover increased costs for online coursework, implementation of digital learning accelerator, providing sanitation and other expenses for ongoing campus operations, and covering necessary eligible expenses for students and employees. In addition, the University was awarded $29.0 million to allocate to the NC Policy Collaboratory for the development of countermeasures for COVID-19, a vaccine for COVID-19, community testing initiatives, and other research to address the health and economic impacts of COVID-19.

The University received $27.7 million from the U.S. Department of Education Higher Education Emergency Relief Fund (HEERF). The student portion, $12.9 million, provided emergency financial aid grants to students for expenses related to the disruption of campus operations. The other portion, $14.8 million, was used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. $2.3 million of this amount was allocated by the University to emergency aid grants to students. Please see Note 20 - The Coronovirus Pandemic for additional information on COVID 19 Relief funding.

Noncapital contributions (net) increased 26.9% driven by increased giving to the University and its Foundations along with a one time transfer from the State Health Plan as a result of cost savings over a span of six years.

Investment returns increased substantially, reflecting the market recovery in FY 2021 from the pandemic related market impacts in 2020. Refer to the Endowment Performance subsection in the Endowment 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.

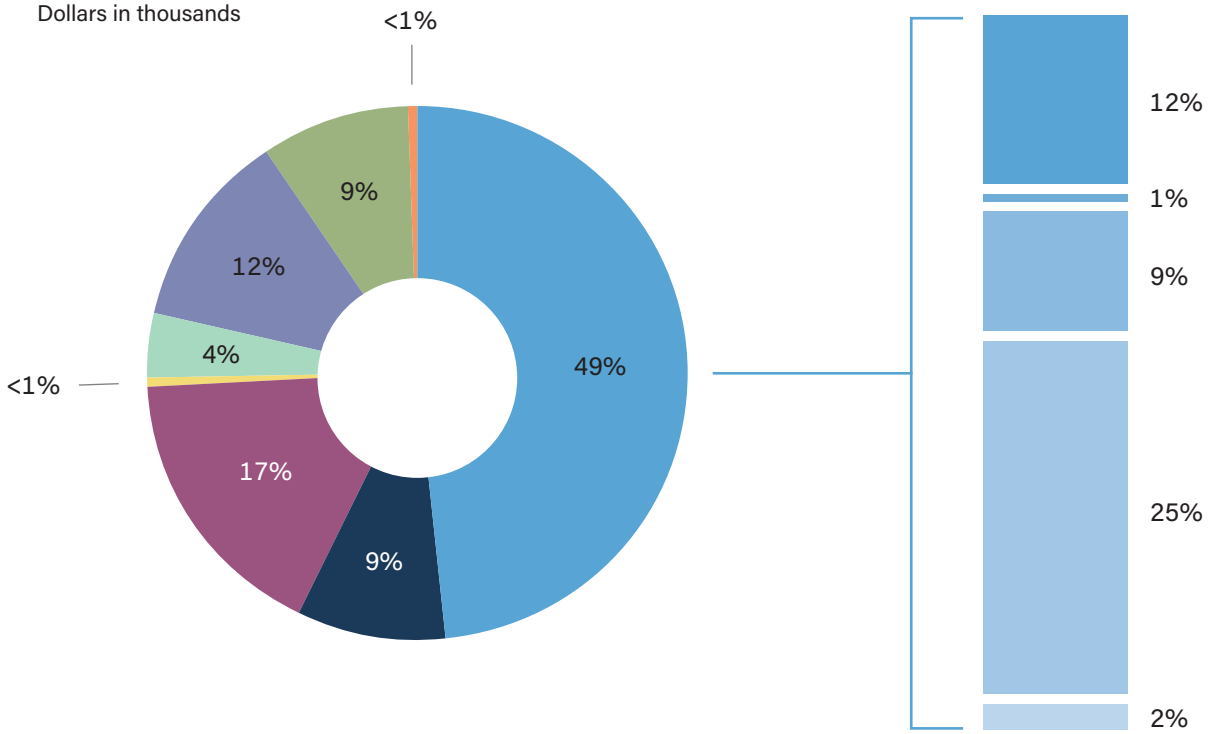
Other nonoperating expense increased $14.1 million due to the demolition of Berryhill Hall to make space for the New Medical Education Building.

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 $4.5 billion for FY 2021. As seen in the chart, the University has a diversified revenue base.

2021 Revenues by Source: $4,477,367

Dollars in thousands



- Student Tuition and Fees, Net — $412,072
- Federal Grants and Contracts — $763,623
- State and Local Grants and Contracts — $13,091
- Nongovernmental Grants and Contracts — $182,500
- Patient Services, Net — $545,210
- Sales and Services, Net — $397,369
- Other Operating Revenues — $6,068
- Other — $2,157,434
- State Appropriations — $537,409
- Student Financial Aid — $44,207
- Noncapital Contributions — $399,820
- Investment Income, Net — $1,099,206
- COVID Funding — $76,792

Other Changes in Net Position

Capital contributions increased from $22.1 million to $78.9 million in FY 2021. This increase is driven by gifts from the Educational Foundation to Athletics including the football indoor complex and the soccer/lacrosse field.

Economic Outlook

The University of North Carolina at Chapel Hill remains financially sound, despite the impact of the COVID-19 pandemic. The University has diverse revenue streams, healthy endowments, strong traditions of private donations, experienced management, highly selective acceptance rates, and a continued commitment to excellence.

Throughout the fiscal year ending June 30, 2021, the University operated predominately with a remote instruction and work environment, with limited campus presence of students, faculty, and staff. Despite pandemic related financial impacts, the University maintained liquidity as operations continued. The greatest impacts on revenues occurred in auxiliary functions such as housing, dining and athletics which were buffered by sufficient reserves to carry them through the fiscal year. The University made efforts to balance its budget and eliminate a structural imbalance which created additional fiscal stability to weather pandemic impacts. The economic downturn was less severe in North Carolina than initially forecast and the addition of federal stimulus funds provided stability at the state level. As a result, state revenues continued to be a reliable source of support for the University.

Tuition rates for the Fiscal Year 2021 remained consistent with 2020 rates for undergraduate residents and nonresident students, along with graduate students. 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.

State appropriations for FY 2022 are budgeted at $534.9 million. 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 2022 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 $1 billion in extramural support for the second consecutive year in FY 2021. It directly supports more than 10,000 positions statewide. In a 2019 report titled The Top American Research Universities, the University was ranked one of the top six public universities. The report, produced by the Center for Measuring University Performance, assessed areas such as research, private support, faculty strength, and advanced training. Based on the 2019 NSF Higher Education Research and Development Survey, UNC-CH ranked 12th nationally and 7th among U.S. public institutions of higher educations for research funding. 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 showed great strength and momentum in fiscal year 2021, with new cash and commitments totaling $601.7 million, the University's third best year ever and a 6.6% increase over the prior fiscal year. Cash gifts set a record, recording $455 million. More than 62,700 alumni and friends contributed to the Campaign for Carolina, supporting student opportunities and faculty research as well as initiatives benefiting North Carolina citizens and people around the world.

Five areas had their best-ever fundraising year: Carolina Performing Arts, The Graduate School, Kenan-Flagler Business School, School of Social Work and UNC Health. Highlights for the year included a $3 million gift from Roy and Wanda Williams to support scholarships for undergraduate students; a $6.8 million gift from the Helene Fuld Health Trust for a new simulation center and scholarships at the UNC School of Nursing; an $8 million commitment from Nancy and Doug Abbey for an endowed speaker series at the UNC Program for Public Discourse in the College of Arts & Sciences; a $3 million gift from an anonymous donor to endow the first non-faculty directorship in the arts at Carolina, named for James and Susan Moeser, at Carolina Performing Arts; and a $12.5 million gift from the Gary Sinise Foundation Avalon Network to create the Transforming Health and Resilience in Veterans (THRIVE) Program to provide care for military veterans at the Matthew Gfeller Center in the UNC College of Arts & Sciences.

Investment income provides an important source of earnings to support the University's mission. Approximately $3.3 billion is invested with the UNC Investment Fund. The achievement of long-term 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 strategic asset allocation at the aggregate level and then augmented by differentiated strategies implemented by 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 performance expectations.

Given the general risks and uncertainties in financial markets, the UNC Investment Fund's strategy tends to focus on balancing return objectives with capital preservation and downside protection as an overall approach. Based on the current market environment, the UNC Investment Fund seeks investment opportunities that balance risk and reward within a broad strategy perspective. Ongoing financial market conditions require flexibility and prudent investing to preserve and protect capital while incrementally generating return in a risk-efficient manner. Actual investment returns and expectations will vary depending upon the current economic environment, time horizon, and other factors.

According to Moody's Investor Service Outlook - Higher Education – US, March 2021, the outlook for higher education has changed from negative to stable. This improvement is driven by the widespread return to on-campus learning in the fall of 2021. Also, federal relief funds are helping to offset the increased expenses and revenue losses of the last year. 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.

Rating agencies completed a comprehensive review of the University's credit profile in conjunction with a financing in Spring 2021. Moody's, Standard and Poor's and Fitch confirmed the University's triple-A rating and indicated significant strengths including: exceptional strategic position aided by superior student demand and large sponsored research platform, uncommonly strong support from the State of North Carolina, substantial asset base, strong donor support, and management strength.

The University faces significant pressure on its ability to curb expenses while maintaining the competitive salaries and benefits needed to attract top faculty. Continued effective leadership, managing budgets and commitment to financial health will fortify the University as it continues to thrive and remain dedicated to its mission.

Forest Theatre, campus of UNC-Chapel Hill.

Financial Statements

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Statement of Net Position - Proprietary Funds

June 30, 2021

Assets	
Current Assets:	
Cash and Cash Equivalents	$655,414,144
Restricted Cash and Cash Equivalents	354,140,375
Short-Term Investments	412,695,265
Restricted Short-Term Investments	152,658,924
Receivables, Net (Note 5)	273,502,969
Due from Primary Government	2,636,894
Due from State of North Carolina Component Units	156,987,722
Inventories	21,516,298
Notes Receivable, Net (Note 5)	4,143,935
Other Assets	21,004,536
Total Current Assets	**2,054,701,062**
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	122,400,846
Receivables, Net (Note 5)	64,744,882
Endowment Investments	3,173,504,846
Other Investments	41,403,894
Notes Receivable, Net (Note 5)	28,988,342
Investment in Joint Ventures (Note 22)	17,516,218
Beneficial Interest in Assets Held by Others	1,283,580
Net Other Postemployment Benefits Asset	3,489,129
Capital Assets - Nondepreciable (Note 6)	383,446,640
Capital Assets - Depreciable, Net (Note 6)	2,676,248,434
Total Noncurrent Assets	**6,513,026,811**
Total Assets	**$8,567,727,873**

Deferred Outflows of Resources	
Accumulated Decrease in Fair Value of Hedging Derivatives	$118,979,851
Deferred Loss on Refunding	9,224,789
Deferred Outflows Related to Pensions (Note 16)	152,817,734
Deferred Outflows Related to Other Postemployment Benefits (Note 17)	324,323,757
Total Deferred Outflows of Resources	**$605,346,131**

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

Liabilities	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	$200,786,994
Due to State of North Carolina Component Units	15,842,023
Due to University Component Units	12,433,614
Deposits Payable	16,544,501
Funds Held for Others	1,236,692
Unearned Revenue	122,820,517
Interest Payable	3,301,922
Long-Term Liabilities - Current Portion (Note 10)	119,867,065
Total Current Liabilities	**492,833,328**
Noncurrent Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	16,293,709
U.S. Government Grants Refundable	18,027,134
Hedging Derivative Liability	118,979,851
Long-Term Liabilities, Net (Note 10)	3,866,563,459
Total Noncurrent Liabilities	**4,019,864,153**
Total Liabilities	**$4,512,697,481**

Deferred Inflows of Resources	
Deferred Inflows for Irrevocable Split-Interest Agreements	$22,179,078
Deferred Inflows Related to Pensions (Note 16)	730,409
Deferred Inflows Related to Other Postemployment Benefits (Note 17)	987,534,734
Total Deferred Inflows of Resources	**$1,010,444,221**

Net Position	
Net Investment in Capital Assets	**$1,656,472,890**
Restricted - Nonexpendable:	
Scholarships and Fellowships	258,535,386
Research	19,469,288
Endowed Professorships	416,249,298
Departmental Uses	163,414,453
Loans	23,619,869
Other	68,560,020
Total Restricted - Nonexpendable	**949,848,314**
Restricted - Expendable:	
Scholarships and Fellowships	476,545,531
Research	48,890,972
Endowed Professorships	874,866,140
Departmental Uses	780,155,410
Capital Projects	55,617,528
Debt Service	300,265
Other	145,174,269
Total Restricted - Expendable	**2,381,550,115**
Unrestricted	**(1,337,939,017)**
Total Net Position	**$3,649,932,302**

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds

For the fiscal year ended June 30, 2021

Operating Revenues	
Student Tuition and Fees, Net (Note 14)	$412,071,788
Patient Services, Net (Note 14)	545,209,574
Federal Grants and Contracts	763,623,335
State and Local Grants and Contracts	13,091,495
Nongovernmental Grants and Contracts	182,500,013
Sales and Services, Net (Note 14)	397,368,949
Interest Earnings on Loans	951,584
Other Operating Revenues	5,116,544
Total Operating Revenues	**$2,319,933,282**

Operating Expenses	
Salaries and Benefits	$1,812,296,102
Supplies and Services	963,510,332
Scholarships and Fellowships	121,919,611
Utilities	79,240,505
Depreciation/Amortization	159,181,030
Total Operating Expenses	**3,136,147,580**
Operating Loss	**($816,214,298)**

Nonoperating Revenues (Expenses)	
State Appropriations	$537,409,229
State Aid - COVID-19 (Note 20)	47,967,574
Student Financial Aid	44,206,926
Federal Aid - COVID-19 (Note 20)	28,824,394
Noncapital Contributions, Net (Note 14)	399,819,639
Investment Income (Net of Investment Expense of $28,573,229)	1,099,206,099
Interest and Fees on Debt	(51,189,311)
Federal Interest Subsidy on Debt	2,143,405
Other Nonoperating Revenues (Expenses)	(25,498,844)
Net Nonoperating Revenues	**2,082,889,111**
Income Before Other Revenues	**1,266,674,813**
Capital Contributions	78,871,011
Additions to Endowments	34,471,810
Total Other Revenues	**113,342,821**
Increase in Net Position	**$1,380,017,634**

Net Position	
Net Position — July 1, 2020	**$2,269,914,668**
Net Position — June 30, 2021	**$3,649,932,302**

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

Statement of Cash Flows - Proprietary Funds

For the fiscal year ended June 30, 2021

Cash Flows from Operating Activities	
Received from Customers	$2,228,621,802
Payments to Employees and Fringe Benefits	(1,891,775,794)
Payments to Vendors and Suppliers	(1,035,216,412)
Payments for Scholarships and Fellowships	(121,919,611)
Loans Issued	(1,123,042)
Collection of Loans	6,196,582
Interest Earned on Loans	994,478
William D. Ford Direct Lending Receipts	173,308,393
William D. Ford Direct Lending Disbursements	(173,308,393)
Related Activity Agency Receipts	1,236,692
Related Activity Agency Disbursements	(1,023,012)
Other Payments	(6,660,336)
Net Cash Used by Operating Activities	**($820,668,653)**

Cash Flows from Noncapital Financing Activities	
State Appropriations	$537,409,229
State Aid - COVID-19	47,967,574
Student Financial Aid	40,913,249
Federal Aid - COVID-19	28,824,394
Noncapital Contributions	298,940,916
Additions to Endowments	34,471,810
Payments for Annuities and Life Income Payable Under Split-Interest Agreements	(4,542,874)
Net Cash Provided by Noncapital Financing Activities	**$983,984,298**

Cash Flows from Capital Financing And Related Financing Activities	
Proceeds from Capital Debt	$224,076,248
Capital Contributions	32,868,657
Acquisition and Construction of Capital Assets	(140,522,510)
Principal Paid on Capital Debt and Leases	(179,728,088)
Payment to Bond Escrow Agent for Defeased Debt	(8,410,000)
Interest and Fees Paid on Capital Debt and Leases	(49,844,620)
Federal Interest Subsidy on Debt Received	2,143,405
Net Cash Used by Capital Financing and Related Financing Activities	**($119,416,908)**

Cash Flows from Investing Activities	
Proceeds from Sales and Maturities of Investments	$573,229,006
Investment Income	921,509
Purchase of Investments and Related Fees	(406,110,819)
Net Cash Provided by Investing Activities	**$168,039,696**
Net Increase in Cash and Cash Equivalents	**$211,938,433**
Cash and Cash Equivalents — July 1, 2020, as Restated (Note 25)	**$920,016,932**
Cash and Cash Equivalents — June 30, 2021	**$1,131,955,365**

Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	**($816,214,298)**
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	159,181,030
Allowances and Write-Offs	23,101,682
Other Nonoperating Expenses	(11,776,882)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(95,113,684)
Due from Primary Government	(2,636,894)
Due from State of North Carolina Component Units	(8,135,326)
Inventories	(159,943)
Notes Receivable, Net	5,293,259
Net Other Postemployment Benefits Asset	(501,798)
Other Assets	1,345,271
Deferred Outflows Related to Pensions	(13,070,526)
Deferred Outflows Related to Other Postemployment Benefits	37,529,754
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	39,458,522
Funds Held for Others	213,680
Unearned Revenue	(5,582,376)
Net Pension Liability	50,338,524
Net Other Postemployment Benefits Liability	(222,334,449)
Compensated Absences	7,599,065
Deposits Payable	3,350,372
Workers' Compensation Liability	(1,196,931)
Deferred Inflows Related to Pensions	71,324
Deferred Inflows Related to Other Postemployment Benefits	28,571,971
Net Cash Used by Operating Activities	**($820,668,653)**

Noncash Investing, Capital, and Financing Activities	
Assets Acquired through a Gift	$46,002,354
Change in Fair Value of Investments	1,099,266,572
Loss on Disposal of Capital Assets	(13,721,976)
Amortization of Bond Premiums/Discounts	476,674
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(33,071,756)

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

Statement of Fiduciary Net Position

June 30, 2021

Assets	External Investment Pool Funds	Other Funds
Cash and Cash Equivalents	$0	$39,830,106
Accounts Receivable		184,983
Other Assets		901,305
Investments (Note 2):		
Pooled Investment Funds	6,721,046,296	
Other Investments		6,252,581
Total Assets	**$6,721,046,296**	**$47,168,975**
Liabilities		
Accounts Payable and Accrued Liabilities	$4,133,272	$540,037
Total Liabilities		
Net Position		
Restricted for:		
Pool Participants	$6,716,913,024	$0
Individuals/Other Organizations		46,628,938
Total Net Position	**$6,716,913,024**	**$46,628,938**

Statement of Changes in Fiduciary Net Position

June 30, 2021

Additions	External Investment Pool Funds	Other Funds
Contributions:		
Pool Participants	$1,099,227,418	$0
Individuals/Other Organizations		47,055,571
Total Contributions	**1,099,227,418**	**47,055,571**
Investment Activity:		
Investment Income	1,755,957,904	897,181
Investment Expenses	(17,310,217)	
Net Investment Income (Loss)	**1,738,647,687**	**897,181**
Total Additions	**$2,837,875,105**	**$47,952,752**
Deductions		
Withdrawals and Distributions	$130,334,145	$38,459,965
Increase (Decrease) in Fiduciary Net Position	**$2,707,540,960**	**$9,492,787**
Net Position		
Net Position - July 1, 2020, as Restated (Note 25)	**$4,009,372,064**	**$37,136,151**
Net Position - June 30, 2021	**$6,716,913,024**	**$46,628,938**

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, 2021

Assets	UNC-CH Arts and Sciences Foundation, Inc.	The Educational Foundation Scholarship Endowment Trust	UNC Health Foundation, Inc.
Current Assets:			
Cash and Cash Equivalents	$30,418,018	$15,662,778	$30,193,105
Accounts Receivable	4,965,080	1,009,518	
Pledges Receivable, Net and Other Assets		10,228,281	
Promises to Give, Net	34,475,496		
Unconditional Promises to Give, Current Portion, Net			24,210,153
Contribution Receivable from Split-Interest Agreements		6,632,785	
Receivable from UNC Chapel Hill Foundation			3,042,534
Other Receivables	461		
Other Current Assets			360,931
Total Current Assets	**69,859,055**	**33,533,362**	**57,806,723**
Property and Equipment:			
Capital Assets, Net	6,013,195		402,346
Total Property and Equipment	**6,013,195**		**402,346**
Other Assets:			
Investments	408,549,261	355,586,747	471,639,941
Unconditional Promises to Give, less Current Portion, Net			5,875,899
Split-Interest Agreements	3,588,654		
Cash Surrender Value of Life Insurance		783,086	
Other Assets			4,018,818
Total Other Assets	**412,137,915**	**356,369,833**	**481,534,658**
Total Assets	**$488,010,165**	**$389,903,195**	**$539,743,727**
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Expenses	$0	$0	$1,552,737
Annuities Payable		18,215	
Current Portion of Loan Payable	172,983		
Total Current Liabilities	**172,983**	**18,215**	**1,552,737**
Long-Term Liabilities:			
Loan Payable	2,037,254		
Liabilities Under Charitable Remainder Trusts			64,256
Total Long-Term Liabilities	**2,037,254**		**64,256**
Total Liabilities	**$2,210,237**	**$18,215**	**$1,616,993**
Net Assets			
Without Donor Restrictions			
Undesignated	$3,340,216	$0	$11,450,117
Designated by the Board for Endowment	81,582,087		13,339,792
Invested in Property and Equipment			402,346
Total Without Donor Restrictions	84,922,303		25,192,255
With Donor Restrictions	400,877,625	389,884,980	512,934,479
Total Net Assets	**485,799,928**	**389,884,980**	**538,126,734**
Total Liabilities and Net Assets	**$488,010,165**	**$389,903,195**	**$539,743,727**

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, 2021

Support and Revenue	UNC-CH Arts and Sciences Foundation , Inc.	The Educational Foundation Scholarship Endowment Trust	UNC Health Foundation, Inc.
Support:			
Contributions	$25,480,549	$12,595,018	$50,568,460
Donated Support	3,344,236		
Contributed Services			2,744,476
Change in Value of Split-Interest Agreements	1,617,246		699,121
Actuarial Adjustment of Annuities Payable		18,462	
Endowment Investment Return Designated for Current Operations		12,241,374	
Other Contributions		1,783,494	
Total Support	**30,442,031**	**26,638,348**	**54,012,057**
Revenue:			
Interest and Dividends			5,747,147
Net Change in Fair Value of Investments	120,130,761		
Net Realized and Unrealized Gains on Investments			104,629,443
Realized Gain on Investments	1,847		
Investment Income	13,289		
Other Income			719,946
Total Revenue	**120,145,897**		**111,096,536**
Total Support and Revenue	**$150,587,928**	**$26,638,348**	**$165,108,593**
Expenses			
Program Services	**$15,435,185**	**$13,129,864**	**$23,770,346**
Supporting Services:			
Fundraising	2,655,339	303,194	6,649,917
Membership development		160,514	
Management, Administrative, and General	646,121	531,296	3,491,698
Total Supporting Services	**3,301,460**	**995,004**	**10,141,615**
Bad Debt	**392,851**		
Total Expenses and Bad Debt Expense	**$19,129,496**	**$14,124,868**	**$33,911,961**
Other Changes			
Endowment Investment Return in Excess of Amounts Designated for Current Operations		$93,152,762	
Changes in Net Assets			
Without Donor Restrictions	$23,688,439	$0	$6,166,942
With Donor Restrictions	107,769,993	105,666,242	125,029,690
Total Changes in Net Assets	**131,458,432**	**105,666,242**	**131,196,632**
Net Assets — Beginning of Year	**354,341,496**	**284,218,738**	**406,930,102**
Net Assets — End of Year	**$485,799,928**	**$389,884,980**	**$538,126,734**

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

Notes to the Financial Statements

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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 Annual Comprehensive 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), 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, 2021, the Chapel Hill Investment Fund membership interest was approximately 51% 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 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 are officials or appointed by officials of the University, and the UNC-Chapel Hill Foundation's sole purpose is to benefit the University, its financial statements have been blended with those of the University.

