The University of North Carolina at Chapel Hill

Chapel Hill, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2024

A Constituent Institution of the University of North Carolina System

UNBIASED. IMPACTFUL. IRREFUTABLE.

A Department of the State of North Carolina

NCOSA Office of the State Auditor

North Carolina Office of the State Auditor
Jessica N. Holmes, J.D., State Auditor

Auditor's Transmittal

The Honorable Roy Cooper, Governor
Honorable Members of the North Carolina General Assembly
Board of Trustees, The University of North Carolina at Chapel Hill

We have completed a financial statement audit of The University of North Carolina at Chapel Hill for the year ended June 30, 2024, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Jessica N. Holmes, J.D.

Jessica N. Holmes, J.D.
State Auditor

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Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.

Independent Auditor's Report

North Carolina Office of the State Auditor
Jessica N. Holmes, J.D., State Auditor

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, 2024, 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, 2024, 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 2 percent, respectively, of the assets and revenues of the business-type activities.
- The Kenan-Flagler Business School Foundation, which represent 3 percent and 1 percent, respectively, of the assets and revenues of the business-type activities.
- The UNC Investment Fund, LLC, which represent 28 percent and 6 percent, respectively, of the assets and revenues of the business-type activities, and 76 percent of the assets of the fiduciary activities.
- The UNC Intermediate Pool, LLC, which represent 7 percent of the assets of the fiduciary activities.
- The financial statements of 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 Opinions

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.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 and GAGAS 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2024 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.

Jessica N. Holmes, J.D.

Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

November 19, 2024

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, 2024, with comparative information for the fiscal year ended June 30, 2023. 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 offers 78 bachelor's, 114 master's, 66 doctorate, and seven professional degree programs through 14 schools and the College of Arts and Sciences. A total of 32,234 undergraduate, graduate, and professional students learn from a faculty of 4,234.