The Business School Foundation is governed by a board consisting of four ex-officio directors and four or more elected directors. Ex-officio directors include the Dean of the Kenan-Flagler Business School (Business School), as well as the 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.

WUNC is governed by a board consisting of nine members. Seven members of the board, at least two of which are current or previous 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 six 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. Five at-large members are elected by the designated members, and one is appointed by UNC Health Care. 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 23 - Blended Component Units.

Discretely Presented Component Units — UNC Health Foundation, Inc. (UNC Health Foundation), previously known as The Medical Foundation of North Carolina, Inc., 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 UNC Health 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 UNC Health 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 UNC Health Foundation rather than UNC Hospitals. Although the University does not control the timing or amount of receipts from the UNC Health Foundation, the majority of resources or income that the UNC Health Foundation holds and invests is restricted to the University by the donors. Because these restricted resources held by the UNC Health Foundation can only be used by, or for the benefit of the University, the UNC Health 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, 33 elected directors and such number of emeritus directors determined 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 provides that The Educational Foundation, Inc. appoints and designates the voting members of the Investment Committee as Trustees of the Trust. The Educational Foundation Trust operates solely to assist the University in providing financial assistance to students at the University. On an annual basis, the 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 the contributions that the Educational Foundation Trust receives 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 UNC Health 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, 2021, the UNC Health Foundation, Arts and Sciences Foundation, and Educational Foundation Trust distributed $55,700,496 to the University for both restricted and unrestricted purposes. Complete financial statements for the UNC Health 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 Governmental Accounting Standards Board (GASB). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and GASB Statement No. 84, *Fiduciary Activities*, require the presentation of both proprietary and fiduciary fund

financial statements. See below for a description of each fund.

Proprietary Fund - This fund accounts for the University's primary activities and is presented in a single column on the accompanying proprietary fund financial statements.

Fiduciary Funds - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds.

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 - Fair Value Measurements. 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. Please see Note 4 – Endowment Investments for additional information.

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, and 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.

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, acquisition value, or fair value at 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 — Accounting and Reporting of Fiduciary Activities

All trust or custodial funds meeting the criteria of a fiduciary activity are reported in separate fiduciary fund financial statements.

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 includes: compensated absences, annuities and life income payable, 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 2020 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 - Pension Plans 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 2020 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 - Other Postemployment Benefits 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:

PROPRIETARY FUND

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, workers' compensation, 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 - Net Position for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

FIDUCIARY FUNDS

Restricted Net Position — Fiduciary net position includes resources held in a custodial capacity for external pool participants in the University's External Investment Fund, and for other individual, organizations, and governments that are not available for alternative use by the University.

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, 2021, the amount shown on the Statement of Net Position as cash and cash equivalents includes $1,019,451,121, 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, 2021. 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 https://www.nctreasurer.com/ in the Audited Financial Statements section.

Cash on hand at June 30, 2021 was $279,529. The carrying amount of the University's deposits not with the State Treasurer was $112,224,715, and the bank balance was $397,642,758. 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, 2021, $151,700,725 of the University's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

Deposit Reconciliation:

	Proprietary Fund	Fiduciary Fund	Total
Cash on Hand	$279,529	$0	$279,529
Deposits with Private Financial Institutions	112,224,715	39,830,106	152,054,821
Deposits in the Short-Term Investment Fund	1,019,451,121		1,019,451,121
Total Deposits	**$1,131,955,365**	**$39,830,106**	**$1,171,785,471**
Deposits			
Current:			
Cash and Cash Equivalents	$655,414,144	$39,830,106	$655,414,144
Restricted Cash and Cash Equivalents	354,140,375		354,140,375
Noncurrent:			
Restricted Cash and Cash Equivalents	122,400,846		162,230,952
Total Deposits	**$1,131,955,365**	**$39,830,106**	**$1,171,785,471**

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, and Business School 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 from various donors or other sources 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.

The information provided below includes investments for the proprietary fund, fiduciary funds, and the discretely presented component units. See the Total Investments Reconciliation as of June 30, 2021.

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 Fiduciary Fund financial statements. 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, 2021:

Temporary Pool Investments

		Investment Maturities (In Years)			
Investment Type	**Amount**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Debt Securities:					
U.S. Treasuries	$20,139,000	$20,139,000	$0	$0	$0
U.S. Agencies	69,447,217	14,950,259	14,479,216	15,057,099	24,960,643
Collateralized Mortgage Obligations	762,156				762,156
Asset-Backed Securities	975,936			450,618	525,318
Money Market Mutual Funds	15,420,554	15,420,554			
Total Debt Securities	**$106,744,863**	**$50,509,813**	**$14,479,216**	**$15,507,717**	**$26,248,117**
Other Securities:					
Domestic Stocks	30,000				
Total Temporary Pool Investments	**$106,774,863**				

The University has elected to invest $106,108,561 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, 2021, 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	$69,447,217	$0	$69,447,217	$0	$0	$0	$0
Collateralized Mortgage Obligations	762,156		8,593	31,768	150,466	167,943	403,386
Asset-Backed Securities	975,936					525,318	450,618
Money Market Mutual Funds	15,420,554	$15,420,554					
Totals	**$86,605,863**	**$15,420,554**	**$69,455,810**	**$31,768**	**$150,466**	**$693,261**	**$854,004**

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

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

The Temporary Investment Pool's Statement of Net Position and Statement of Operations and Changes in Net Position as of and for the period ended June 30, 2021, are as follows:

Statement of Net Position
June 30, 2021

	Amount
Assets:	
State Treasurer Investment Fund	$80,000,047
Accrued Investment Income	197,363
Chapel Hill Investment Fund	160,108,561
Investments	106,774,863
Total Assets	**347,080,834**
Total Liabilities	**-**
Net Position Restricted for Members:	
Internal Portion	254,809,455
External Portion	92,271,380
Total Net Position	**$347,080,835**

Statement of Operations and Changes in Net Position
June 30, 2021

	Amount
Increase in Net Position from Operations:	
Revenues: Investment Income	$45,786,103
Expenses: Investment Management	(21,827)
Net Increase in Net Position Resulting from Operations	**45,764,276**
Distributions to Participants:	
Distributions Paid and Payable	(45,764,276)
Share Transactions:	
Net Share Purchases	5,408,963
Total Increase in Net Position	**5,408,963**
Net Position:	
Beginning of Year	341,671,872
End of Year	**$347,080,835**

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, 2021, the University's membership interest was approximately 30% of the UNC Intermediate Pool's total membership interests. An affiliated organization, not included in the University's reporting entity, held the remaining 70% membership interest. This external portion of the UNC Intermediate Pool is presented in the accompanying Fiduciary Fund financial statements.

The following table presents the UNC Intermediate Pool investments by type and investments subject to interest rate risk at June 30, 2021:

UNC Intermediate Pool

		Investment Maturities (In Years)			
Investment Type	**Amount**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Debt Securities:					
U.S. Treasuries	$20,959,092	$177,174	$0	$5,428,259	$15,353,659
U.S. Agencies	26,950,802			1,384,274	25,566,528
Mortgage Pass Throughs	9,442,883				9,442,883
Collateralized Mortgage Obligations	27,276,842			203,594	27,073,248
Asset-Backed Securities	164,904,641			45,208,075	119,696,566
Debt Mutual Funds	483,280,894	25,263,071	221,415,448	143,162,455	93,439,920
Money Market Mutual Funds	16,126,087	16,126,087			
Domestic Corporate Bonds	10,529,100			10,185,911	343,189
Foreign Corporate Bonds	16,042,979			12,289,451	3,753,528
Foreign Government Bonds	6,857,258			2,288,627	4,568,631
Total Debt Securities	**$782,370,578**	**$41,566,332**	**$221,415,448**	**$220,150,646**	**$299,238,152**
Other Securities:					
Foreign Stocks	444,803				
Credit Based Commingled Funds	113,131,880				
Total UNC Intermediate Pool Investments	**$895,947,261**				

The University has elected to invest $282,527,695 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, 2021, 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**
U.S. Agencies	$26,950,802	$0	$25,183,357	$0	$0	$1,002,470	$764,975
Mortgage Pass Throughs	9,442,883		978,727	5,708,800	1,705,679	1,049,677	
Collateralized Mortgage Obligations	27,276,842					13,487,688	13,789,154
Asset-Backed Securities	164,904,641	2,996,164	6,548,919	4,612,426	40,902,559	83,754,205	26,090,368
Debt Mutual Funds	483,280,894		7,528,768		460,195,778	15,556,348	
Money Market Mutual Funds	16,126,087	16,126,087					
Domestic Corporate Bonds	10,529,100					10,529,100	
Foreign Corporate Bonds	16,042,979	235,628	906,630	1,841,419	4,309,288	8,750,014	
Foreign Government Bonds	6,857,258		1,266,219	1,689,930	3,105,721	795,388	
Totals	**$761,411,486**	**$19,357,879**	**$42,412,620**	**$13,852,575**	**$510,219,025**	**$134,924,890**	**$40,644,497**

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, UNC Health 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 Fiduciary Fund financial statements.

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 51% 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 51% membership interest as of June 30, 2021, 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 Fiduciary Fund financial statements. 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, 2021:

UNC Investment Fund

Investment Type	Amount	Investment Maturities (In Years) Less than 1	1 to 5	6 to 10	More than 10
Debt Securities:					
U.S. Treasuries	$58,088,278	$28,544,073	$9,534,355	$6,817,544	$13,192,306
U.S. Agencies	39,219,352		1,537,239	4,061,638	33,620,475
Collateralized Mortgage Obligations	57,972,050		3,150,131	1,105,674	53,716,245
Asset-Backed Securities	70,700,988		8,457,535	20,427,215	41,816,238
Money Market Mutual Funds	748,665,830	748,665,830			
Domestic Corporate Bonds	2,377,340	505,955		1,165,510	705,875
Total Debt Securities	**$977,023,838**	**$777,715,858**	**$22,679,260**	**$33,577,581**	**$143,051,139**
Other Securities:					
Domestic Stocks	508,733,457				
Foreign Stocks	18,909,110				
Real Estate Investment Trust	73,450,858				
Long/Short Hedge Funds	1,498,125,352				
Diversifying Hedge Funds	480,498,504				
Hedge Funds in Liquidation	17,707,094				
Long Only Hedge Funds	2,157,649,004				
Credit Based Commingled Funds	182,322,792				
Private Equity Limited Partnerships	3,887,096,870				
Real Assets Limited Partnerships	495,208,806				
Total UNC Investment Fund Investments	**$10,296,725,685**				

At June 30, 2021, 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	$39,219,352	$0	$26,018,240	$0	$276,642	$1,256,560	$11,667,910
Collateralized Mortgage Obligations	57,972,050	3,284,940	275,825	442,774	4,480,943	24,387,411	25,100,157
Asset-Backed Securities	70,700,988				681,422	59,192,087	10,827,479
Money Market Mutual Funds	748,665,830	748,665,830					
Domestic Corporate Bonds	2,377,340			1,211,830	544,765	620,745	
Totals	**$918,935,560**	**$751,950,770**	**$26,294,065**	**$1,654,604**	**$5,983,772**	**$85,456,803**	**$47,595,546**

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, 2021, the UNC Investment Fund's exposure to foreign currency risk is as follows:

Investment	Currency	Amount (U.S. Dollars)
Private Equity Limited Partnerships	Euro	$162,339,430
Real Assets Limited Partnerships	Euro	1,186,886
Other Hedge Funds	Euro	24,521,317
Total Euro		**188,047,632**
Private Equity Limited Partnerships	British Pound Sterling	54,893,627
Real Assets Limited Partnerships	British Pound Sterling	278,044
Total British Pound Sterling		**55,171,671**
Private Equity Limited Partnerships	Canadian Dollar	7,454,181
Private Equity Limited Partnerships	Australian Dollar	9,366
Total		**$250,682,851**

Investment Derivatives: At June 30, 2021, the UNC Investment Fund is invested in foreign currency forward contracts with a fair value of $412,173 Disclosures are provided for these investments in Note 11 Derivative Instruments.

The University's reporting entity, including the three discretely presented component units, comprises approximately 44% of the UNC Investment Fund.

Non-Pooled Investments — The following table presents investments by type and investments subject to interest rate risk at June 30, 2021, for the University's non-pooled investments.

		Investment Maturities (In Years)			
Investment Type	**Amount**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Debt Securities:					
U.S. Treasuries	$136,410	$0	$81,734	$54,676	$0
U.S. Agencies	79			79	
Mortgage Pass Throughs	42			42	
Collateralized Mortgage Obligations	42,516				42,516
Debt Mutual Funds	8,234,213		601,662	7,632,551	
Money Market Mutual Funds	503,388	503,388			
Foreign Government Bonds	28,513		28,513		
Total Debt Securities	**$8,945,161**	**$503,388**	**$711,909**	**$7,687,348**	**$42,516**
Other Securities:					
Equity Mutual Funds	14,656,914				
Domestic Stocks	18,865,744				
Foreign Stocks	40,371				
International Mutual Funds	10,207,579				
Investments in Real Estate	4,072,774				
Gifted Life Insurance	2,787,791				
Real Estate Investment Trust	43,488				
Private Equity Limited Partnerships	25,384,641				
Total Non-Pooled Investments	**$85,004,463**				

At June 30, 2021, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA, Aaa	AA, Aa	BB, Ba and Below	Unrated
U.S. Agencies	$79	$0	$0	$0	$79
Mortgage Pass Throughs	42				42
Collateralized Mortgage Obligations	42,516			35,627	6,889
Debt Mutual Funds	8,234,213	3,189,096	424,130	1,549,291	3,071,696
Money Market Mutual Funds	503,388	503,388			
Foreign Government Bonds	28,513			28,513	
Totals	**$8,808,751**	**$3,692,484**	**$424,130**	**$1,613,431**	**$3,078,706**

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

Foreign Currency Risk: At June 30, 2021, 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, 2021:

Investment Type	Amount
Debt Securities:	
U.S. Treasuries	$99,322,780
U.S. Agencies	135,617,450
Mortgage Pass Throughs	9,442,925
Collateralized Mortgage Obligations	86,053,564
Asset-Backed Securities	236,581,565
Debt Mutual Funds	491,515,107
Money Market Mutual Funds	780,715,859
Domestic Corporate Bonds	12,906,440
Foreign Corporate Bonds	16,042,979
Foreign Government Bonds	6,885,771
Total Debt Securities	**1,875,084,440**
Other Securities:	
Equity Index/Mutual Funds	14,656,914
International Mutual Funds	10,207,579
Investments in Real Estate	4,072,774
Real Estate Investment Trusts	73,494,346
Long/Short Hedge Funds	1,498,125,352
Diversifying Hedge Funds	480,498,504
Hedge Funds In Liquidation	17,707,094
Long Only Hedge Funds	2,157,649,004
Credit Based Commingled Funds	295,454,672
Private Equity Limited Partnerships	3,912,481,511
Real Assets Limited Partnerships	495,208,806
Gifted Life Insurance	2,787,791
Domestic Stocks	527,629,201
Foreign Stocks	19,394,284
Total Other Securities	**9,509,367,832**
Total Investments	**$11,384,452,272**

Total Investments Reconciliation:

	Amount
University Statement of Net Position:	
Short-Term Investments	$412,695,265
Restricted Short-Term Investments	152,658,924
Endowment Investments	3,173,504,846
Other Investments	41,403,894
Subtotal	**3,780,262,929**
Discretely Presented Component Units:	
Investments of UNC Investment Fund Held for Component Units that are Discretely Presented in Accompanying Financial Statements	995,447,677
Fiduciary Investments:	
Investments Presented in Accompanying Fiduciary Financial Statements	6,727,298,877
*Assets and Liabilities within Investment Pools:	
Cash and Cash Equivalents	(98,657,295)
Accrued Investment Income Receivable	(3,038,983)
Accounts Receivable - Pending Trade Settlements	(52,296,205)
Other Assets	(412,173)
AP / Accrued Expenses	12,906,445
Reverse Repo Liability	22,941,000
Subtotal	**(118,557,211)**
Total Investments	**$11,384,452,272**

*Investments held by the University, its Discretely Presented Component Units, or its beneficiaries, within the Investment Pools discussed in Note 2 - Deposits and Investments, are owned and recorded at the participant level. The participant level investment is proportionately equivalent to the Net Assets of the Investment Pools in which each participant invests. Therefore, to reconcile the ownership view to the security level Total Investments table (Note 2) we must eliminate the impact of other assets and other liabilities held within the Investment Pools.

Component Unit — Investments of the University's discretely presented component unit, the UNC Health 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. Because the UNC Health 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	$3,563,965
Common Stock and ETF	5,550,647
Hatteras Venture Partners V, LP and other Alternatives	29,280,340
Mutual Funds - Equity Oriented	112,110,275
Mutual Funds - Credit Oriented	45,353,091
Annuity Contracts	13,061,035
Government Securities and Corporate Fixed Income	32,044,717
Total Investments	**$240,964,070**

The Old Well.

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, 2021. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

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

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

The following table summarizes the University's proprietary and fiduciary 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, 2021:

		Fair Value Measurements Using		
Investments by Fair Value Level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt Securities:				
U.S. Treasuries	$99,322,780	$99,322,780	$0	$0
U.S. Agencies	135,617,450		135,617,450	
Mortgage Pass Throughs	9,442,925		9,442,925	
Collateralized Mortgage Obligations	86,053,564		86,053,564	
Asset-backed Securities	236,581,565		236,581,565	
Debt Mutual Funds	491,515,107	491,515,107		
Money Market Mutual Funds	780,715,859	780,715,859		
Domestic Corporate Bonds	12,906,440		12,906,440	
Foreign Corporate Bonds	16,042,979		16,042,979	
Foreign Government Bonds	6,885,771		6,885,771	
Total Debt Securities	**1,875,084,440**	**1,371,553,746**	**503,530,694**	
Other Securities:				
International Mutual Funds	10,207,579	10,207,579		
Equity Mutual Funds	14,656,914	14,656,914		
Investments in Real Estate	4,072,774			4,072,774
Domestic Stocks	527,629,201	514,664,707		12,964,494
Foreign Stocks	19,394,284	18,636,776	757,508	
Gifted Life Insurance	2,787,791			2,787,791
Real Estate Investment Trust	73,494,346	73,494,346		
Total Other Securities	**652,242,889**	**631,660,322**	**757,508**	**19,825,059**
Total Investments by Fair Value Level	**$2,527,327,329**	**$2,003,214,068**	**$504,288,202**	**$19,825,059**

Investments Measured at the Net Asset Value (NAV)	**Fair Value**
Long/Short Hedge Funds	$1,498,125,352
Diversifying Hedge Funds	480,498,504
Hedge Funds in Liquidation	17,707,094
Long Only Hedge Funds	2,157,649,004
Credit Based Commingled Hedge Funds	295,454,672
Private Equity Limited Partnerships	3,912,481,511
Real Assets Limited Partnerships	495,208,806
Total Investments Measured at the NAV	**$8,857,124,943**
Investments as a Position in an External Investment Pool	**Fair Value**
Short-Term Investment Fund	$1,019,451,121
Total Investments Measured at Fair Value	**$12,403,903,393**

Derivative Instruments	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**
Hedging Derivative Instruments:			
Pay-Fixed Interest Rate Swaps	($118,979,851)	$0	($118,979,851)
Investment Derivative Instruments:			
Pay-Fixed Interest Rate Swap	(1,196,217)		(1,196,217)
U.S. Dollar Equity Futures	412,173	417,173	
Total Derivative Instruments	**($119,763,895)**	**$417,173**	**($120,176,068)**

Short-Term Investment Fund — Ownership interests of the STIF are determined on a fair value 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 and equity securities classified in Level 2 of the fair value hierarchy are valued using matrix pricing. Domestic stocks classified in Level 3 of the fair value hierarchy primarily represent equity interest in start-up technology companies and are valued based on 409A valuations 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 appraisals, historical appraisals, or tax assessed value.

Gifted Life Insurance — Gifted Life Insurance policies classified in Level 3 of the fair value hierarchy are valued at the cash surrender value of the policies.

Derivative Instruments — Investment derivatives classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Interest rate swaps in the hedging and investment derivatives categories classified in Level 2 of the fair value hierarchy are valued based on present value using discounted cash flows.

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2021.

Investments Measured at the NAV

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Long/Short Hedge Funds A(b)	$1,498,125,352	37,601,672	From Weekly to 3+ Years	1 to 365 Days
Diversifying Hedge Funds A(c)	480,498,504		From Weekly to 3+ Years	1 to 365 Days
Hedge Funds in Liquidation A(e)	17,707,094		From Weekly to 3+ Years	1 to 365 Days
Long Only Equity Hedge Funds A(a)	2,157,649,004		From Weekly to 3+ Years	1 to 365 Days
Credit-Based Commingled Hedge Funds A(d)	295,454,672		From Weekly to 3+ Years	1 to 365 Days
Private Equity Limited Partnerships B	3,912,481,511	1,056,221,270	Not Eligible	10-15 Years
Real Assets Limited Partnerships C	495,208,806	479,415,882	Not Eligible	10-15 Years
Total Investments Measured at the NAV	**$8,857,124,943**			

A — Hedge Funds

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

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

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

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

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

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

B — Private Equity Limited Partnerships

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

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

C — Real Assets Limited Partnerships

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

Component Units — Discretely presented component units' financial data are reported in separate financial statements because of their use of different reporting models. Complete financial statements including applicable disclosures for the UNC Health 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.

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, 2021, accumulated income and appreciation of $1,637,057,447 was available in the University's pooled endowment funds of which $1,363,540,673 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, 2021, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$7,716,075	$4,123,202	$3,592,873
Patients	220,211,504	123,835,178	96,376,326
Accounts	45,449,056	7,675	45,441,381
Intergovernmental	88,720,193	5,671,184	83,049,009
Pledges	44,196,951	1,659,667	42,537,284
Investment Earnings	196,036		196,036
Interest on Loans	1,024,553		1,024,553
Other	1,285,507		1,285,507
Total Current Receivables	**$408,799,875**	**$135,296,906**	**$273,502,969**
Noncurrent Receivables:			
Pledges	**$66,405,007**	**$1,660,125**	**$64,744,882**
Notes Receivable — Current:			
Federal Loan Programs	$2,328,562	$67,426	$2,261,136
Institutional Student Loan Programs	1,981,888	99,089	1,882,799
Total Notes Receivable — Current	**$4,310,450**	**$166,515**	**$4,143,935**
Notes Receivable — Noncurrent:			
Federal Loan Programs	$13,038,042	$352,516	$12,685,526
Self-Help Ventures Fund	3,000,000		3,000,000
Institutional Student Loan Programs	13,998,504	695,688	13,302,816
Total Notes Receivable — Noncurrent	**$30,036,546**	**$1,048,204**	**$28,988,342**

Pledges are receivable over varying time periods ranging from one to 10 years and have been discounted based on a projected interest rate of 0.38% 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
2022	$44,196,951
2023	21,271,965
2024	17,600,559
2025	14,975,313
2026	7,481,857
2027-2031	5,685,881
Total Pledge Receipts Expected	**111,212,526**
Less Discount Rate Amount Representing Interest (0.38% Rate of Interest)	610,568
Present Value of Pledge Receipts Expected	**110,601,958**
Less Allowance for Doubtful Accounts	3,319,792
Pledges Receivable, Net	**$107,282,166**

Note 6 | Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020 (as restated)	Increases	Decreases	Balance June 30, 2021
Capital Assets, Nondepreciable:				
Land	$70,302,204	$0	$0	$70,302,204
Art, Literature, and Artifacts	164,413,960	1,144,384	350	165,557,994
Construction in Progress	114,740,569	87,725,684	57,092,588	145,373,665
Other Intangible Assets	2,162,777	50,000		2,212,777
Total Capital Assets, Nondepreciable	**351,619,510**	**88,920,068**	**57,092,938**	**383,446,640**
Capital Assets, Depreciable:				
Buildings	3,361,736,729	124,827,227	25,142,284	3,461,421,672
Machinery and Equipment	479,590,051	19,382,122	2,935,758	496,036,415
General Infrastructure	991,883,025	6,468,882	2,729	998,349,178
Computer Software	121,695,628			121,695,628
Total Capital Assets, Depreciable	**4,954,905,433**	**150,678,231**	**28,080,771**	**5,077,502,893**
Less Accumulated Depreciation/Amortization for:				
Buildings	1,377,060,749	93,035,780	11,739,199	1,458,357,330
Machinery and Equipment	288,627,335	26,881,079	2,618,751	312,889,663
General Infrastructure	511,671,257	28,531,930	1,196	540,201,991
Computer Software	79,073,234	10,732,241		89,805,475
Total Accumulated Depreciation/Amortization	**2,256,432,575**	**159,181,030**	**14,359,146**	**2,401,254,459**
Total Capital Assets, Depreciable, Net	**2,698,472,858**	**(8,502,798)**	**13,721,626**	**2,676,248,434**
Capital Assets, Net	**$3,050,092,368**	**$80,417,270**	**$70,814,564**	**$3,059,695,074**

Note 7 | Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2021, were as follows:

Accounts Payable and Accrued Liabilities	Proprietary Fund	Fiduciary Fund
Current Accounts Payable and Accrued Liabilities:		
Accounts Payable	$79,896,049	$4,673,309
Accounts Payable - Capital Assets	4,781,332	
Accrued Payroll	100,454,331	
Contract Retainage	883,211	
Intergovernmental Payables	13,575,854	
Investment Derivatives Liability	1,196,217	
Total Current Accounts Payable and Accrued Liabilities	**$200,786,994**	**$4,673,309**
Noncurrent Accounts Payable and Accrued Liabilities		
Contract Retainage	$1,962,774	$0
Other	14,330,935	
Total Noncurrent Accounts Payable and Accrued Liabilities	**$16,293,709**	**$0**

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 $57,894.

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, 2021, was as follows:

Commercial Paper Program	
Balance July 1, 2020	$35,000,000
Draws	
Repayments	35,000,000
Balance June 30, 2021	$0

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. The University began fiscal year 2021 with a balance of $35 million in Commercial Paper, which was refunded in full with proceeds from the issuance of the General Revenue Bonds, Series 2021C. As of June 30, 2021 the University did not maintain an outstanding Commercial Paper balance.

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 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

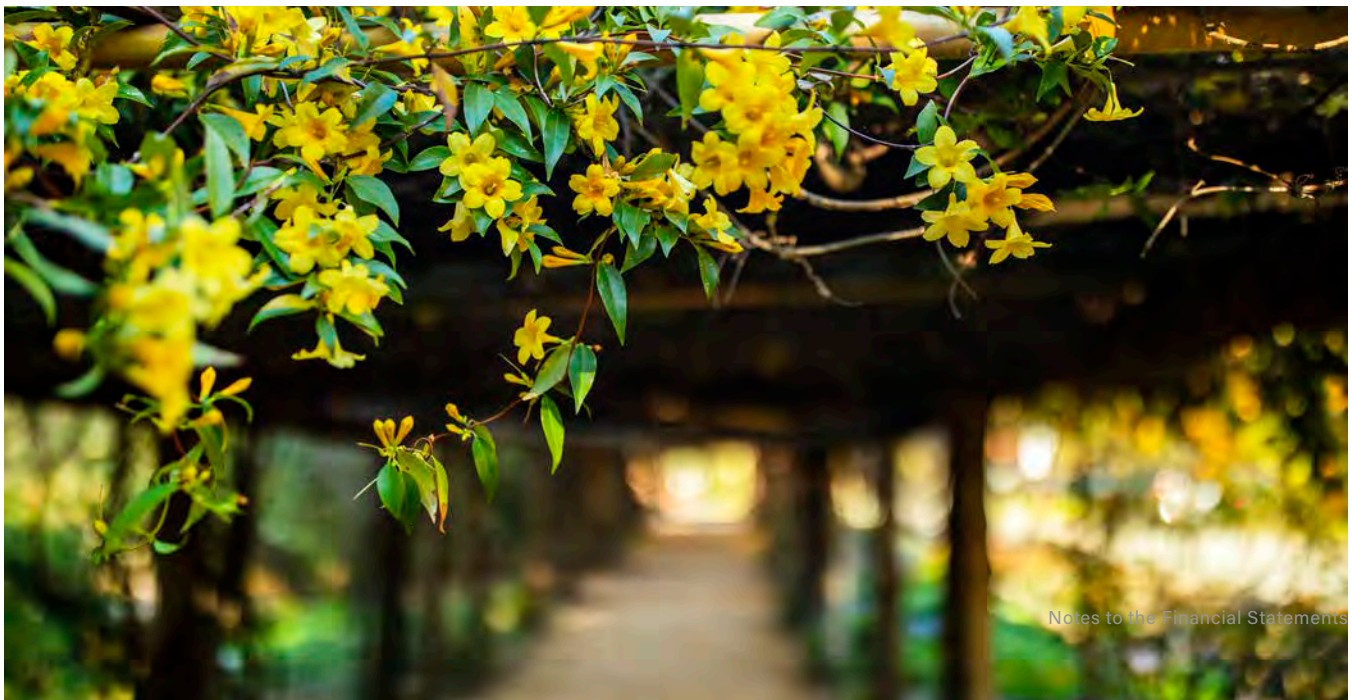
A — Changes in Long-Term Liabilities

A summary of changes in the long-term liabilities for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Long-Term Debt:					
Revenue Bonds Payable	$1,250,090,000	$138,750,000	$151,970,000	$1,236,870,000	$44,885,000
Revenue Bonds from Direct Placements	30,000,000	30,000,000		60,000,000	60,000,000
Plus: Unamortized Premium	267,496	38,726,248	40,597	38,953,147	
Less: Accretion of Discount on Capital Appreciation Bonds	(517,271)		(517,271)		
Total Revenue Bonds Payable and Bonds from Direct Placements, Net	**1,279,840,225**	**207,476,248**	**151,493,326**	**1,335,823,147**	**104,885,000**
Notes from Direct Borrowings	54,214,779	16,600,000	747,507	70,067,272	1,552,810
Capital Leases Payable	877,031		420,581	456,450	296,444
Total Long-Term Debt	**1,334,932,035**	**224,076,248**	**152,661,414**	**1,406,346,869**	**106,734,254**
Other Long-Term Liabilities:					
Annuities and Life Income Payable	44,579,544	11,816,186	4,542,874	51,852,856	879,901
Employee Benefits:					
Compensated Absences	196,728,986	120,609,718	113,010,653	204,328,051	9,475,832
Net Pension Liability	329,223,453	50,338,524		379,561,977	
Net Other Postemployment Benefits Liability	2,186,043,474		255,406,205	1,930,637,269	
Workers' Compensation	14,900,433	847,661	2,044,592	13,703,502	2,777,078
Total Other Long-Term Liabilities	**2,771,475,890**	**183,612,089**	**375,004,324**	**2,580,083,655**	**13,132,811**
Total Long-Term Liabilities, Net	**$4,106,407,925**	**$407,688,337**	**$527,665,738**	**$3,986,430,524**	**$119,867,065**

Additional information regarding capital lease payable 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.
Additional information regarding worker's compensation is included in Note 18.

Coker Arboretum.



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 6/30/21	Principal Outstanding 6/30/21
General Revenue Bonds Payable:						
	2001B	5.230%*	12/01/2025	$54,970,000	$44,035,000	$10,935,000
	2001C	0.010%*	12/01/2025	54,970,000	44,035,000	10,935,000
	2012B	4.775%*	12/01/2041	100,000,000		100,000,000
	2012C	2.435%-3.596%	12/01/2033	127,095,000	35,405,000	91,690,000
	2014	3.713%-3.847%	12/01/2034	265,600,000	15,600,000	250,000,000
	2016C	1.778%-3.327%	12/01/2036	400,950,000	21,085,000	379,865,000
	2017	2.851%-3.326%	12/01/2038	110,225,000	6,455,000	103,770,000
	2019A	3.970%*	12/01/2041	100,000,000		100,000,000
	2019B	3.439%*	12/01/2034	50,925,000		50,925,000
	2021B	5.000%	12/01/2040	103,525,000		103,525,000
	2021C	0.203%-1.830%	12/01/2031	35,225,000		35,225,000
Total General Revenue Bonds				**1,403,485,000**	**166,615,000**	**1,236,870,000**
General Revenue Bonds from Direct Placements:						
	2012D	1.400%	06/01/2042	30,000,000		30,000,000
	2021A	1.400%	03/01/2051	30,000,000		30,000,000
Total General Revenue Bonds from Direct Placements				**60,000,000**		**60,000,000**
Total Revenue Bonds Payable and Bonds from Direct Placements (principal only)				**$1,463,485,000**	**$166,615,000**	**1,296,870,000**
Plus: Unamortized Premium						38,953,147
Total Revenue Bonds Payable and Bonds from Direct Placements, Net						**$1,335,823,147**

* For variable rate debt, interest rates in effect at June 30, 2021 are included. For variable rate debt with interest rate swaps, the synthetic fixed rates are included.

C — 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 6/30/21	Principal Outstanding 6/30/21
Real Property Purchase	Bank of America	3.55%	02/14/2025	$9,250,000	$7,424,200	$1,825,800
Real Property Purchase	Nationwide	4.26%	02/01/2037	55,300,000	4,923,113	50,376,887
Real Property Improvements	Nationwide	4.26%	02/01/2037	8,800,000		8,800,000
Real Property Improvements	The State Life Insurance Company	3.40%	01/01/2036	1,400,000	8,742	1,391,258
Real Property Improvements	The State Life Insurance Company	3.40%	01/01/2036	6,400,000	39,965	6,360,035
Line of Credit	Bank of America	0.90%	04/30/2024	1,313,292		1,313,292
Total Notes from Direct Borrowings				**$82,463,292**	**$12,396,020**	**$70,067,272**

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. On December 8, 2020, the agreement was further modified to reduce debt service payments to interest only payments for a period of twelve consecutive months ending and not including December 14, 2021. The modification of the loan agreement extended the maturity of the loan to February 14, 2025.

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. The Bank waived the cash flow coverage ratio requirement for June 30, 2021. 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 $2.0 million as of June 30, 2020. In fiscal year 2021, the Foundation paid down $0.2 million on the note. A balance of $1.8 million remains on the note as of June 30, 2021.

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. On October 29, 2020, the terms of the loan were amended to reduce debt service payments to interest only payments for a period of eleven consecutive months ending and not including November 1, 2021. 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 $50.9 million as of June 30, 2020. In fiscal year 2021, the Foundation paid down $0.5 million on the note. A balance of $50.4 million remains on the note as of June 30, 2021.

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 30, 2021, the $7.0 million line of credit was amended and renewed, increasing the commitment amount to $10.0 million and extending the structured maturity date. Advances under the line of credit accrue interest at the variable rate of the LIBOR Market Index plus 80 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 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 $1.3 million at June 30, 2020. In fiscal year 2021, the Foundation maintained the balance on the line of credit leaving an available balance of $8.7 million at June 30, 2021. The line of credit commitment has a maturity date of April 30, 2024. The June 30, 2021 outstanding balance of $1.3 million is not included in current liabilities.

On December 15, 2020, Granville Towers LLC obtained a supplemental loan from Nationwide Life Insurance Company (the "Lender") in the amount of $8.8 million ("Note B") for certain improvements related to HVAC replacement to supplement Note A (described above) on the condition that the Note A loan and Note B loan be cross-defaulted and cross-collateralized. Under condition of the loan, Granville Towers, LLC has agreed to a Cash Collateral Agreement ("Deposit") by which proceeds from the Note B loan and additional funds are to be deposited, held and disbursed for the benefit of the Property and to pay debt service due under Note A and Note B. Note B carries a subjective clause whereby on November 1, 2021, Granville Towers, LLC is to submit to Nationwide a certified rent roll, operating statements for the Property, and such other Financial Statements as the Lender may request. Based on review of such documentation, the Lender shall confirm whether the in-place net operating income generated by the Property, as determined by the Lender, is sufficient to cover the debt service due on Note A and Note B (based on amortizing payments of $299,890.90 per month with respect to Note A and amortizing payments of $54,396.07 per month with respect to Note B), at a combined debt service coverage of 1.20x or greater (the "Achievement Threshold"). If either (i) the Achievement Threshold is satisfied, or (ii) the Achievement Threshold is not satisfied, but a deposit of a sum equal to six months of debt service payments due under Note A and Note B as calculated by the Lender ("Replenishment Reserve") with First Citizens Bank or another institution approved in advance by the Lender ("Agent"), then the Note B interest rate shall be reduced to 4.00% effective on December 1, 2021, and the principal and interest due under Note B shall be reduced to $53,181.75 per month beginning with the Note B Principal and Interest Payment Date occurring on January 1, 2022 and continuing through February 1, 2037 whereby all unpaid principal and interest outstanding on the note would become due. In the event of default Granville Towers, LLC appoints Lender as its true and lawful attorney-in-fact with full power of substitution to complete or undertake the Work in the name of the Borrower secured by the HVAC Deposit. As of June 30, 2021, the remaining cash balance of the Deposit following distributions was $7,320,680.

Upon the occurrence of a default under any of the Loan Documents, Borrower hereby authorizes Lender, and Lender shall have full right and authority, (i) to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for the Deposit, (ii) to execute any and all withdrawal receipts or other orders for the payment of money drawn on the Deposit, (iii) to endorse the name of Borrower on all commercial paper or other instruments given in payment or in part payment thereof, and (iv) in the discretion of Lender, to file any claim or take any other action or proceeding, either in Borrower's name or in its own name, which Lender may reasonably deem necessary or appropriate to protect and preserve the rights of Lender. Agent shall be entitled to rely on Lender's statement in writing that a default has occurred and shall, upon Lender's request after the receipt of such a statement, turn the Deposit so requested over to Lender without any right to investigate the actual occurrence or non-occurrence of a default under any of the Loan Documents and the expiration of any applicable cure period. As of June 30, 2021, the balance of Note B was $8.8 million.

On December 14, 2020 the Chapel Hill Foundation Real Estate Holdings Inc. as Borrower, in conjunction with the UNC-Chapel Hill Foundation, Inc. as Guarantor obtained two loans totaling $7.8 million from The State Life Insurance Company (Note A for $6.4 million and Note B for $1.4 million, respectively) to finance real estate and certain improvements related to properties held by the Borrower. Both notes carry an interest rate of 3.40% per annum and a combined debt service payment of $31,786 beginning February 1, 2021 and extending to January 1, 2036 at which point any unpaid principal and interest remaining on either loan becomes due and payable. Note A and Note B are secured in part by certain rents generated from a first priority mortgage and second priority mortgage deed of trust on the Carolina Square Project in addition to any and all leases and sums due and payable to the Borrower thereunder including without limitation all rentals, termination fees, sales proceeds, and all other income and profits arising out of the ownership and operation of the property in the event of default. As of June 30, 2021 the balance on Note A was $6.4 million and the balance of Note B was $1.4 million.

D — Annual Requirements

The annual requirements to pay principal and interest on the long-term obligations at June 30, 2021, are as follows:

	Revenue Bonds			Revenue Bonds from Direct Placements		Notes from Direct Borrowings	
Fiscal year	**Principal**	**Interest**	**Interest Rates Swaps, Net***	**Principal**	**Interest**	**Principal**	**Interest**
2022	$26,985,000	$32,007,579	$10,140,853	$0	$840,000	$1,552,810	$2,844,182
2023	35,235,000	31,725,731	10,049,418		840,000	2,487,897	2,753,069
2024	36,050,000	31,070,496	9,953,119		840,000	3,904,336	2,647,952
2025	36,930,000	30,352,354	9,851,524		840,000	2,499,053	2,531,281
2026	39,780,000	29,536,004	9,744,459		840,000	2,197,296	2,435,584
2027-2031	211,950,000	130,739,495	48,540,813		4,200,000	12,483,660	10,680,741
2032-2036	491,645,000	72,305,252	44,698,114		4,200,000	20,850,414	7,684,713
2037-2041	158,295,000	10,183,167	32,307,488		4,200,000	24,091,806	657,302
2042-2046	200,000,000		2,692,291	30,000,000	2,485,000		
2047-2051				30,000,000	1,960,000		
	$1,236,870,000	**$367,920,078**	**$177,978,079**	**$60,000,000**	**$21,245,000**	**$70,067,272**	**$32,234,824**

Interest on the variable rate General Revenue Bonds 2001B is calculated at 0.02% at June 30, 2021.
Interest on the variable rate General Revenue Bonds 2001C is calculated at 0.01% at June 30, 2021.
Interest on the variable rate General Revenue Bonds 2012B is calculated at 0.47% at June 30, 2021.
Interest on the variable rate Bond from Direct Placement held under the General Revenue Bond 2012D is calculated at 1.40% at June 30, 2021.
Interest on the variable rate General Revenue Bonds 2019A is calculated at 0.19% at June 30, 2021.
Interest on the variable rate General Revenue Bonds 2019B is calculated at 0.19% at June 30, 2021.
Interest on the variable rate Bond from Direct Placement held under the General Revenue Bond 2021A is calculated at 1.40% at June 30, 2021.

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 12.5 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%-0.030%) x ($9,435,000 notional amount-annual swap reduction); (4.375%-0.067%) x ($150,000,000 notional amount); and (3.314%-0.067%) x ($100,000,000 notional amount).

The fiscal year 2022 principal requirements exclude demand bonds classified as current liabilities (see Note 10.E).

For the 2012B, 2019A, and 2019B bonds disclosed below, the University entered into standby liquidity agreements in the amount of $100 million with TD Bank, N.A. on September 18, 2019, $100 million with Bank of America, N.A. on September 1, 2018 (effective September 19, 2018), $100 million with Branch Banking and Trust Company on September 19, 2018, and $100 million with TD Bank, N.A. on September 19, 2017. 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**	**TD Bank, N.A dated 9/19/17**	**TD Bank, N.A. dated 9/18/19**
AA+ or higher	AA+ or higher	Aa1 or higher	0.30%	0.30%	0.26%	0.23%
AA	AA	Aa2	0.30%	0.40%	0.31%	0.23%
AA-	AA-	Aa3	0.30%	0.50%	0.36%	0.28%
A+	A+	A1	0.40%	0.60%	0.46%	0.33%
A	A	A2	0.55%	0.70%	0.56%	0.38%
A-	A-	A3	0.75%	0.85%	1.56%	0.48%
BBB+	BBB+	Baa1	Default Pricing***	0.85%	1.56%	0.58%
BBB	BBB	Baa2	Default Pricing***	0.85%	1.56%	0.68%
BBB-	BBB-	Baa3	Default Pricing***	0.85%	1.56%	Base Rate*
Below Investment Grade	Below Investment Grade		Default Pricing***	0.85%	1.56%	Default Rate**

* Per annum rate of interest equal to the greater of (a) the Federal Funds Rate plus 2.00% and (b) the Prime Rate.
** Per annum rate of interest equal to the greater of (a) the Base Rate plus 3.00% and (b) 7.00% or otherwise as permitted under applicable law.
*** An increase of an additional 1.50% over the Facility Fee Rate otherwise in effect immediately prior (Max. 2.25%).

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 TD Bank, N.A. (dated September 18, 2019), Branch Banking and Trust Company, TD Bank, N.A. (dated September 19, 2017), and Bank of America, N.A., expire on September 18, 2024, September 19, 2023, September 19, 2022, and September 17, 2021 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, 2021, no purchase drawings had been made under the standby liquidity agreements. See Note 26 - Subsequent Events for information on date extensions.

General Revenue, Series 2012B

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.

General Revenue, Series 2019AB

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. On June 17, 2021, the 2019AB bonds were successfully remarketed and received a new index tender date of November 9, 2022 corresponding to an Index Mode. 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 0.125% (12.5 basis points).

In the event of a failed remarket of the 2019AB bonds beyond November 9, 2022, the bond payments would equal $25,154,167, $50,308,333, $50,308,333, and $25,154,167 in fiscal years 2023, 2024, 2025, and 2026, respectively.

E — 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 million with TD Bank, N.A. on September 18, 2019, $100 million with Bank of America, N.A. on September 1, 2018 (effective September 19, 2018), $100 million with Branch Banking and Trust Company on September 19, 2018, and $100 million with TD Bank, N.A. on September 19, 2017. 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**	**TD Bank, N.A dated 9/19/17**	**TD Bank, N.A. dated 9/18/19**
AA+ or higher	AA+ or higher	Aa1 or higher	0.30%	0.30%	0.26%	0.23%
AA	AA	Aa2	0.30%	0.40%	0.31%	0.23%
AA-	AA-	Aa3	0.30%	0.50%	0.36%	0.28%
A+	A+	A1	0.40%	0.60%	0.46%	0.33%
A	A	A2	0.55%	0.70%	0.56%	0.38%
A-	A-	A3	0.75%	0.85%	1.56%	0.48%
BBB+	BBB+	Baa1	Default Pricing***	0.85%	1.56%	0.58%
BBB	BBB	Baa2	Default Pricing***	0.85%	1.56%	0.68%
BBB-	BBB-	Baa3	Default Pricing***	0.85%	1.56%	Base Rate*
Below Investment Grade	Below Investment Grade		Default Pricing***	0.85%	1.56%	Default Rate**

* Per annum rate of interest equal to the greater of (a) the Federal Funds Rate plus 2.00% and (b) the Prime Rate.
** Per annum rate of interest equal to the greater of (a) the Base Rate plus 3.00% and (b) 7.00% or otherwise as permitted under applicable law.
*** An increase of an additional 1.50% over the Facility Fee Rate otherwise in effect immediately prior (Max. 2.25%).

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 TD Bank, N.A. (dated September 18, 2019), Branch Banking and Trust Company, TD Bank, N.A. (dated September 19, 2017), and Bank of America, N.A., expire on September 18, 2024, September 19, 2023, September 19, 2022, and September 17, 2021, 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, 2021, no purchase drawings had been made under the standby liquidity agreements. See Note 26 - Subsequent Events for information on date extensions.

General Revenue, Series 2012D

On December 14, 2012, the University issued a direct placement 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, 2021, 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.

General Revenue, Series 2021A

On March 24, 2021, the University issued a direct placement bond to be designated "The University of North Carolina at Chapel Hill General Revenue Bond (Indoor Practice Facility and Fetzer Field), Series 2021A" (the "2021A Bond") to The Educational Foundation, Inc. (the "Owner") in the amount of $30.0 million with a maturity date of March 1, 2051 in exchange for certain improvements to the Indoor Practice Facility and Fetzer Field on the University's campus.

Interest will be payable on the 2021A Bond on each July 1st, commencing July 1, 2021, and on the prepayment date of the 2021A Bond as permitted under the tender option or the prepayment options as referenced below. The unpaid principal balance of the 2021A 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 2021A 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 2021A Bond shall be made directly by the University to the Owner under the terms of the bond documents and the Trustee shall have no responsibility for making such payments. The University shall promptly notify the Trustee in writing of any such payments. Any payments of principal of and interest on the 2021A Bond made directly by the University to the Owner of the 2021A 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 2021A Bond to the Debt Service Fund under the General Indenture.

The 2021A Bond may be tendered by the Owner of the 2021A 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 2021A 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 2021A 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, 2021, no accrued interest payable remained for the 2021A 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.

F — 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 2012BC, General Revenue 2014, General Revenue 2016C, General Revenue 2017, General Revenue 2019AB, and General Revenue 2021BC 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.

Revenue Bonds from Direct Placements — On December 14, 2012, the University issued a direct placement 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 March 24, 2021, the University issued a direct placement bond to be designated "The University of North Carolina at Chapel Hill General Revenue Bond (Indoor Practice Facility and Fetzer Field), Series 2021A" (the "2021A Bond") to The Educational Foundation, Inc. (the "Owner") in exchange for certain improvements to the Indoor Practice Facility and Fetzer Field on the University's campus.

The 2012D and 2021A Bonds may be tendered by the Owner of the 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 and 2021A Bonds are 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. The Bank

waived the cash flow coverage ratio requirement for June 30, 2021. 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.

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, 2021 was $40,125,759. 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 percent per annum. The loan carries a default rate up to 5.0 percentage points higher than the rate of interest otherwise due.

The UNC-Chapel Hill Foundation, Inc. (the "Foundation"), part of the University's reporting entity, has an unused line of credit in the amount of $8.7 million. 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 has a default rate up to 4.0 percentage points higher than the rate of interest otherwise due.

On December 15, 2020, Granville Towers LLC obtained a loan in the amount of $8.8 million ("Note B") for certain improvements related to HVAC replacement to supplement Note A on the condition that the Note A loan and Note B loan be cross-defaulted and cross-collateralized. Under condition of the loan, Granville Towers, LLC has agreed to a Cash Collateral Agreement by which proceeds from the Note B loan and additional funds are to be deposited, held and disbursed for the benefit of the Property and to pay debt service due under Note A and Note B. As of June 30, 2021 the remaining cash balance of the Deposit under the Cash Collateral Agreements following distributions was $7,320,680. Upon the occurrence of a default under any of the Loan Documents, Borrower hereby authorizes Lender, and Lender shall have full right and authority, (i) to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for the Deposit, (ii) to execute any and all withdrawal receipts or other orders for the payment of money drawn on the Deposit, (iii) to endorse the name of Borrower on all commercial paper or other instruments given in payment or in part payment thereof, and (iv) in the discretion of Lender, to file any claim or take any other action or proceeding, either in Borrower's name or in its own name, which Lender may reasonably deem necessary or appropriate to protect and preserve the rights of Lender. Agent shall be entitled to rely on Lender's statement in writing that a default has occurred and shall, upon Lender's request after the receipt of such a statement, turn the Deposit so requested over to Lender without any right to investigate the actual occurrence or non-occurrence of a default under any of the Loan Documents and the expiration of any applicable cure period.

On December 14, 2020 the Chapel Hill Foundation Real Estate Holdings Inc. as Borrower, in conjunction with the UNC-Chapel Hill Foundation, Inc. as Guarantor obtained two loans totaling $7.8 million. Note A and Note B are secured in part by certain rents generated from a first priority mortgage and second priority mortgage deed of trust on the Carolina Square Project in addition to any and all leases and sums due and payable to the Borrower thereunder including without limitation all rentals, termination fees, sales proceeds, and all other income and profits arising out of the ownership and operation of the property in the event of default.

G — Bond Defeasances

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

On June 17, 2021 the University issued $103,525,000 in General Revenue Bonds, Series 2021B with an associated premium of $38,726,247.85 and an average interest rate of 5.000%. A portion of the bonds were issued for a current refunding of $112,805,000 of outstanding General Revenue 2009B bonds with an average interest rate of 5.757%. The refunding was undertaken to reduce total debt service payments related to General Revenue 2009B by $30,598,481 over the next 19 years and resulted in an economic gain of $26,567,419.

The University has extinguished long-term debt obligations through the use of existing resources as follows:

On February 23, 2021 the University defeased $8,410,000 of outstanding Utilities System 1997 bonds using only existing resources which derived from reserve requirements associated with the bonds. The debt was defeased to alleviate the need for additional reserve requirements associated with the bonds and to return those excess reserves back to the University in the current year. Cash assets of $8,410,000 derived from the debt service reserve associated with the bonds were placed with the escrow agent. The substitution of any other asset class other than cash is prohibited by formal instruction of defeasance and the amount of cash flows required to service the defeased debt is $8,410,000. The cash assets were deposited in an irrevocable trust to provide for all future debt service on the defeased bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position.

H — 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

Derivative instruments held at June 30, 2021 are as follows:

		Change in Value		Value at June 30, 2021	
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	$11,768,305	Hedging Derivative Liability	($32,204,707)
Pay-Fixed Interest Rate Swap	150,000,000	Deferred Outflow of Resources	26,381,456	Hedging Derivative Liability	(86,775,144)
Total			**38,149,761**		**(118,979,851)**
Investment Derivative Instruments:					
Pay-Fixed Interest Rate Swap 2001B Bonds	9,435,000	Investment Income	646,344	Accounts Payable	(1,196,217)
U.S. Dollar Equity Futures	$267,823,070	Investment Income	103,764,403	Other Assets	412,173
Total			**$104,410,747**		**($784,044)**

Hedging derivative instruments held at June 30, 2021 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, 2021. The fair values are calculated as of June 30, 2021, and are based on the 1-month LIBOR implied forward rate, which trended up in fiscal year 2021 relative to fiscal year 2020. As a result, the fair values have increased on a year over year basis, which decreases the liability.

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 Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the University being required to make an unanticipated termination payment. The swaps may mandatorily terminate if the University fails to perform under terms of the contract.

Investment Derivative Risks

Interest Rate Risk: The University is exposed to interest rate risk on its interest rate swap. The fair value of this instrument is highly sensitive to interest rate changes. Because rates have changed since the effective date of the swap, the swap has a negative fair value of $1,196,217 as of June 30, 2021. The negative fair value may be countered by a reduction in total interest paid under the variable-rate bonds, creating lower synthetic interest rates. As forward rates rise, the fair value of the swap will increase and as rates fall, the fair 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, 2021, SIFMA was 0.03%. The interest rate swap has a notional amount of $9,435,000 and matures November 1, 2025.

Davie Poplar.

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, 2021:

Fiscal Year	Amount
2022	$302,632
2023	161,210
Total Minimum Lease Payments	**463,842**
Amount Representing Interest (1.8%–2.1% Rates of Interest)	**7,392**
Present Value of Future Lease Payments	**$456,450**

Machinery and equipment acquired under capital leases amounted to $1,201,143 at June 30, 2021.

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital leases totaled $477,386 at June 30, 2021.

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, 2021:

Fiscal Year	Amount
2022	$26,663,191
2023	24,863,547
2024	21,919,939
2025	19,442,695
2026	13,258,427
2027-2031	23,429,561
2032-2033	148,570
Total Minimum Lease Payments	**$129,725,930**

Rental expense for all operating leases during the year was $30,822,690.

Note 13 | Net Position

Unrestricted net position has been significantly affected by transactions resulting from the recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities, as shown in the following table:

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	($227,474,652)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(2,596,654,343)
Effect on Unrestricted Net Position	**(2,824,128,995)**
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	1,486,189,978
Total Unrestricted Net Position	**($1,337,939,017)**

See Note 16 - Pension Plans and Note 17 - Other Postemployment Benefits 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 and Allowances	Less Allowance for Uncollectibles	Less Indigent Care and Contractual Adjustments	Net Revenues
Student Tuition and Fees, Net	**$557,388,244**	**$145,266,384**	**$50,072**	**$0**	**$412,071,788**
Patient Services, Net	**$1,260,322,294**	**$0**	**$22,079,553**	**$693,033,167**	**$545,209,574**
Sales and Services:					
Sales and Services of Auxiliary Enterprises	$307,989,691	$3,519,673	$0	$0	$304,470,018
Other Sales and Services	92,898,931				92,898,931
Total Sales and Services, Net	**$400,888,622**	**$3,519,673**	**$0**	**$0**	**$397,368,949**
Nonoperating Revenues — Noncapital Contributions, Net	**$400,113,953**	**$0**	**$294,314**	**$0**	**$399,819,639**

Note 15 | Operating Expenses by Function

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation / Amortization	Total
Instruction	$598,305,453	$146,770,366	$0	$159,977	$0	$745,235,796
Research	355,742,335	276,733,948		147,226		632,623,509
Public Service	69,502,799	66,525,264		117,456		136,145,519
Academic Support	90,589,688	46,075,816		63,526		136,729,030
Student Services	22,923,301	6,435,922		18,766		29,377,989
Institutional Support	116,182,350	74,116,784		118,625		190,417,759
Operations and Maintenance of Plant	45,525,492	13,996,670		70,628,440		130,150,602
Student Financial Aid			121,919,611			121,919,611
Auxiliary Enterprises	513,524,684	332,855,562		7,986,489		854,366,735
Depreciation/ Amortization					159,181,030	159,181,030
Total Operating Expenses	**$1,812,296,102**	**$963,510,332**	**$121,919,611**	**$79,240,505**	**$159,181,030**	**$3,136,147,580**

Included in the scholarship and fellowship function are student financial aid operating expenses for emergency financial aid payments to eligible students. These payments are for expenses related to the disruption of campus operations due to the coronavirus of $15,177,717 provided by the Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the University in providing the student awards, the related program activity is reported as nonoperating Federal Aid – COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 14 - Revenues.

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, 2021 was 14.78% of covered payroll. Employee contributions to the pension plan were $30,335,386, and the University's contributions were $74,775,435 for the year ended June 30, 2021.

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 2020 Comprehensive Annual Financial Report. An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.nc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. 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 participate 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 *2020 Comprehensive Annual Financial Report.*

Net Pension Liability: At June 30, 2021, the University reported a liability of $379,561,977 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. 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, 2020, the University's proportion was 3.14155%, which was a decrease of 0.03415 from its proportion measured as of June 30, 2019, which was 3.17570%.

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	12/31/19
Inflation	3.0%
Salary Increases*	3.5%–8.1%
Investment Rate of Return**	7.0%

* 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, 2019, 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, 2020 (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, 2020, is 1.2%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2019, 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, 2020, 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	Amount
1% Decrease (6.00%)	$683,122,414
Current Discount Rate (7.00%)	$379,561,977
1% Increase (8.00%)	$124,937,590

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2021, the University recognized pension expense of $112,369,587. At June 30, 2021, 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	$20,915,906	$0
Changes of Assumptions	12,862,291	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	41,975,663	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	2,288,439	730,409
Contributions Subsequent to the Measurement Date	74,775,435	
Total	**$152,817,734**	**$730,409**

The amount of $74,775,435 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2022. 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 Ending June 30:	Amount
2022	$27,701,692
2023	20,629,807
2024	16,475,483
2025	12,504,908
Total	**$77,311,890**

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, 2021, 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 $1,482,645,397, of which $740,236,992 was covered under ORP. Total employee and employer contributions for pension benefits for the year were $44,414,220 and $50,632,210, respectively. The amount of expense recognized in the current year related to ORP is equal to the employer contributions less forfeitures of $2,066,626.

Note 17 | Other Postemployment Benefits

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina 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 2020 Comprehensive Annual Financial Report. An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.nc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A — Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. 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 *2020 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 - Risk Management. 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 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.

Section 35.21 (c) & (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the Teachers' and State Employees' Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021, will not be eligible to receive retiree medical benefits.

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 North Carolina General Assembly in the Appropriations Bill. The University's contractually-required contribution rate for the year ended June 30, 2021, was 6.68% of covered payroll. The University's contributions to the RHBF were $83,243,495 for the year ended June 30, 2021.

2. Disability Income

Plan Administration: As discussed in Note 18 - Risk Management, 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 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, 2021, was 0.09% of covered payroll. The University's contributions to DIPNC were $1,121,544 for the year ended June 30, 2021.

C — Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2021, the University reported a liability of $1,930,637,269 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. 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, 2020, the University's proportion was 6.95955%, which was an increase of 0.05033 from its proportion measured as of June 30, 2019, which was 6.90922%.

Net OPEB Asset: At June 30, 2021, the University reported an asset of $3,489,129 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. 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, 2020, the University's proportion was 7.09259%, which was an increase of 0.16946 from its proportion measured as of June 30, 2019, which was 6.92313%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2020, utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/19	12/31/19
Inflation	3%	3%
Salary Increases*	3.5% - 8.1%	3.5% - 8.1%
Investment Rate of Return**	7%	3.75%
Healthcare Cost Trend Rate — Medical	6.5% grading down to 5% by 2024	6.5% grading down to 5% by 2024
Healthcare Cost Trend Rate — Prescription Drug	9.5% grading down to 5% by 2029	9.5% grading down to 5% by 2029
Healthcare Cost Trend Rate — Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate — Administrative	3%	3%

* 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, 2020.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2020, (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, 2020, is 1.2%.

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, 2019 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 2.21%. 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 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

The discount rate used to measure the total OPEB liability 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 liability.

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	
1% Decrease (1.21%)	$2,289,614,977
Current Discount Rate (2.21%)	$1,930,637,269
1% Increase (3.21%)	$1,641,422,951

DIPNC	
1% Decrease (2.75%)	($3,013,358)
Current Discount Rate (3.75%)	($3,489,129)
1% Increase (4.75%)	($3,951,069)

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:

RHBF	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Medical	4.0–5.5%	5.0–6.5%	6.0–7.5%
Pharmacy	4.0–8.5%	5.0–9.5%	6.0–10.5%
Med. Advantage	4.0%	5%	6.0%
Administrative	2.0%	3.0%	4.0%
RHBF Net OPEB Liability	**$1,556,443,645**	**$1,930,637,269**	**$2,430,800,097**

DIPNC	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Medical	4.0–5.5%	5.0–6.5%	6.0–7.5%
Pharmacy	4.0–8.5%	5.0–9.5%	6.0–10.5%
Administrative	2.0%	3.0%	4.0%
DIPNC Net OPEB Asset	**($3,494,874)**	**($3,489,129)**	**($3,484,093)**

OPEB Expense: For the fiscal year ended June 30, 2021, the University recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	($74,922,705)
DIPNC	2,576,712
Total OPEB Expense	**($72,345,993)**

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2021, 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	$1,749,017	$2,527,586	$4,276,603
Changes of Assumptions	84,669,463	271,292	84,940,755
Net Difference Between Projected and Actual Earnings on Plan Investments	4,067,094		4,067,094
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	146,674,266		146,674,266
Contributions Subsequent to the Measurement Date	83,243,495	1,121,544	84,365,039
Total	**$320,403,335**	**$3,920,422**	**$324,323,757**

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

	RHBF	DIPNC	Total
Difference Between Actual and Expected Experience	$75,528,905	$0	$75,528,905
Changes of Assumptions	783,483,086	274,767	783,757,853
Net Difference Between Projected and Actual Earnings on Plan Investments		591,096	591,096
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	127,408,418	248,462	127,656,880
Total	**$986,420,409**	**$1,114,325**	**$987,534,734**

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2022. 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 Ending June 30:	RHBF	DIPNC
2022	($293,948,920)	$668,952
2023	(293,736,916)	431,633
2024	(71,843,692)	190,344
2025	(29,704,380)	343,969
2026	(60,026,661)	10,183
Thereafter		39,472
Total	**($749,260,569)**	**$1,684,553**

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, and $5,000,000 annual aggregate through a contract with a private insurance company. The State provides a secondary excess public officers' and employees' liability insurance with a $5,000,000 annual aggregate. 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, without limitation, 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, certain 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 coverage. The University has opted to purchase additional coverages offered by the Fund. Examples of 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 person 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.

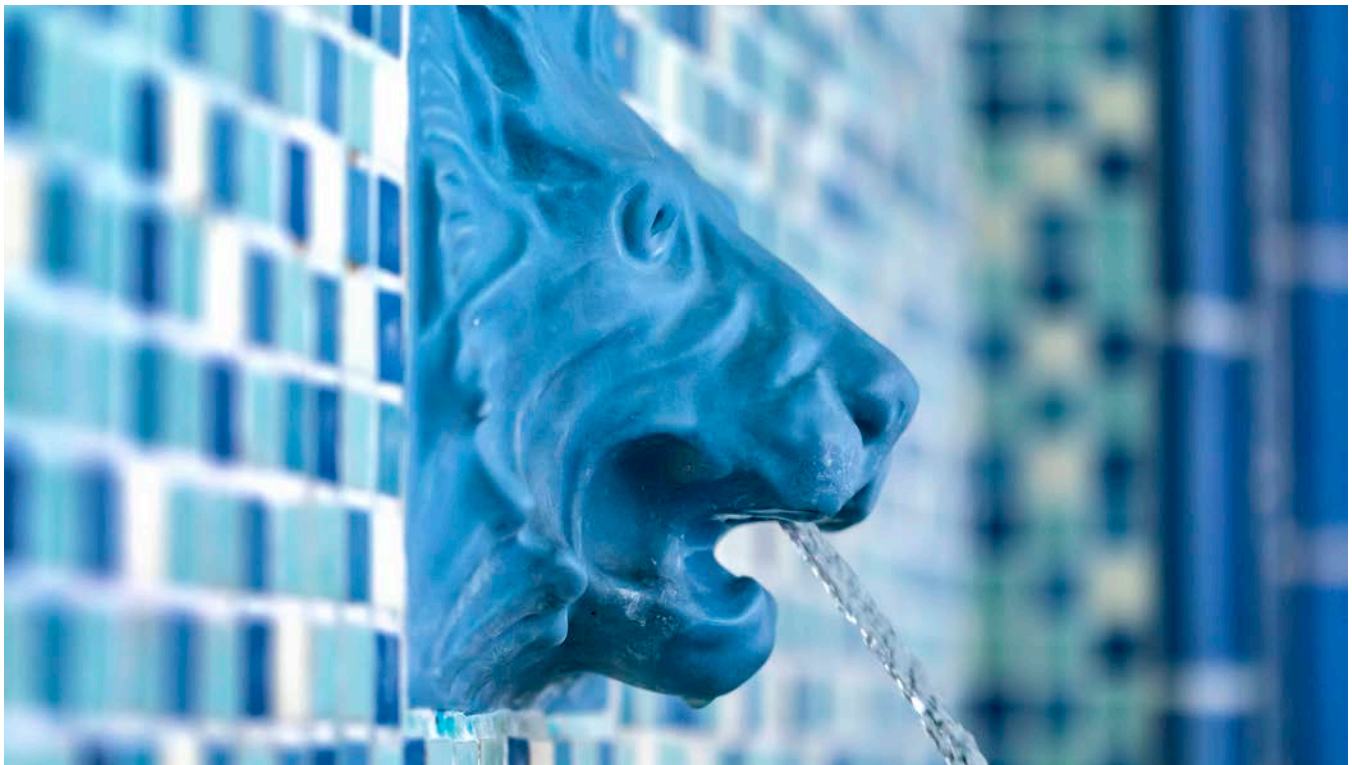
The Trust Fund establishes claim liabilities based on estimates of the ultimate cost of claims (including future expenses and claim adjustment expenses) that have been reported but not settled and of claims incurred but not reported. Claim liabilities are recomputed annually based on an independent actuary's 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, 2020, through June 30, 2021, 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, 2021, 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.

Bowman Gray Memorial Pool.



At June 30, 2021, University assets in the Trust Fund totaled $16,602,869, while University liabilities totaled $14,330,935 resulting in net position of $2,271,934.

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, 5221 Paramount Parkway, Suite 230, Morrisville, NC 27650.

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 and employee contributions. 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 who enroll in the Teachers' and State Employees' Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% 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 for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 17 - Other Postemployment Benefits, 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 *Annual Comprehensive 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 $86,292,587 at June 30, 2021.

The UNC Investment Fund has entered into agreements with hedge funds, private equity limited partnerships, and real assets 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, 2021, the UNC Investment Fund had approximately $1,555,347,727 in unfunded committed capital. There was also unfunded committed capital related to other private equity investments outside of the UNC Investment Fund noted above in the amount of $17,891,097as of June 30, 2021.

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, 2021, are as follows:

Purpose	Amount
Pledges to Permanent Endowments	$43,284,645

Note 20 | The Coronavirus Pandemic Emergency

In response to the coronavirus pandemic emergency, the federal government provided grants to the State and the University through various coronavirus program funds appropriated by (1) The Coronavirus Aid, Relief, and Economic Security Act (CARES), (2) The Coronavirus Response and Relief Supplemental Appropriations within the Federal Consolidated Appropriations Act of 2021 (CRRSA), and (3) The American Rescue Plan Act of 2021 (ARP).

The grant revenues from the various coronavirus program funds are contingent upon meeting the terms and conditions of the grant and signed agreements with the funding agencies, incurring qualifying expenditures, and are reported in the following nonoperating revenue captions of the financial statements:

State Aid - COVID-19 — This caption includes grant funds received directly by the State from the U.S. Department of Treasury, Coronavirus Relief Fund (CRF), and appropriated by the State to the University.

Federal Aid - COVID-19 — This caption includes grant funds received directly by the University from the US Department of Education, Higher Education Emergency Relief Funds (HEERF) along with grant funds from the US Department of Health and Human Services.

Summary of State and Federal Aid - COVID-19 Revenue Activities for the Fiscal Year Ended June 20, 2021:

Program	Total Authorized Award	2020 Earned Revenue	2021 Earned Revenue
State Aid - COVID-19	**N/A**	**$0**	**$47,967,574**
Federal Aid - COVID-19			
HEERF Funds	88,277,565	1,127,185	27,732,833
Provider Relief Fund		4,707,239	1,091,561
Total Federal Aid - COVID-19	**$88,277,565**	**$5,834,424**	**$28,824,394**

Note 21 | 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, UNC Law Foundation, Inc., and Carolina for Kibera, Inc.

Some of these organizations serve, in conjunction with the University's component units (See Note 1A - Financial Reporting Entity), 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 $77,660,395 for the year ended June 30, 2021. The University had receivables from and payables to the related parties of $12,298,744 and $18,772, respectively, as of June 30, 2021.

Note 22 | 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 $10,168,980. 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 $627,131. 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 $416,020. 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 $3,007,938. 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 $1,834,749. 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 with 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.

The fountain at the Old Well.

Note 23 | Blended Component Units

Condensed combining information for the University's blended component units for the year ended June 30, 2021, is presented as follows:

Condensed Statement of Net Position - Proprietary Funds

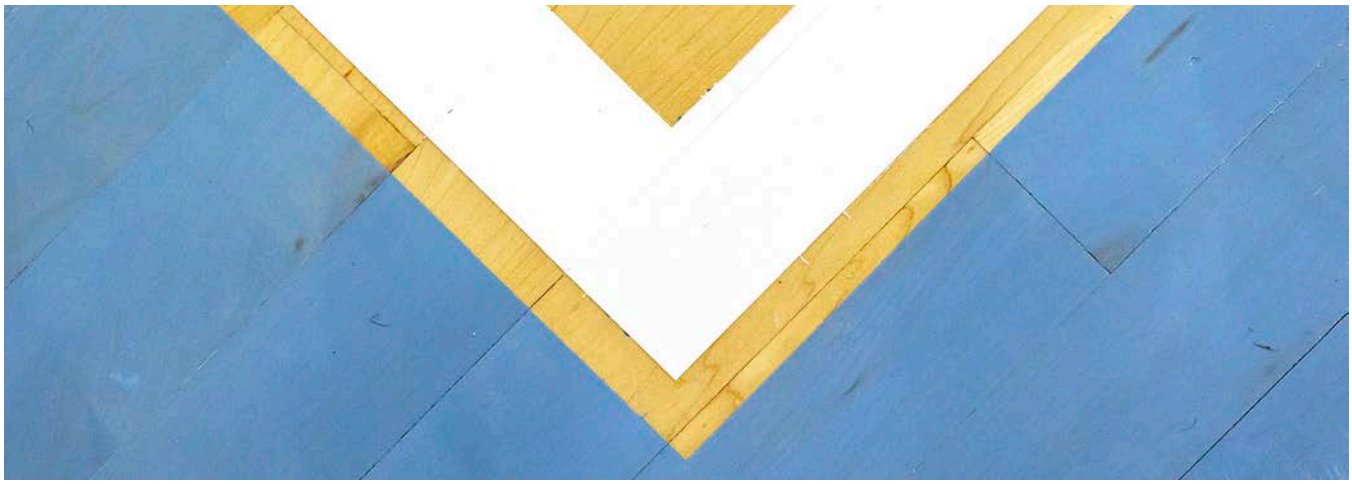
June 30, 2021

	UNC-CH	UNC-CH Foundation, Inc.	Kenan-Flagler Business School Foundation	Other Blended Component Units*	Eliminations	Total
Assets:						
Current Assets	$1,894,919,931	$58,059,151	$58,917,000	$42,804,980	$0	$2,054,701,062
Capital Assets, Net	2,942,297,626	114,836,240		2,561,208		3,059,695,074
Other Noncurrent Assets	2,623,156,674	599,274,961	179,851,817	44,898,332	6,149,953	3,453,331,737
Total Assets	**7,460,374,231**	**772,170,352**	**238,768,817**	**90,264,520**	**6,149,953**	**8,567,727,873**
Total Deferred Outflows of Resources	**605,346,131**					**605,346,131**
Liabilities:						
Current Liabilities	460,120,190	13,070,710	30,842	13,461,633	6,149,953	492,833,328
Long-Term Liabilities, Net	3,720,523,323	138,901,157		7,138,979		3,866,563,459
Other Noncurrent Liabilities	148,282,090			5,018,604		153,300,694
Total Liabilities	**4,328,925,603**	**151,971,867**	**30,842**	**25,619,216**	**$6,149,953**	**4,512,697,481**
Total Deferred Inflows of Resources	**991,982,207**	**18,462,014**				**1,010,444,221**
Net Position:						
Net Investment in Capital Assets	1,607,829,423	46,082,259		2,561,208		1,656,472,890
Restricted — Nonexpendable	574,791,766	222,204,408	152,852,140			949,848,314
Restricted — Expendable	2,011,059,641	279,147,034	84,388,221	6,955,219		2,381,550,115
Unrestricted	(1,448,868,278)	54,302,770	1,497,614	55,128,877		(1,337,939,017)
Total Net Position	**$2,744,812,552**	**$601,736,471**	**$238,737,975**	**$64,645,304**		**$3,649,932,302**

*Other Blended Component Units include UNC Management Company, Inc., WUNC Public Radio, LLC, HVPV Holdings, LLC, and Carolina Research Ventures, LLC.

Investments of the blended component units specified in the above table include investments held by those units within the Chapel Hill Investment Fund, UNC Investment Fund, and the UNC Intermediate Pool blended component units. Investments held by the University, its blended component units, discretely presented component units, or its beneficiaries, within these investment pool blended component units, are owned and recorded at the participant level in the unit which holds the investment. The participant level investment is proportionately equivalent to the net assets of the investment pools in which each participant invests. Therefore, the total net assets of the Chapel Hill Investment Fund, UNC Investment Fund, and the UNC Intermediate Pool are not shown explicitly in separate columns above but are reflected in the blended units that hold the investments, in discretely presented component units' financial statements, or in the fiduciary financial statements.

Floor at William Donald Carmichael, Jr. Arena.



Condensed Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds

For the Fiscal Year Ended June 30, 2021

	UNC-CH	UNC-CH Foundation, Inc.	Kenan-Flagler Business School Foundation	Other Blended Component Units*	Eliminations	Total
Operating Revenues:						
Student Tuition and Fees, Net	$407,771,788	$0	$4,300,000	$0	$0	$412,071,788
Grants and Contracts	959,214,843					959,214,843
Sales and Services, Net	909,549,702	8,562,737		24,466,084		942,578,523
Other Operating Revenues	4,937,488			1,038,896	91,744	6,068,128
Total Operating Revenues	**2,281,473,821**	**8,562,737**	**4,300,000**	**25,504,980**	**91,744**	**2,319,933,282**
Operating Expenses:						
Operating Expenses	2,927,785,660	10,258,140	5,577,087	33,345,663		2,976,966,550
Depreciation/Amortization	156,926,930	2,119,943		134,157		159,181,030
Total Operating Expenses	**3,084,712,590**	**12,378,083**	**5,577,087**	**33,479,820**		**3,136,147,580**
Operating Income (Loss)	**(803,238,769)**	**(3,815,346)**	**(1,277,087)**	**(7,974,840)**	**91,744**	**(816,214,298)**
Nonoperating Revenues (Expenses):						
Investment Income, Net	889,534,492	152,968,220	45,644,620	11,058,767		1,099,206,099
Other, Net	957,192,235	(5,736,604)	23,906,445	8,401,981	(81,045)	983,683,012
Net Nonoperating Revenues (Expenses)	**1,846,726,727**	**147,231,616**	**69,551,065**	**19,460,748**	**(81,045)**	**2,082,889,111**
Income (Loss) Before Other Revenues	**1,043,487,958**	**143,416,270**	**68,273,978**	**11,485,908**	**10,699**	**1,266,674,813**
Capital Appropriations						
Capital Contributions	78,871,011					78,871,011
Additions to Endowments	19,329,029	14,391,602	761,878		(10,699)	34,471,810
Total Other Revenues (Expenses)	**98,200,040**	**14,391,602**	**761,878**		**($10,699)**	**113,342,821**
Increase (Decrease) in Net Position	**1,141,687,998**	**157,807,872**	**69,035,856**	**11,485,908**		**1,380,017,634**
Net Position:						
Net Position, July 1, 2020	**1,603,124,554**	**443,928,599**	**169,702,119**	**53,159,396**		**2,269,914,668**
Net Position, June 30, 2021	**$2,744,812,552**	**$601,736,471**	**$238,737,975**	**$64,645,304**		**$3,649,932,302**

*Other Blended Component Units include UNC Management Company, Inc., WUNC Public Radio, LLC, HVPV Holdings, LLC, and Carolina Research Ventures, LLC.

Condensed Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended June 30, 2021

	UNC-CH	UNC-CH Foundation, Inc.	Kenan-Flagler Business School Foundation	Other Blended Component Units*	Total
Net Cash Provided (Used) by Operating Activities	($826,913,593)	$4,779,380	($1,274,117)	$2,739,677	($820,668,653)
Net Cash Provided by Noncapital Financing Activities	947,952,118	18,697,771	14,414,082	2,920,327	983,984,298
Net Cash Used by Capital and Related Financing Activities	(113,073,927)	(6,000,339)		(342,642)	(119,416,908)
Net Cash Provided (Used) by Investing Activities	188,264,006	(14,484,662)	(2,953,007)	(2,786,641)	168,039,696
Net Increase in Cash and Cash Equivalents	**196,228,604**	**2,992,150**	**10,186,958**	**2,530,721**	**211,938,433**
Cash and Cash Equivalents, July 1, 2020, as Restated (Note 25)	809,831,924	54,724,900	27,045,311	28,414,797	920,016,932
Cash and Cash Equivalents, June 30, 2021	**$1,006,060,528**	**$57,717,050**	**$37,232,269**	**$30,945,518**	**$1,131,955,365**

* Other Blended Component Units include UNC Management Company, Inc., WUNC Public Radio, LLC, HVPV Holdings, LLC, and Carolina Research Ventures, LLC.

Note 24 | Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2021, the University implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 84, Fiduciary Activities

GASB Statement No. 93, Replacement of Interbank Offered Rates

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB Statement No. 98, The Annual Comprehensive Financial Report

GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for 90-days or less.

GASB Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR).

GASB Statement No. 97's primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

The Louis Round Wilson Library.

Note 25 | Net Position Restatement

As of July 1, 2020, net position as previously reported was restated as follows:

	External Investment Pool	Other Funds	Total
July 1, 2020 Net Position as Previously Reported Restatement:	$0	$0	$0
GASB Statement No. 84 implementation	4,009,372,064	37,136,151	4,046,508,215
July 1, 2020 Net Position as Restated	**$4,009,372,064**	**$37,136,151**	**$4,046,508,215**

The University's fiduciary activities were previously reported within the proprietary fund in single-column financial statements. Because fiduciary assets were accompanied by offsetting liabilities, these activities previously did not report a net position balance. Following the implementation of GASB Statement No. 84, the University's fiduciary activities are now reported on separate financial statements. As a result, fiduciary net position was restated to $4,046,508,215 as of July 1, 2020. This restatement had no effect on the July 1, 2020, net position of the University's proprietary fund. However, on the Statement of Cash Flows, beginning cash and cash equivalents were restated and in Note 6 - Capital Assets, beginning capital assets were restated for balances that are now reported on the Statement of Fiduciary Net Position.

Note 26 | Subsequent Events

The University extended the $100 million standby liquidity facility with Bank of America, N.A. that was scheduled to expire on September 17, 2021, so as to provide continuous liquidity coverage. The extended liquidity facility carries a four-year term with a new expiration date of September 17, 2025. See Note 10D and Note 10E for additional details regarding this agreement.

Required Supplementary Information

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Required Supplementary Information — Defined Benefit Pension Plan

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

Last eight fiscal years*

Teachers' and State Employees' Retirement System	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net Pension Liability	3.14%	3.18%	3.18%	3.12%
Proportionate Share of TSERS Collective Net Pension Liability	$379,561,977	$329,223,453	$316,120,760	$247,539,484
Covered Payroll	$506,075,117	$507,759,996	$498,130,872	$480,647,184
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	75.00%	64.84%	63.46%	51.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.98%	87.56%	87.61%	89.51%

Teachers' and State Employees' Retirement System	2017	2016	2015	2014
Proportionate Share Percentage of Collective Net Pension Liability	3.09%	3.12%	3.22%	3.20%
Proportionate Share of TSERS Collective Net Pension Liability	$284,334,716	$115,061,832	$37,801,432	$194,278,679
Covered Payroll	$460,471,749	$451,281,663	$457,366,996	$460,281,538
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	61.75%	25.50%	8.27%	42.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%

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

* 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	2021	2020	2019	2018	2017
Contractually Required Contribution	$74,775,435	$65,637,943	$62,403,703	$53,698,508	$47,968,589
Contributions in Relation to the Contractually Determined Contribution	$74,775,435	$65,637,943	$62,403,703	$53,698,508	$47,968,589
Contribution Deficiency (Excess)					
Covered Payroll	$505,923,105	$506,075,117	$507,759,996	$498,130,872	$480,647,184
Contributions as a Percentage of Covered Payroll	14.78%	12.97%	12.29%	10.78%	9.98%

Teachers' and State Employees' Retirement System	2016	2015	2014	2013	2012
Contractually Required Contribution	$42,133,165	$41,292,272	$39,745,192	$38,341,452	$33,975,672
Contributions in Relation to the Contractually Determined Contribution	$42,133,165	$41,292,272	$39,745,192	$38,341,452	$33,975,672
Contribution Deficiency (Excess)					
Covered Payroll	$460,471,749	$451,281,663	$457,366,996	$460,281,538	$456,662,258
Contributions as a Percentage of Covered Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

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 — Defined Benefit Pension Plan

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

For the fiscal year ended June 30, 2020

Changes of benefit terms

Teachers' and State Employees' Retirement System Cost of Living Increase									
2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

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 7.20% to 7.00% for the December 31, 2017 valuation. For the December 31, 2019, valuation, the discount rate was 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 2020 *Comprehensive Annual Financial Report.*

N/A - Not Applicable

Required Supplementary Information — Defined Benefit OPEB Plans

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

Last five fiscal years*

	2021	2020	2019	2018	2017
Retiree Health Benefit Fund:					
Proportionate Share Percentage of Collective Net OPEB Liability	6.96%	6.91%	6.76%	6.36%	7.25%
Proportionate Share of Collective Net OPEB Liability	$1,930,637,269	$2,186,043,474	$1,926,872,329	$2,085,455,588	$3,153,296,023
Covered Payroll	$1,236,582,485	$1,205,200,371	$1,145,860,475	$1,091,925,969	$1,058,316,661
Proportionate Share of Net OPEB Liability as a Percentage of Covered Payroll	156.13%	181.38%	168.16%	190.99%	297.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.92%	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina:					
Proportionate Share Percentage of Collective Net OPEB Asset	7.09%	6.92%	6.91%	6.81%	6.66%
Proportionate Share of Collective Net OPEB Asset	($3,489,129)	($2,987,331)	($2,100,172)	($4,162,076)	($4,163,127)
Covered Payroll	$1,236,582,485	$1,205,200,371	$1,145,860,475	$1,091,925,969	$1,058,316,661
Proportionate Share of Net OPEB Asset as a Percentage of Covered Payroll	(0.28%)	(0.25%)	(0.18%)	(0.38%)	(0.39%)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	115.57%	113.00%	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	2021	2020	2019	2018	2017
Contractually Required Contribution	$83,243,495	$80,006,887	$75,566,063	$69,324,559	$63,440,899
Contributions in Relation to the Contractually Determined Contribution	$83,243,495	$80,006,887	$75,566,063	$69,324,559	$63,440,899
Contribution Deficiency (Excess)					
Covered Payroll	$1,246,160,097	$1,236,582,485	$1,205,200,371	$1,145,860,475	$1,091,925,969
Contributions as a Percentage of Covered Payroll	6.68%	6.47%	6.27%	6.05%	5.81%

Retiree Health Benefit Fund	2016	2015	2014	2013	2012
Contractually Required Contribution	$59,265,733	$55,554,649	$53,247,759	$51,582,373	$47,027,478
Contributions in Relation to the Contractually Determined Contribution	$59,265,733	$55,554,649	$53,247,759	$51,582,373	$47,027,478
Contribution Deficiency (Excess)					
Covered Payroll	$1,058,316,661	$1,011,924,390	$986,069,611	$973,252,321	$940,549,560
Contributions as a Percentage of Covered Payroll	5.60%	5.49%	5.40%	5.30%	5.00%

Disability Income Plan of North Carolina	2021	2020	2019	2018	2017
Contractually Required Contribution	$1,121,544	$1,236,582	$1,687,281	$1,604,205	$4,149,319
Contributions in Relation to the Contractually Determined Contribution	$1,121,544	$1,236,582	$1,687,281	$1,604,205	$4,149,319
Contribution Deficiency (Excess)					
Covered Payroll	$1,246,160,097	$1,236,582,485	$1,205,200,371	$1,145,860,475	$1,091,925,969
Contributions as a Percentage of Covered Payroll	0.09%	0.10%	0.14%	0.14%	0.38%

Disability Income Plan of North Carolina	2016	2015	2014	2013	2012
Contractually Required Contribution	$4,339,098	$4,148,890	$4,338,706	$4,282,310	$4,890,858
Contributions in Relation to the Contractually Determined Contribution	$4,339,098	$4,148,890	$4,338,706	$4,282,310	$4,890,858
Contribution Deficiency (Excess)					
Covered Payroll	$1,058,316,661	$1,011,924,390	$986,069,611	$973,252,321	$940,549,560
Contributions as a Percentage of Covered Payroll	0.41%	0.41%	0.44%	0.44%	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 — Defined Benefit OPEB Plans

Schedule of University Contributions Cost-Sharing, Multi-Employer Defined Benefit OPEB Plans
For the fiscal year ended June 30, 2021

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

Effective January 1, 2019, benefit terms related to copays, out-of-pockets maximums, and deductibles were changed for one of four options of the RHBF. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pockets maximums, and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Additionally, the December 31, 2017 Disability Income Plan of North Carolina (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.

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 University 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 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.

For the actuarial valuation measured as of June 30, 2020, the discount rate for the RHBF was updated to 2.21%. In the prior year, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claim costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset for the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed December 2019.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2020 *Comprehensive Annual Financial Report*.


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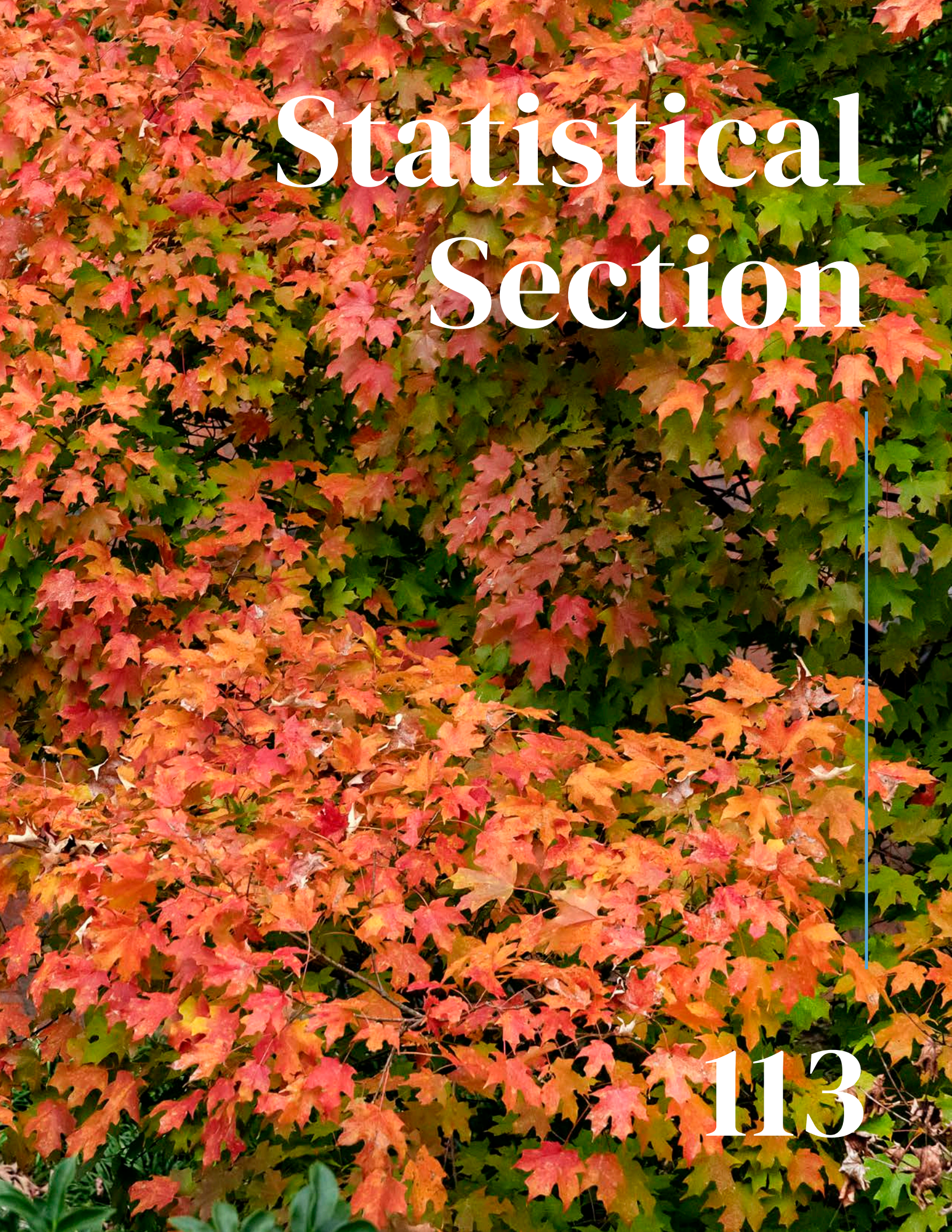

Statistical Section

Statistical Section

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Financial Trends

Net Position by Component

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
			(as restated)	(as restated)	(as restated)
Net Investment in Capital Assets	$1,656,473	$1,682,287	$1,728,392	$1,675,469	$1,653,505
Restricted, Nonexpendable	949,848	913,926	874,644	877,981	824,210
Restricted, Expendable	2,381,550	1,509,141	1,539,160	1,444,331	1,554,230
Unrestricted	(1,337,939)	(1,835,440)	(1,884,102)	(2,146,402)	(2,420,876)
Total Net Position	**$3,649,932**	**$2,269,914**	**$2,258,094**	**$1,851,379**	**$1,611,069**

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
	(as restated)		(as restated)		
Net Investment in Capital Assets	$1,655,895	$1,686,949	$1,694,842	$1,632,515	$1,645,959
Restricted, Nonexpendable	787,682	773,548	724,605	702,225	700,687
Restricted, Expendable	1,372,533	1,453,008	1,390,715	1,193,821	990,908
Unrestricted	763,370	753,407	766,194	972,888	896,092
Total Net Position	**$4,579,480**	**$4,666,912**	**$4,576,356**	**$4,501,449**	**$4,233,646**

Net Position by Component

Last ten fiscal years | Expressed as a percent of the total

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
			(as restated)	(as restated)	(as restated)
Net Investment in Capital Assets	45.4	74.1	76.5	90.5	102.6
Restricted, Nonexpendable	26.0	40.3	38.7	47.4	51.2
Restricted, Expendable	65.2	66.5	68.2	78.0	96.5
Unrestricted	(36.6)	(80.9)	(83.4)	(115.9)	(150.3)
Total Net Position	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
	(as restated)		(as restated)		
Net Investment in Capital Assets	36.2	36.2	37.1	36.3	38.9
Restricted, Nonexpendable	17.2	16.6	15.8	15.6	16.5
Restricted, Expendable	30.0	31.1	30.4	26.5	23.4
Unrestricted	16.6	16.1	16.7	21.6	21.2
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,	2021	2020	2019	2018	2017
Operating Revenues:					
Student Tuition and Fees, Net	$412,072	$400,349	$424,391	$438,405	$426,856
Patient Services, Net	545,210	491,045	506,766	481,877	442,460
Federal Grants and Contracts	763,623	722,462	710,288	711,778	643,953
State and Local Grants and Contracts	13,091	15,207	12,172	12,754	19,600
Nongovernmental Grants and Contracts	182,500	149,674	143,681	113,974	147,670
Sales and Services, Net	397,369	435,061	488,582	447,932	427,270
Interest Earnings on Loans	952	7,504	1,548	2,928	1,432
Other Operating Revenues	5,117	5,691	8,580	6,776	14,962
Total Operating Revenues	**2,319,934**	**2,226,993**	**2,296,008**	**2,216,424**	**2,124,203**
Operating Expenses:					
Salaries and Benefits	1,812,296	1,802,250	1,716,743	1,730,164	1,697,183
Supplies and Services	963,510	1,018,615	1,013,233	960,108	973,323
Scholarships and Fellowships	121,920	106,483	88,821	131,467	123,739
Utilities	79,241	81,722	89,640	84,287	79,081
Depreciation and Amortization	159,181	179,718	142,244	138,401	140,085
Total Operating Expenses	**3,136,148**	**3,188,788**	**3,050,681**	**3,044,427**	**3,013,411**
Operating Loss	**(816,214)**	**(961,795)**	**(754,673)**	**(828,003)**	**(889,208)**
Nonoperating Revenues (Expenses):					
State Appropriations	537,409	534,766	543,274	518,231	500,212
State Aid — COVID-19	47,968				
Student Financial Aid	44,207	44,316	43,301	40,338	15,992
Federal Aid — COVID-19	28,824	5,834			
Noncapital Contributions, Net	399,820	314,963	273,852	271,818	297,754
Investment Income (Loss), Net	1,099,206	95,460	206,536	292,215	267,070
Interest and Fees on Debt	(51,189)	(51,302)	(51,052)	(53,540)	(56,960)
Federal Interest Subsidy on Debt	2,143	2,143	2,132	2,123	2,116
Other Nonoperating Revenues (Expenses)	(25,499)	(11,388)	102,418	(64,522)	(42,929)
Net Nonoperating Revenues	**2,082,889**	**934,792**	**1,120,461**	**1,006,663**	**983,255**
Income (Loss) Before Other Revenues	**1,266,675**	**(27,003)**	**365,788**	**178,660**	**94,047**
Capital Appropriations		1,452	4,060	9,038	12,869
Capital Contributions	78,871	20,629	62,823	17,149	20,786
Additions to Endowments	34,472	16,743	27,540	22,101	16,968
Increase (Decrease) in Net Position	**$1,380,018**	**$11,821**	**$460,211**	**$226,948**	**$144,670**

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
Total Revenues	$4,592,854	$3,263,299	$3,561,944	$3,389,437	$3,257,970
Total Expenses	3,212,836	3,251,478	3,101,733	3,162,489	3,113,300
Increase (Decrease) in Net Position	**$1,380,018**	**$11,821**	**$460,211**	**$226,948**	**$144,670**

Changes in Net Position (Continued)

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Operating Revenues:	(as restated)		(as restated)		
Student Tuition and Fees, Net	$405,808	$395,005	$361,771	$348,049	$320,535
Patient Services, Net	416,811	323,700	312,054	291,277	280,671
Federal Grants and Contracts	639,351	716,564	707,514	587,220	578,702
State and Local Grants and Contracts	29,433	17,227	37,613	41,471	41,953
Nongovernmental Grants and Contracts	160,714	106,762	158,133	132,506	105,191
Sales and Services, Net	416,013	461,580	458,458	429,243	400,480
Interest Earnings on Loans	1,450	1,167	823	730	849
Other Operating Revenues	17,632	9,280	2,872	8,198	8,148
Total Operating Revenues	**2,087,212**	**2,031,285**	**2,039,238**	**1,838,694**	**1,736,529**
Operating Expenses:					
Salaries and Benefits	1,544,504	1,505,426	1,622,395	1,435,472	1,375,758
Supplies and Services	939,646	1,074,939	1,032,609	811,214	782,489
Scholarships and Fellowships	122,816	119,453	112,450	104,557	96,871
Utilities	83,711	88,373	85,157	83,265	80,832
Depreciation and Amortization	136,572	136,493	130,438	117,968	113,530
Total Operating Expenses	**2,827,249**	**2,924,684**	**2,983,049**	**2,552,476**	**2,449,480**
Operating Loss	**(740,037)**	**(893,399)**	**(943,811)**	**(713,782)**	**(712,951)**
Nonoperating Revenues (Expenses):					
State Appropriations	493,923	479,186	482,728	515,121	486,492
State Aid — COVID-19					
Student Financial Aid	19,607	36,232	18,622	18,011	17,899
Federal Aid — COVID-19					
Noncapital Contributions, Net	199,412	243,662	220,027	232,431	262,886
Investment Income (Loss), Net	(50,950)	195,407	258,372	191,969	33,134
Interest and Fees on Debt	(62,561)	(67,459)	(66,217)	(70,118)	(64,321)
Federal Interest Subsidy on Debt	2,118	2,107	2,109	2,174	2,274
Other Nonoperating Revenues (Expenses)	27,520	32,631	(6,162)	(1,600)	(6,053)
Net Nonoperating Revenues	**629,069**	**921,766**	**909,479**	**887,988**	**732,311**
Income (Loss) Before Other Revenues	**(110,968)**	**28,367**	**(34,332)**	**174,206**	**19,360**
Capital Appropriations	8,767	1,600	4,313	2,285	
Capital Contributions	8,997	40,892	47,571	67,359	83,763
Additions to Endowments	12,428	19,697	25,609	23,953	27,563
Increase (Decrease) in Net Position	**($80,776)**	**$90,556**	**$43,161**	**$267,803**	**$130,686**

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
	(as restated)		(as restated)		
Total Revenues	$2,859,984	$3,082,699	$3,098,589	$2,891,998	$2,650,540
Total Expenses	2,940,760	2,992,143	3,055,428	2,624,195	2,519,854
Increase (Decrease) in Net Position	**($80,776)**	**$90,556**	**$43,161**	**$267,803**	**$130,686**

Changes in Net Position (Continued)

Last ten fiscal years | Expressed as a percent of total revenues / total expenses

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
Operating Revenues:					
Student Tuition and Fees, Net	9.0	12.3	11.9	12.9	13.1
Patient Services, Net	11.9	15.0	14.2	14.2	13.6
Federal Grants and Contracts	16.5	22.1	20.2	21.0	19.8
State and Local Grants and Contracts	0.3	0.5	0.3	0.4	0.6
Nongovernmental Grants and Contracts	4.0	4.6	4.0	3.4	4.5
Sales and Services, Net	8.7	13.3	13.7	13.2	13.1
Interest Earnings on Loans	0.0	0.2	0.0	0.1	0.0
Other Operating Revenues	0.1	0.2	0.2	0.2	0.5
Total Operating Revenues	**50.5**	**68.2**	**64.5**	**65.4**	**65.2**
Operating Expenses:					
Salaries and Benefits	56.4	55.4	55.3	54.7	54.5
Supplies and Services	30.0	31.3	32.7	30.4	31.3
Scholarships and Fellowships	3.8	3.3	2.9	4.2	4.0
Utilities	2.5	2.5	2.9	2.7	2.5
Depreciation and Amortization	5.0	5.5	4.6	4.4	4.5
Total Operating Expenses	**68.3**	**97.7**	**85.7**	**89.8**	**92.5**
Operating Loss	**(17.8)**	**(29.5)**	**(21.2)**	**(24.4)**	**(27.3)**
Nonoperating Revenues (Expenses):					
State Appropriations	11.7	16.4	15.3	15.3	15.4
State Aid — COVID-19	1.0	0.0	0.0	0.0	0.0
Student Financial Aid	1.0	1.4	1.2	1.2	0.5
Federal Aid — COVID-19	0.6	0.2	0.0	0.0	0.0
Noncapital Contributions, Net	8.7	9.7	7.7	8.0	9.1
Investment Income (Loss), Net	23.9	2.9	5.8	8.6	8.2
Interest and Fees on Debt	(1.6)	(1.6)	(1.6)	(1.7)	(1.8)
Federal Interest Subsidy on Debt	0.0	0.1	0.1	0.1	0.1
Other Nonoperating Revenues (Expenses)	(0.6)	(0.3)	2.9	2.0	(1.4)
Net Nonoperating Revenues	**45.4**	**28.7**	**31.5**	**29.7**	**30.2**
Income (Loss) Before Other Revenues	**27.6**	**(0.8)**	**10.3**	**5.3**	**2.9**
Capital Appropriations	0.0	0.0	0.1	0.3	0.4
Capital Contributions	1.6	0.7	1.7	0.4	0.6
Additions to Endowments	0.8	0.5	0.8	0.7	0.5
Increase (Decrease) in Net Position	**30.0**	**0.4**	**12.9**	**6.7**	**4.4**

Changes in Net Position (Continued)

Last ten fiscal years | Expressed as a percent of total revenues / total expenses

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Operating Revenues:	(as restated)		(as restated)		
Student Tuition and Fees, Net	14.2	12.8	11.7	12.0	12.1
Patient Services, Net	14.6	10.5	10.1	10.1	10.6
Federal Grants and Contracts	22.4	23.2	22.8	20.4	21.8
State and Local Grants and Contracts	1.0	0.6	1.2	1.4	1.6
Nongovernmental Grants and Contracts	5.6	3.5	5.1	4.6	4.0
Sales and Services, Net	14.5	15.0	14.8	14.8	15.1
Interest Earnings on Loans	0.1	0.0	0.0	0.0	0.0
Other Operating Revenues	0.6	0.3	0.1	0.3	0.3
Total Operating Revenues	**73.0**	**65.9**	**65.8**	**63.6**	**65.5**
Operating Expenses:					
Salaries and Benefits	52.5	50.3	53.1	54.7	54.6
Supplies and Services	32.0	35.9	33.8	30.9	31.1
Scholarships and Fellowships	4.2	4.0	3.7	4.0	3.8
Utilities	2.8	3.0	2.8	3.2	3.2
Depreciation and Amortization	4.6	4.6	4.3	4.5	4.5
Total Operating Expenses	**98.9**	**94.9**	**96.3**	**88.3**	**92.4**
Operating Loss	**(25.9)**	**(29.0)**	**(30.5)**	**(24.7)**	**(26.9)**
Nonoperating Revenues (Expenses):					
State Appropriations	17.3	15.5	15.6	17.8	18.4
State Aid — COVID-19	0.0	0.0	0.0	0.0	0.0
Student Financial Aid	0.7	1.2	0.6	0.6	0.7
Federal Aid — COVID-19	0.0	0.0	0.0	0.0	0.0
Noncapital Contributions, Net	7.0	7.9	7.1	8.0	10.0
Investment Income (Loss), Net	(1.7)	6.3	8.3	6.6	1.3
Interest and Fees on Debt	(2.1)	(2.3)	(2.2)	(2.7)	(2.6)
Federal Interest Subsidy on Debt	0.1	0.1	0.1	0.1	0.1
Other Nonoperating Revenues (Expenses)	1.0	1.1	(0.2)	(0.1)	(0.2)
Net Nonoperating Revenues	**22.0**	**29.9**	**29.4**	**30.7**	**27.6**
Income (Loss) Before Other Revenues	**(3.9)**	**0.9**	**(1.1)**	**6.0**	**0.7**
Capital Appropriations	0.3	0.1	0.1	0.1	0.0
Capital Contributions	0.4	1.3	1.6	2.4	3.2
Additions to Endowments	0.4	0.6	0.8	0.8	1.0
Increase (Decrease) in Net Position	**(2.8)**	**2.9**	**1.4**	**9.3**	**4.9**

Operating Expenses by Function

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
Instruction	$745,236	$758,442	$747,907	$749,322	$721,569
Research	632,625	609,748	595,395	601,890	595,219
Public Service	136,146	144,067	157,063	148,579	142,315
Academic Support	136,729	139,716	135,886	132,369	137,947
Student Services	29,378	37,209	44,403	44,497	45,506
Institutional Support	190,418	194,025	196,207	198,111	186,342
Operations and Maintenance of Plant	130,151	152,984	149,787	142,403	193,988
Student Financial Aid	121,920	106,483	90,380	129,050	123,740
Auxiliary Enterprises	854,367	866,396	791,409	759,804	726,701
Depreciation and Amortization	159,181	179,718	142,244	138,401	140,085
Pension Expense*					
Total Operating Expenses by Function	**$3,136,151**	**$3,188,788**	**$3,050,681**	**$3,044,426**	**$3,013,412**

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

Operating Expenses by Function (Continued)

Last ten fiscal years | Expressed as a percent of the total

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
Instruction	23.8	23.8	24.5	24.6	23.9
Research	20.2	19.1	19.5	19.8	19.8
Public Service	4.3	4.5	5.1	4.9	4.7
Academic Support	4.4	4.4	4.5	4.3	4.6
Student Services	0.9	1.2	1.5	1.5	1.5
Institutional Support	6.1	6.1	6.4	6.5	6.2
Operations and Maintenance of Plant	4.1	4.8	4.9	4.7	6.4
Student Financial Aid	3.9	3.3	3.0	4.2	4.1
Auxiliary Enterprises	27.2	27.2	25.9	25.0	24.1
Depreciation and Amortization	5.1	5.6	4.7	4.5	4.7
Pension Expense*	0.0	0.0	0.0	0.0	0.0
Total Operating Expenses by Function	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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

Operating Expenses by Function (Continued)

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
	(as restated)		(as restated)		
Instruction	$728,243	$683,793	$675,822	$694,692	$682,857
Research	546,228	714,093	703,621	529,102	472,102
Public Service	164,235	152,661	134,917	133,059	122,989
Academic Support	137,657	110,417	118,680	114,371	111,719
Student Services	39,162	35,845	32,807	27,565	25,992
Institutional Support	139,743	130,905	100,238	93,852	84,400
Operations and Maintenance of Plant	152,396	162,016	150,013	135,314	140,417
Student Financial Aid	122,816	119,453	112,450	104,557	96,871
Auxiliary Enterprises	660,197	662,094	669,423	601,996	598,602
Depreciation and Amortization	136,572	136,493	130,439	117,968	113,530
Pension Expense*		16,914	154,639		
Total Operating Expenses by Function	**$2,827,249**	**$2,924,684**	**$2,983,049**	**$2,552,476**	**$2,449,479**

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

Operating Expenses by Function (Continued)

Last ten fiscal years | Expressed as a percent of the total

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
	(as restated)		(as restated)		
Instruction	25.8	23.4	22.7	27.2	27.9
Research	19.3	24.4	23.6	20.7	19.3
Public Service	5.8	5.2	4.4	5.2	5.0
Academic Support	4.9	3.8	4.0	4.5	4.6
Student Services	1.4	1.2	1.1	1.1	1.1
Institutional Support	4.9	4.5	3.4	3.7	3.4
Operations and Maintenance of Plant	5.4	5.5	5.0	5.3	5.7
Student Financial Aid	4.3	4.1	3.8	4.1	4.0
Auxiliary Enterprises	23.4	22.6	22.4	23.6	24.4
Depreciation and Amortization	4.8	4.7	4.4	4.6	4.6
Pension Expense*	0.0	0.6	5.2	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,	2021	2020	2019	2018	2017
UNC-Chapel Hill vs Association of American Universities (AAU):					
Resident Undergraduate — UNC-CH	$8,980	$8,980	$8,987	$9,005	$8,834
% increase (decrease) from prior year	0.00%	-0.08%	-0.20%	1.94%	2.83%
AAU Public Universities (mean)	$12,904	$12,699	$12,561	$12,377	$12,039
% increase (decrease) from prior year	1.61%	1.10%	1.49%	2.81%	2.09%
Non-Resident Undergraduate — UNC-CH	$36,159	$36,159	$35,170	$34,588	$33,916
% increase from prior year	0.00%	2.81%	1.68%	1.98%	0.72%
AAU Public Universities (mean)	$36,820	$36,178	$35,447	$34,532	$33,172
% increase from prior year	1.77%	2.06%	2.65%	4.10%	4.22%
Resident Graduate — UNC-CH	$12,522	$12,522	$12,212	$11,929	$11,606
% increase from prior year	0.00%	2.54%	2.37%	2.78%	4.80%
AAU Public Universities (mean)	$14,966	$14,858	$14,708	$14,431	$14,068
% increase from prior year	0.73%	1.02%	1.92%	2.58%	1.93%
Non-Resident Graduate — UNC-CH	$30,248	$30,248	$29,423	$29,140	$28,817
% increase from prior year	0.00%	2.80%	0.97%	1.12%	1.87%
AAU Public Universities (mean)	$30,913	$30,773	$30,173	$29,520	$28,799
% increase from prior year	0.45%	1.99%	2.21%	2.50%	2.20%

Sources: AAU Data Exchange, 2011-2021 Missouri Tuition & Fees Survey (amounts not available in the survey were found on websites of individual institutions), Prepared by Institutional Research, Planning & Assessment.

Principal Revenue Payers

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
State and Local Grants and Contracts	$13,091	$15,207	$12,172	$12,754	$19,600
State Appropriations and State Aid	537,409	534,766	543,274	518,231	500,212
Noncapital Grants	233,530	171,054	99,405	115,456	117,617
Capital Appropriations		1,452	4,060	9,038	12,869
Capital Grants	32,869	13,565	13,828	13,150	3,790
NC State Government	**$816,899**	**$736,044**	**$672,739**	**$668,629**	**$654,088**
% increase (decrease) from prior year	**10.99%**	**9.41%**	**0.61%**	**2.22%**	**6.18%**
Federal Grants and Contracts	$763,623	$722,462	$710,288	$711,778	$643,953
Noncapital Grants	54,604	31,208	24,508	22,818	15,992
Federal Government	**$818,227**	**$753,670**	**$734,796**	**$734,596**	**$659,945**
% increase (decrease) from prior year	**8.57%**	**2.57%**	**0.03%**	**11.31%**	**0.15%**

Academic Year Tuition and Required Fees (Continued)

Last ten fiscal years

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
UNC-Chapel Hill vs Association of American Universities (AAU):					
Resident Undergraduate — UNC-CH	$8,591	$8,336	$8,340	$7,690	$7,009
% increase (decrease) from prior year	3.06%	-0.05%	8.45%	9.72%	5.15%
AAU Public Universities (mean)	$11,793	$11,560	$11,319	$11,143	$10,775
% increase (decrease) from prior year	2.02%	2.13%	1.58%	3.42%	10.11%
Non-Resident Undergraduate — UNC-CH	$33,673	$33,418	$30,122	$28,442	$26,834
% increase from prior year	0.76%	10.94%	5.91%	5.99%	6.14%
AAU Public Universities (mean)	$31,828	$30,533	$29,668	$29,013	$28,068
% increase from prior year	4.24%	2.92%	2.26%	3.37%	5.61%
Resident Graduate — UNC-CH	$11,074	$10,594	$10,248	$9,689	$8,646
% increase from prior year	4.53%	3.38%	5.77%	12.06%	5.42%
AAU Public Universities (mean)	$13,801	$13,501	$13,184	$12,858	$12,438
% increase from prior year	2.22%	2.40%	2.54%	3.38%	9.42%
Non-Resident Graduate — UNC-CH	$28,285	$27,805	$27,459	$25,779	$24,333
% increase from prior year	1.72%	1.25%	6.51%	5.93%	6.11%
AAU Public Universities (mean)	$28,178	$27,482	$26,793	$26,168	$25,412
% increase from prior year	2.53%	2.57%	2.39%	2.97%	5.51%

Sources: AAU Data Exchange, 2010-2020 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 (Continued)

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
	(as restated)		(as restated)		
State and Local Grants and Contracts	$29,433	$17,227	$37,613	$41,471	$41,953
State Appropriations and State Aid	493,923	479,186	482,728	515,121	486,492
Noncapital Grants	74,924	88,596	122,611	164,790	163,440
Capital Appropriations	8,767	1,600	4,313	2,285	0
Capital Grants	8,997	29,631	41,507	44,177	78,133
NC State Government	**$616,044**	**$616,240**	**$688,772**	**$767,844**	**$770,018**
% increase (decrease) from prior year	**(0.03%)**	**(10.53%)**	**(10.30%)**	**(0.28%)**	**(8.76%)**
Federal Grants and Contracts	$639,351	$716,564	$707,514	$587,220	$578,702
Noncapital Grants	19,607	36,232	18,622	18,011	17,899
Federal Government	**$658,958**	**$752,796**	**$726,136**	**$605,231**	**$596,601**
% increase (decrease) from prior year	**(12.47%)**	**3.67%**	**19.98%**	**1.45%**	**(0.76%)**

Debt Capacity and Ratios

Long-Term Debt

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
General Revenue Debt	$1,296,870	$1,263,270	$1,284,745	$1,305,775	$1,271,860
Plus Unamortized Discount/Premium	38,953	284	782	1,282	7,345
Less Unamortized Loss on Refunding					
Net General Revenue Debt	**1,335,823**	**1,263,554**	**1,285,527**	**1,307,057**	**1,279,205**
Revenue Bonds		16,303	23,819	30,961	37,713
Plus Unamortized Discount/Premium		(16)	(24)	(32)	(40)
Net Revenue Bonds		**$16,287**	**23,795**	**30,929**	**37,673**
Total Bonds Payable	**1,335,823**	**1,279,841**	**1,309,322**	**1,337,986**	**1,316,878**
Notes Payable and Line of Credit	70,067	54,215	56,127	60,254	62,326
Capital Leases Payable	456	877	989	1,345	1,147
Total	**$1,406,346**	**$1,334,933**	**$1,366,438**	**$1,399,585**	**$1,380,351**
Long Term Debt (whole dollars):					
per Student FTE	$50,190	$47,920	$48,873	$50,305	$50,156
per Dollar of Total Grants and Contracts	$1.13	$1.23	$1.38	$1.43	$1.46
per Dollar of State Appropriations and State Aid	$2.62	$2.50	$2.52	$2.70	$2.76

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
Net General Revenue Debt	$1,335,823	$1,263,554	$1,285,527	$1,307,057	$1,279,205
Commercial Paper Program		35,000	25,000	15,000	63,000
Total General Revenue Debt	**$1,335,823**	**$1,298,554**	**$1,310,527**	**$1,322,057**	**$1,342,205**
General Revenue Debt (whole dollars):					
per Student FTE	$47,673	$46,615	$46,874	$47,518	$48,770
per Dollar of Total Grants and Contracts	$1.07	$1.19	$1.32	$1.35	$1.42
per Dollar of State Appropriations	$2.49	$2.43	$2.41	$2.55	$2.68

Data Used in the Above Calculations	2021	2020	2019	2018	2017
Total Student FTE	28,021	27,857	27,959	27,822	27,521
State Appropriations	**$537,409**	**$534,766**	**$543,274**	**$518,231**	**$500,212**
Federal Grants and Contracts	$763,623	$722,462	$710,288	$711,778	$643,953
State and Local Grants and Contracts	13,091	15,207	12,172	12,754	19,600
Nongovernmental Grants and Contracts	182,500	149,674	143,681	113,974	147,670
Noncapital Grants	288,134	202,262	123,913	138,275	133,608
Total Grants and Contracts	**$1,247,348**	**$1,089,605**	**$990,054**	**$976,781**	**$944,831**

Source: Student FTE - Office of Institutional Research & Assessment Analytic Reports (ConnectCarolina Census Instance).

Long-Term Debt (Continued)

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
			(as restated)		
General Revenue Debt	$1,293,735	$1,288,640	$1,302,255	$1,319,835	$1,088,320
Plus Unamortized Discount/Premium	7,688	18,008	28,855	30,189	34,312
Less Unamortized Loss on Refunding				(3,234)	(1,829)
Net General Revenue Debt	**1,301,423**	**1,306,648**	**1,331,110**	**1,346,790**	**1,120,803**
Revenue Bonds	44,116	50,152	59,866	68,952	77,449
Plus Unamortized Discount/Premium	(48)	(56)	(92)	(128)	(164)
Net Revenue Bonds	**44,068**	**50,096**	**59,774**	**68,824**	**77,285**
Total Bonds Payable	**1,345,491**	**1,356,744**	**1,390,884**	**1,415,614**	**1,198,088**
Notes Payable and Line of Credit	71,739	58,125	44,829	45,257	45,941
Capital Leases Payable		192	485	765	54
Total	**$1,417,230**	**$1,415,061**	**$1,436,198**	**$1,461,636**	**$1,244,083**
Long Term Debt (whole dollars):					
per Student FTE	$52,728	$52,464	$53,214	$53,997	$46,357
per Dollar of Total Grants and Contracts	$1.53	$1.47	$1.38	$1.55	$1.37
per Dollar of State Appropriations	$2.87	$2.95	$2.98	$2.84	$2.56

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Net General Revenue Debt	$1,301,423	$1,306,648	$1,331,110	$1,346,790	$1,120,803
Commercial Paper Program	33,000	28,000	18,000	18,000	132,650
Total General Revenue Debt	**$1,334,423**	**$1,334,648**	**$1,349,110**	**$1,364,790**	**$1,253,453**
General Revenue Debt (whole dollars):					
per Student FTE	$49,647	$49,483	$49,987	$50,419	$46,706
per Dollar of Total Grants and Contracts	$1.44	$1.38	$1.29	$1.45	$1.38
per Dollar of State Appropriations	$2.70	$2.79	$2.79	$2.65	$2.58

Data Used in the Above Calculations	2016	2015	2014	2013	2012
Total Student FTE	26,878	26,972	26,989	27,069	26,837
State Appropriations	**$493,923**	**$479,186**	**$482,728**	**$515,121**	**$486,492**
Federal Grants and Contracts	$639,351	$716,564	$707,514	$587,220	$578,702
State and Local Grants and Contracts	29,433	17,227	37,613	41,471	41,953
Nongovernmental Grants and Contracts	160,714	106,762	158,133	132,506	105,191
Noncapital Grants	94,531	124,829	141,233	182,801	181,339
Total Grants and Contracts	**$924,029**	**$965,382**	**$1,044,493**	**$943,998**	**$907,185**

Source: Student FTE - Office of Institutional Research & Assessment Analytic Reports (ConnectCarolina Census Instance).

Composite Financial Index

Last ten fiscal years

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
			(as restated)	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)		
+ Primary Reserve Ratio	1.44 x	0.96 x	1.02 x	0.94 x	0.89 x	0.90 x	0.91 x	0.83 x	0.94 x	0.85 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	10.83	7.22	7.67	7.07	6.69	6.77	6.84	6.24	7.07	6.39
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	3.79	2.53	2.68	2.47	2.34	2.37	2.39	2.18	2.47	2.24
= Ratio 10.00 Cap Subtotal	3.79	2.53	2.68	2.47	2.34	2.37	2.39	2.18	2.47	2.24
+ Return on Net Position Ratio	52.7%	0.8%	19.6%	12.9%	4.5%	(1.7%)	3.0%	2.3%	6.6%	2.7%
/ Strength Factor	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
= Ratio / Strength Factor	26.35	0.40	9.80	6.45	2.25	(0.85)	1.50	1.15	3.30	1.35
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	5.27	0.08	1.96	1.29	0.45	(0.17)	0.30	0.23	0.66	0.27
= Ratio 10.00 Cap Subtotal	5.27	0.08	1.96	1.29	0.45	(0.17)	0.30	0.23	0.66	0.27
+ Net Operating Revenues Ratio	28.8%	-0.8%	10.9%	5.4%	2.9%	(4.0%)	1.0%	(1.1%)	6.2%	0.8%
/ 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	41.14	(1.14)	15.57	7.71	4.14	(5.71)	1.43	(1.57)	8.86	1.14
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	4.11	(0.11)	1.56	0.77	0.41	(0.57)	0.14	(0.16)	0.89	0.11
= Ratio 10.00 Cap Subtotal	1.00	(0.11)	1.00	0.77	0.41	(0.57)	0.14	(0.16)	0.89	0.11
+ Viability Ratio	3.4 x	2.3 x	2.3 x	2.1 x	1.9 x	1.8 x	1.9 x	1.8 x	1.7 x	1.6 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	8.15	5.52	5.52	5.04	4.56	4.32	4.56	4.32	4.08	3.84
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	2.85	1.93	1.93	1.76	1.60	1.51	1.60	1.51	1.43	1.34
= Ratio 10.00 Cap Subtotal	2.85	1.93	1.93	1.76	1.60	1.51	1.60	1.51	1.43	1.34
Composite Financial Index	**16.02**	**4.43**	**8.13**	**6.29**	**4.80**	**3.14**	**4.43**	**3.76**	**5.45**	**3.96**
Composite Financial Index with 10.00 Cap	**9.35**	**4.43**	**7.57**	**6.29**	**4.80**	**3.14**	**4.43**	**3.76**	**5.45**	**3.96**

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.

Other Ratios

Primary Reserve Ratio

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
				(as restated)	(as restated)
Unrestricted Net Position*	$1,483,384	$1,137,848	$1,166,941	$1,030,338	$774,189
Unrestricted Net Assets — Component Units **	101,704	71,659	72,053	63,519	57,301
Expendable Restricted Net Position	2,378,061	1,506,154	1,537,060	1,440,169	1,545,891
Temporarily Restricted Net Assets — Component Units **	779,596	479,671	489,026	449,747	424,862
Expendable Net Position and Net Assets	**$4,742,745**	**$3,195,332**	**$3,265,080**	**$2,983,773**	**$2,802,243**
Operating Expenses	$3,136,148	$3,188,788	$3,050,681	$3,044,426	$3,013,412
Nonoperating Expenses	79,763	76,187	77,900	78,719	82,226
Expenses — Component Units**	67,166	74,317	64,740	61,469	55,110
Total Expenses	**$3,283,077**	**$3,339,292**	**$3,193,321**	**$3,184,614**	**$3,150,748**
Ratio	**1.44 x**	**0.96 x**	**1.02 x**	**0.94 x**	**0.89 x**

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
	(as restated)	(as restated)	(as restated)		
Unrestricted Net Position*	$862,613	$883,668	$766,194	$972,888	$896,092
Unrestricted Net Assets — Component Units **	51,046	49,895	45,697	39,434	35,151
Expendable Restricted Net Position	1,372,533	1,453,008	1,390,715	1,193,821	990,908
Temporarily Restricted Net Assets — Component Units **	371,806	399,111	360,420	304,729	267,258
Expendable Net Position and Net Assets	**$2,657,998**	**$2,785,682**	**$2,563,026**	**$2,510,872**	**$2,189,409**
Operating Expenses	$2,827,249	$2,924,684	$2,983,049	$2,552,476	$2,449,479
Nonoperating Expenses	78,962	75,674	71,112	75,422	68,354
Expenses — Component Units**	50,945	44,675	48,463	44,070	43,829
Total Expenses	**$2,957,156**	**$3,045,033**	**$3,102,624**	**$2,671,968**	**$2,561,662**
Ratio	**0.90 x**	**0.91 x**	**0.83 x**	**0.94 x**	**0.85 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 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 - Net Position 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.

Return on Net Assets Ratio

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
Change in Net Position	$1,380,018	$11,820	$460,211	$226,949	$144,668
Change in Net Position — Component Units*	368,321	13,981	88,137	90,613	97,452
Total Change in Net Position	**$1,748,339**	**$25,801**	**$548,348**	**$317,562**	**$242,120**
Net Position (Beginning of Year)	$2,269,915	$2,258,094	$1,851,379	$1,611,069	$4,579,480
Net Position (Beginning of Year) — Component Units*	1,045,490	1,031,509	943,372	852,759	755,307
Total Net Position (Beginning of Year)	**$3,315,405**	**$3,289,603**	**$2,794,751**	**$2,463,828**	**$5,334,787**
Ratio	**52.7%**	**0.8%**	**19.6%**	**12.9%**	**4.5%**

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
	(as restated)		(as restated)		
Change in Net Position	($80,776)	$90,556	$43,161	$267,803	$130,687
Change in Net Position — Component Units*	(10,130)	67,776	74,715	49,055	(4,925)
Total Change in Net Position	**($90,906)**	**$158,332**	**$117,876**	**$316,858**	**$125,762**
Net Position (Beginning of Year)	$4,660,256	$4,576,356	$4,533,195	$4,233,646	$4,102,959
Net Position (Beginning of Year) — Component Units*	767,344	699,568	624,853	575,799	580,724
Total Net Position (Beginning of Year)	**$5,427,600**	**$5,275,924**	**$5,158,048**	**$4,809,445**	**$4,683,683**
Ratio	**(1.7%)**	**3.0%**	**2.3%**	**6.6%**	**2.7%**

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

* 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.

Net Operating Revenue Ratio

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
Income (Loss) Before Other Revenues	**$1,266,675**	**($27,004)**	**$365,788**	**$178,661**	**$94,046**
Total Operating Revenues	$2,319,933	$2,226,992	$2,296,008	$2,216,424	$2,124,203
State Appropriations	537,409	534,766	543,274	518,231	500,212
Noncapital Gifts and Grants, Net	444,027	359,279	317,153	312,156	313,746
Investment Income (Loss), Net	1,099,206	95,460	206,536	292,215	267,070
Adjusted Net Operating Revenues	**$4,400,575**	**$3,216,497**	**$3,362,971**	**$3,339,026**	**$3,205,231**
Ratio	**28.8%**	**(0.8%)**	**10.9%**	**5.4%**	**2.9%**

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
			(as restated)		
Income (Loss) Before Other Revenues	**($110,968)**	**$28,367**	**($34,332)**	**$174,205**	**$19,361**
Total Operating Revenues	$2,087,212	$2,031,285	$2,039,238	$1,838,694	$1,736,529
State Appropriations	493,923	479,186	482,728	515,121	486,492
Noncapital Gifts and Grants, Net	219,019	279,894	238,649	250,442	280,785
Investment Income (Loss), Net	(50,950)	195,407	258,372	191,969	33,134
Adjusted Net Operating Revenues	**$2,749,204**	**$2,985,772**	**$3,018,987**	**$2,796,226**	**$2,536,940**
Ratio	**(4.0%)**	**1.0%**	**(1.1%)**	**6.2%**	**0.8%**

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

Viability Ratio

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
				(as restated)	(as restated)
Unrestricted Net Position*	$1,483,384	$1,137,848	$1,166,941	$1,030,338	$774,189
Unrestricted Net Assets — Component Units **	101,704	71,659	72,053	63,519	57,301
Expendable Restricted Net Position	2,378,061	1,506,154	1,537,060	1,440,169	1,545,891
Temporarily Restricted Net Assets — Component Units **	779,596	479,671	489,026	449,747	424,862
Expendable Net Position and Net Assets	**$4,742,745**	**$3,199,632**	**$3,265,080**	**$2,983,773**	**$2,802,243**
Bonds	$1,335,823	$1,279,840	$1,309,323	$1,337,986	$1,316,878
Commercial Paper		35,000	25,000	15,000	63,000
Capital Leases	456	877	989	1,345	1,147
Notes	70,067	54,215	56,127	60,254	62,326
Notes — Component Units **	2,210	2,372	2,520	2,664	2,785
Total Adjusted University Debt	**$1,408,556**	**$1,372,304**	**$1,393,959**	**$1,417,249**	**$1,446,136**
Ratio	**3.4 x**	**2.3 x**	**2.3 x**	**2.1 x**	**1.9 x**

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
	(as restated)	(as restated)	(as restated)		
Unrestricted Net Position*	$862,613	$883,668	$766,194	$972,888	$896,092
Unrestricted Net Assets — Component Units **	51,046	49,895	45,697	39,434	35,151
Expendable Restricted Net Position	1,372,533	1,453,008	1,390,715	1,193,821	990,908
Temporarily Restricted Net Assets — Component Units **	371,806	399,111	360,420	304,729	267,258
Expendable Net Position and Net Assets	**$2,657,998**	**$2,785,682**	**$2,563,026**	**$2,510,872**	**$2,189,409**
Bonds	$1,345,491	$1,356,744	$1,390,884	$1,415,614	$1,198,088
Commercial Paper	33,000	28,000	18,000	18,000	132,650
Capital Leases		192	485	765	54
Notes	71,739	58,125	44,829	45,257	45,941
Notes — Component Units **	2,000	2,000		420	625
Total Adjusted University Debt	**$1,452,230**	**$1,445,061**	**$1,454,198**	**$1,480,056**	**$1,377,358**
Ratio	**1.8 x**	**1.9 x**	**1.8 x**	**1.7 x**	**1.6 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 - Net Position 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.

Debt Service to Operations

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
Interest and Fees Paid on Debt and Leases	$51,189	$51,302	$51,052	$53,540	$56,960
Less: Interest and Fees Paid — U.S. EPA Project Bonds *					
Principal Paid on Debt and Leases	153,138	32,288	184,497	86,482	99,119
Less: Non-Contractual Principal Paid from Gifts and Excess Funds					(68,829)
Less: Principal Paid from Refinancing Activities	(112,805)		(150,000)	(54,925)	
Less: Principal Paid — U.S. EPA Project Bonds *					
Debt Service	**$91,522**	**$83,590**	**$85,549**	**$85,097**	**$87,250**
Operating Expenses	**$3,136,148**	**$3,188,788**	**$3,050,681**	**$3,044,426**	**$3,013,412**
Ratio	**2.9%**	**2.6%**	**2.8%**	**2.8%**	**2.9%**

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
			(as restated)		
Interest and Fees Paid on Debt and Leases	$62,561	$58,235	$72,031	$67,685	$58,903
Less: Interest and Fees Paid — U.S. EPA Project Bonds *			(5)	(5)	(5)
Principal Paid on Debt and Leases	555,598	293,282	35,618	273,155	66,730
Less: Non-Contractual Principal Paid from Gifts and Excess Funds	(1,328)	(1,149)	(5,133)	(684)	(221)
Less: Principal Paid from Refinancing Activities	(527,055)	(261,000)		(241,645)	(36,500)
Less: Principal Paid — U.S. EPA Project Bonds *		(4,210)	(4,210)	(4,210)	(4,215)
Debt Service	**$89,776**	**$85,158**	**$98,301**	**$94,296**	**$84,692**
Operating Expenses	**$2,827,249**	**$2,924,684**	**$2,983,049**	**$2,552,476**	**$2,449,479**
Ratio	**3.2%**	**2.9%**	**3.3%**	**3.7%**	**3.5%**

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.

Research Expenses to Total Expenses

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
Research Expenses	**$632,624**	**$609,747**	**$595,395**	**$601,890**	**$595,219**
Operating Expenses	$3,136,148	$3,188,788	$3,050,681	$3,044,426	$3,013,412
Nonoperating Expenses	79,763	76,187	77,900	78,719	82,226
Total Expenses	**$3,215,911**	**$3,264,975**	**$3,128,581**	**$3,123,145**	**$3,095,638**
Ratio	**19.7%**	**18.7%**	**19.0%**	**19.3%**	**19.2%**

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
			(as restated)		
Research Expenses	**$546,228**	**$714,093**	**$546,752**	**$529,102**	**$472,102**
Operating Expenses	$2,827,249	$2,924,684	$2,983,049	$2,552,476	$2,449,479
Nonoperating Expenses	78,962	75,674	71,112	75,422	68,354
Total Expenses	**$2,906,211**	**$3,000,358**	**$3,054,161**	**$2,627,898**	**$2,517,833**
Ratio	**18.8%**	**23.8%**	**17.9%**	**20.1%**	**18.8%**

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

Net Tuition Per Student

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
Student Tuition and Fees, Net	$412,072	$400,349	$424,391	$438,405	$426,856
Less: Scholarships and Fellowships	(121,920)	(106,483)	(88,821)	(131,467)	(123,740)
Net Tuition and Fees	**$290,152**	**$293,866**	**$335,570**	**$306,938**	**$303,116**
Undergraduate, Graduate and Professional FTE	**28,021**	**27,857**	**27,959**	**27,822**	**27,521**
Net Tuition per Student (whole dollars)	**$10,355**	**$10,549**	**$12,002**	**$11,032**	**$11,014**

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
			(as restated)		
Student Tuition and Fees, Net	$405,808	$395,005	$361,771	$348,049	$320,535
Less: Scholarships and Fellowships	(122,816)	(119,453)	(112,449)	(104,556)	(96,871)
Net Tuition and Fees	**$282,992**	**$275,552**	**$249,322**	**$243,493**	**$223,664**
Undergraduate, Graduate and Professional FTE	**26,878**	**26,972**	**26,989**	**27,069**	**26,837**
Net Tuition per Student (whole dollars)	**$10,529**	**$10,216**	**$9,238**	**$8,995**	**$8,334**

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

State Appropriations Per Student

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
State Appropriations	$537,409	$534,766	$543,274	$518,231	$500,212
Undergraduate, Graduate and Professional FTE	28,021	27,857	27,959	27,822	27,521
State Appropriations per Student (whole dollars)	**$19,179**	**$19,197**	**$19,431**	**$18,627**	**$18,176**

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
			(as restated)		
State Appropriations	$493,923	$479,186	$482,728	$515,121	$486,492
Undergraduate, Graduate and Professional FTE	26,878	26,972	26,989	27,069	26,837
State Appropriations per Student (whole dollars)	**$18,376**	**$17,766**	**$17,886**	**$19,030**	**$18,128**

Measures the institution's dependency on state appropriations.

Specific Revenue and General Bond Coverage

Last ten fiscal years | In thousands

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 and State Aid, Tuition, and certain special facilities revenues. Specific Revenue Bonds have a pledged revenue stream as the repayment source.

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
Specific Revenue Bond Coverage:				(as restated)	(as restated)
Gross Operating Revenues	N/A	$126,099	$124,783	$127,645	$127,344
Direct Operating Expenses		98,491	108,989	102,373	101,484
Net Revenue Available for Debt Service		**27,608**	**15,793**	**25,272**	**25,860**
Principal		$8,415	$8,415	$8,410	$8,415
Interest					
Specific Revenue Debt Service Requirements		**$8,415**	**$8,415**	**$8,410**	**$8,415**
Coverage	**N/A***	**3.28**	**1.88**	**3.00**	**3.07**
Available Funds General Revenue Bonds:					
Total Unrestricted Revenue	$3,352,129	$2,179,351	$2,427,701	$2,311,918	$2,448,814
Less:					
State Appropriations and State Aid	(585,015)	(534,766)	(543,274)	(518,231)	(500,212)
Tuition and Fees	(412,073)	(400,349)	(424,391)	(438,405)	(426,856)
Specific Revenue Debt Service Requirements		(8,415)	(8,415)	(8,415)	(8,410)
Plus:					
Adjusted Beginning Unrestricted Net Position**	985,883	1,166,941	1,030,338	774,189	862,613
Total Available Funds	**$3,340,925**	**$2,402,763**	**$2,481,958**	**$2,121,056**	**$2,375,949**
General Revenue Bond Coverage:					
Total Available Funds	**$3,340,925**	**$2,402,763**	**$2,481,958**	**$2,121,056**	**$2,375,949**
Principal	22,345	21,475	21,955	21,385	18,805
Interest	34,609	38,579	40,590	38,040	45,542
General Revenue Debt Service Requirements	**$56,954**	**$60,054**	**$62,545**	**$59,425**	**$64,347**
Coverage	**58.66**	**40.01**	**39.68**	**35.69**	**36.92**

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.

*Specific Revenue Bond Coverage ratio not applicable in FY2021 as the applicable bonds have been defeased.

** 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 - Net Position for additional information.

Specific Revenue and General Bond Coverage (Continued)

Last ten fiscal years | In thousands

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Specific Revenue Bond Coverage:		(as restated)			
Gross Operating Revenues	$131,807	$130,501	$134,421	$131,607	$186,052
Direct Operating Expenses	105,950	102,288	90,534	91,321	121,734
Net Revenue Available for Debt Service	**25,857**	**28,213**	**43,887**	**40,286**	**64,318**
Principal	8,410	12,625	12,625	12,625	5,090
Interest					22
Specific Revenue Debt Service Requirements	**$8,410**	**$12,625**	**$12,625**	**$12,625**	**$5,112**
Coverage	**3.07**	**2.23**	**3.48**	**3.19**	**12.58**
Available Funds General Revenue Bonds:					
Total Unrestricted Revenue	$1,247,665	$1,709,235	$1,830,170	$1,796,035	$1,708,396
Less:					
State Appropriations and State Aid	(493,923)	(479,186)	(482,728)	(515,121)	(486,492)
Tuition and Fees	(405,808)	(395,005)	(361,771)	(348,049)	(320,535)
Specific Revenue Debt Service Requirements	(8,415)	(12,625)	(12,625)	(12,625)	(5,112)
Plus:					
Adjusted Beginning Unrestricted Net Position*	883,668	766,194	972,888	896,092	851,254
Total Available Funds	**$1,223,187**	**$1,588,613**	**$1,945,934**	**$1,816,332**	**$1,747,511**
General Revenue Bond Coverage:					
Total Available Funds	**$1,223,187**	**$1,588,613**	**$1,945,934**	**$1,816,332**	**$1,747,511**
Principal	18,805	18,215	17,580	49,265	24,160
Interest	45,542	48,951	48,764	49,204	52,385
General Revenue Debt Service Requirements	**$64,347**	**$67,166**	**$66,344**	**$98,469**	**$76,545**
Coverage	**19.01**	**23.65**	**29.33**	**18.45**	**22.83**

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 - Net Position for additional information.

Demographic and Economic Information

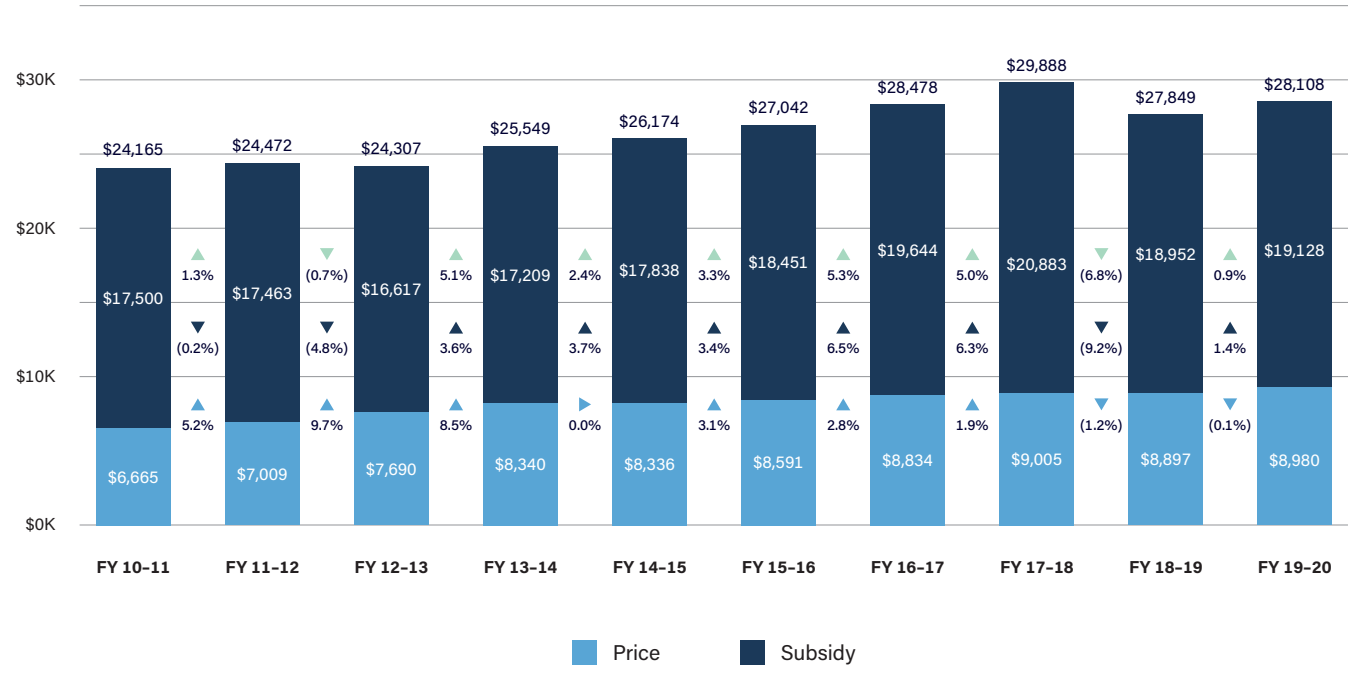
Annual Undergraduate Educational Costs Per Student

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.

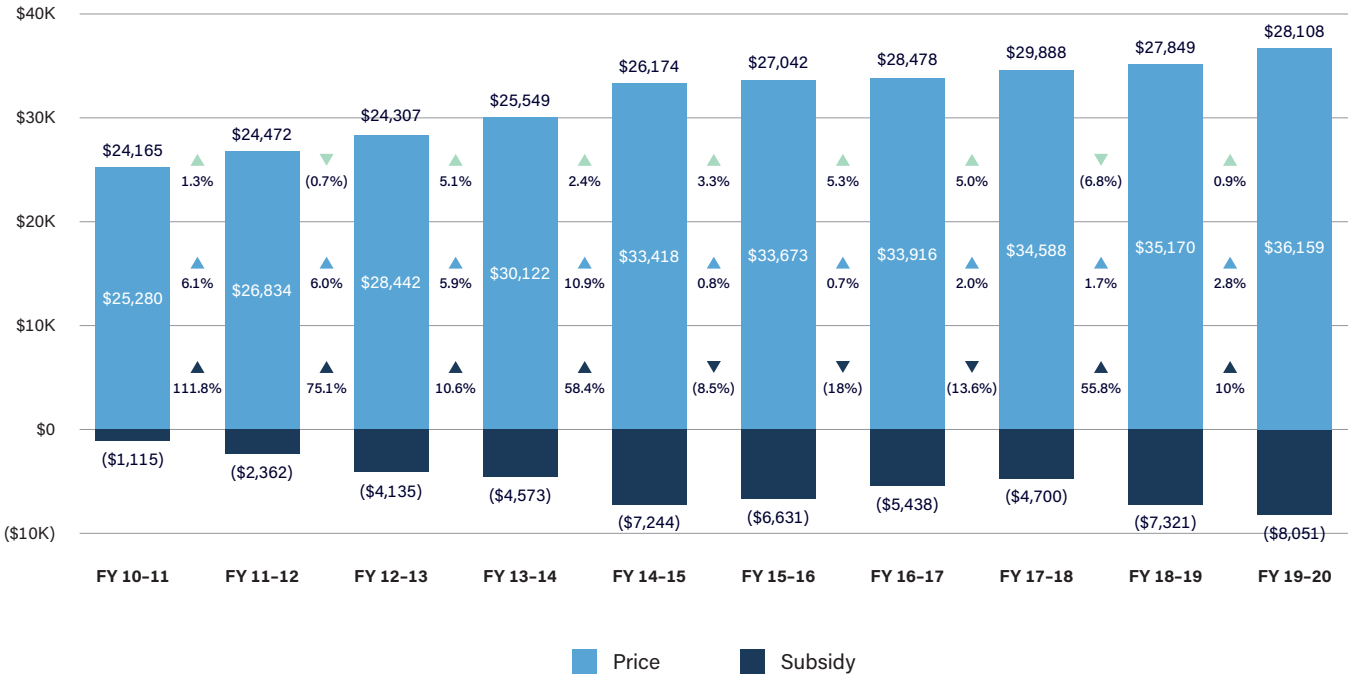
Annual Undergraduate Educational Costs Per Student

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:	2020–21	2019–20	2018–19	2017–18	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12
Applications	44,382	44,859	43,473	40,918	35,875	31,953	31,331	30,835	29,497	23,753
Accepted	10,446	9,610	9,524	9,709	9,400	9,510	8,929	8,243	7,847	7,469
Enrolled	4,446	4,183	4,336	4,356	4,228	4,076	3,976	3,946	3,915	4,026
Accepted as a Percentage of Applications	23.5%	21.4%	21.9%	23.7%	26.2%	29.8%	28.5%	26.7%	26.6%	31.4%
Enrolled as a Percentage of Accepted	42.6%	43.5%	45.5%	44.9%	45.0%	42.9%	44.5%	47.9%	49.9%	53.9%
Average SAT Scores — Total*	1,368	1,383	1,373	1,358	1,344	1,360	1,364	1,371	1,365	1,363
Evidence-Based Reading and Reading	680	700	681	674	673	682	685	687	685	682
Math	688	683	692	684	671	678	679	684	680	681
Average ACT Composite Scores*	28	30	30	30	30	29	29	29	29	29

Enrollment:	2020–21	2019–20	2018–19	2017–18	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12
Undergraduate, Graduate and Professional FTE	28,021	27,857	27,959	27,822	27,521	26,878	26,972	26,989	27,069	26,837
Undergraduate, Graduate and Professional Headcount	30,092	29,877	30,011	29,911	29,469	29,084	29,135	29,127	29,278	29,137
Men (Headcount)	12,339	12,380	12,563	12,737	12,642	12,514	12,654	12,442	12,283	12,169
Percentage of Total	41.0%	41.4%	41.9%	42.6%	42.9%	43.0%	43.4%	42.7%	42.0%	41.8%
Women (Headcount)	17,753	17,497	17,448	17,174	16,827	16,570	16,481	16,685	16,995	16,968
Percentage of Total	59.0%	58.6%	58.1%	57.4%	57.1%	57.0%	56.6%	57.3%	58.0%	58.2%
Black or African-American (Headcount)	2,477	2,320	2,963	2,918	2,342	2,353	2,374	2,403	2,486	2,556
Percentage of Total	8.2%	7.8%	9.9%	9.8%	7.9%	8.1%	8.1%	8.3%	8.5%	8.9%
White (Headcount)	17,529	17,770	21,023	21,105	18,257	18,252	18,791	18,967	19,106	19,205
Percentage of Total	58.3%	59.5%	70.1%	70.6%	62.0%	62.8%	64.5%	65.1%	65.3%	65.9%
Other (Headcount)	10,086	9,787	6,025	8,870	8,479	7,970	7,757	7,686	7,376	7,299
Percentage of Total	33.5%	32.8%	20.1%	29.7%	28.8%	27.4%	26.6%	26.3%	25.2%	25.1%

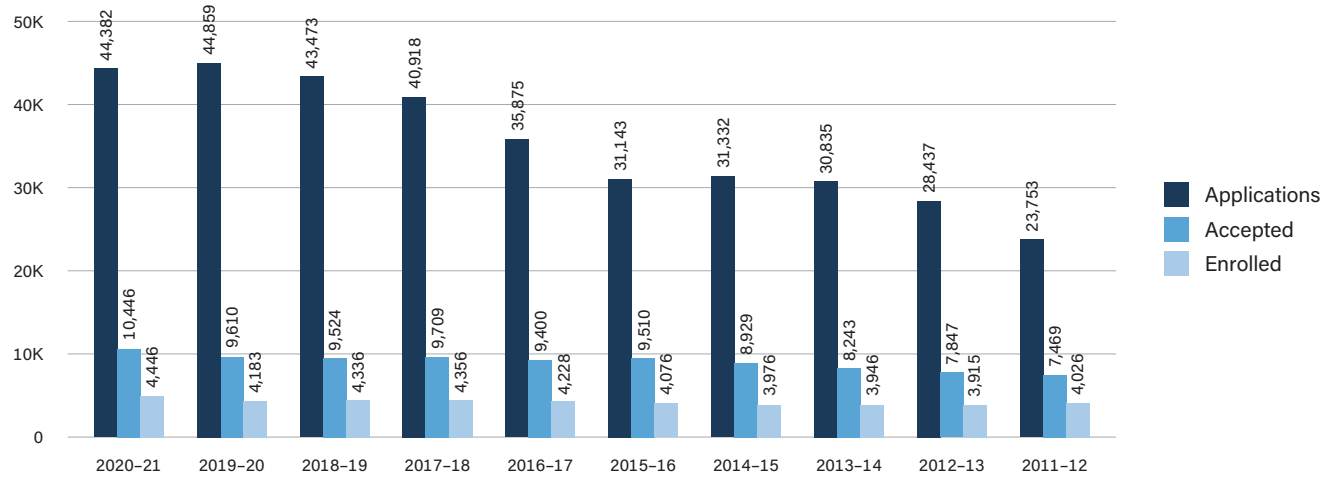
Degrees Earned**:	2020–21	2019–20	2018–19	2017–18	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12
Bachelor's	4,934	4,829	4,662	4,628	4,557	4,525	4,624	4,566	4,627	4,444
Master's	2,292	2,440	2,403	2,178	2,187	2,187	2,140	2,090	2,043	2,004
Doctoral	446	576	514	501	566	542	519	557	530	495
Professional	698	660	665	707	683	703	700	672	673	684

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).

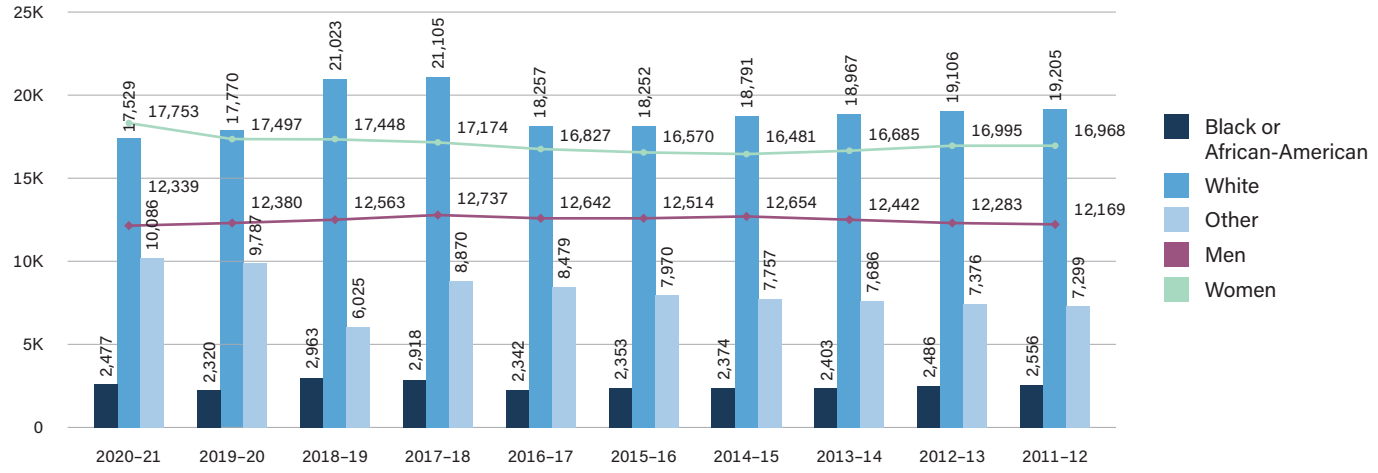
*Averages calculated using only the highest reported scores for enrolled first-time, first-year students. Also, beginning with the 2017 Cohort, SAT scores are reported using the new scoring scale and any old SAT score submitted have been converted to the new scale. Prior to the 2017 Cohort, any new SAT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

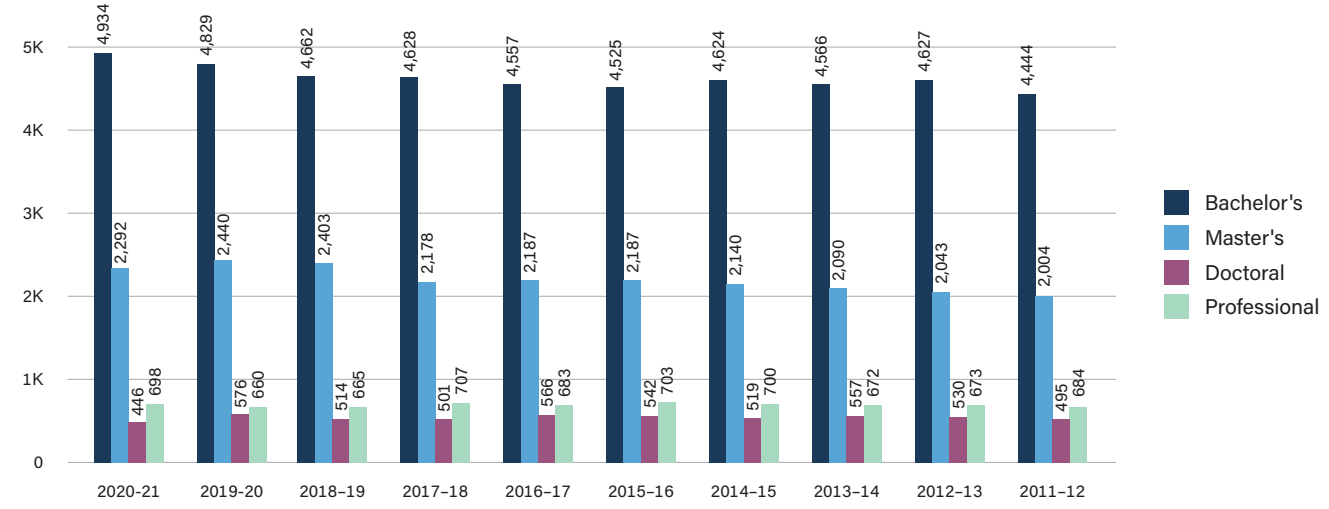
First Year Students Applied, Accepted, and Enrolled



Headcount Total



Degrees Earned



Demographic Data

Last ten fiscal years

Fiscal Year Ended June 30,	2021	2020	2019	2018	2017
North Carolina Population	10,595,645	10,595,645	10,488,084	10,381,615	10,268,233
North Carolina Personal Income (in millions)	$533,025	$533,269	$500,497	$475,483	$453,098
North Carolina Per Capita Income	$50,306	$50,305	$47,660	$45,758	$44,094
North Carolina Unemployment Rate	4.60%	7.50%	4.20%	4.20%	4.20%

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
North Carolina Population	10,154,788	10,031,646	9,932,887	9,843,336	9,749,476
North Carolina Personal Income (in millions)	$432,626	$419,334	$398,100	$376,392	$380,161
North Carolina Per Capita Income	$42,574	$41,778	$40,061	$38,225	$38,984
North Carolina Unemployment Rate	4.90%	5.80%	6.40%	8.80%	9.40%

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	2021			2012		
Employer	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
State of North Carolina	175,000-179,999	1	3.72%	180,000-184,999	1	4.33%
Federal Government	75,000-79,999	2	1.62%	65,000-69,999	2	1.60%
Wal-Mart Associates, Inc	45,000-59,999	3	1.10%	50,000-54,999	3	1.25%
Food Lion LLC	40,000-44,999	4	0.89%	25,000-29,999	6	0.65%
Duke University	40,000-44,999	5	0.89%	25,000-29,999	4	0.65%
Atrium Health	35,000-39,999	6	0.79%	-		-
Wells Fargo Bank NA	30,000-34,999	7	0.68%	20,000-24,999	7	0.53%
Amazon Fulfillment Services, Inc	20,000-24,999	8	0.47%	-		-
Lowes Home Centers, Inc	20,000-24,999	9	0.47%	-		-
Harris Teeter LLC	20,000-24,999	10	0.47%	-		-
Charlotte-Mecklenburg Hospital	-		-	25,000-29,999	5	0.65%
Charlotte-Mecklenburg Board of Education	-		-	15,000-19,999	8	0.42%
Wake Count Public Schools	-		-	15,000-19,999	9	0.42%
Bank of America NA	-		-	15,000-19,999	10	0.42%
Total	**500,000-559,990**		**11.10%**	**435,000-484,990**		**10.92%**

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,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Academic/Administrative Buildings	135	136	136	136	136	137	135	135	134	135
Residence Halls/Auxiliary Buildings	94	92	91	91	91	91	91	91	91	91
Art/Library Collections	6	6	6	6	6	6	6	6	6	6

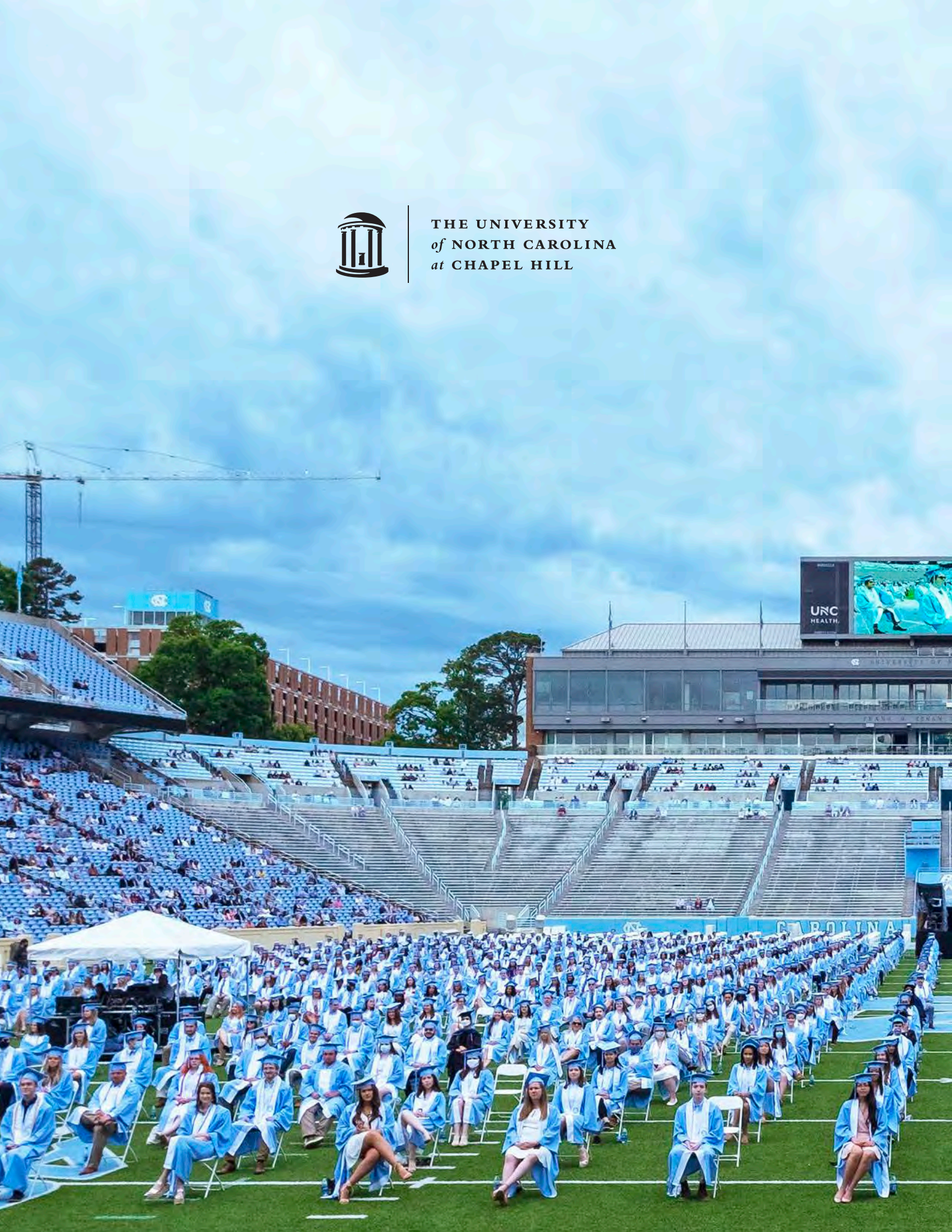
Faculty and Staff

Last ten fiscal years

Fall Employment of Fiscal Year	2020–21	2019–20	2018–19	2017–18	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12
Faculty:										
Full-Time	3,804	3,727	3,660	3,589	3,557	3,482	3,375	3,406	3,318	3,291
Part-Time	281	309	290	298	293	296	292	290	290	293
Total Faculty	**4,085**	**4,036**	**3,950**	**3,887**	**3,850**	**3,778**	**3,667**	**3,696**	**3,608**	**3,584**
Percentage Tenured	**34.9%**	**34.4%**	**35.4%**	**36.0%**	**36.2%**	**37.3%**	**36.5%**	**36.5%**	**37.8%**	**38.1%**
Staff and EHRA Non-Faculty:										
Full-Time	2,568	2,479	2,234	2,136	2,024	1,918	1,847	1,815	1,780	1,725
Part-Time	104	104	104	109	120	153	128	126	131	132
EHRA Non-Faculty	**2,672**	**2,583**	**2,338**	**2,245**	**2,144**	**2,071**	**1,975**	**1,941**	**1,911**	**1,857**
Full-Time	6,170	6,234	6,248	6,300	6,191	6,115	6,110	6,099	6,133	6,197
Part-Time	181	176	205	220	226	223	212	247	248	271
SHRA	**6,351**	**6,410**	**6,453**	**6,520**	**6,417**	**6,338**	**6,322**	**6,346**	**6,381**	**6,468**
Total Full-Time	8,738	8,713	8,482	8,436	8,215	8,033	7,957	7,914	7,913	7,922
Total Part-Time	285	280	309	329	346	376	340	373	379	403
Total Staff and EHRA Non-Faculty	**9,023**	**8,993**	**8,791**	**8,765**	**8,561**	**8,409**	**8,297**	**8,287**	**8,292**	**8,325**
Total Faculty, Staff, and EHRA Non-Faculty	**13,108**	**13,029**	**12,741**	**12,652**	**12,411**	**12,187**	**11,964**	**11,983**	**11,900**	**11,909**

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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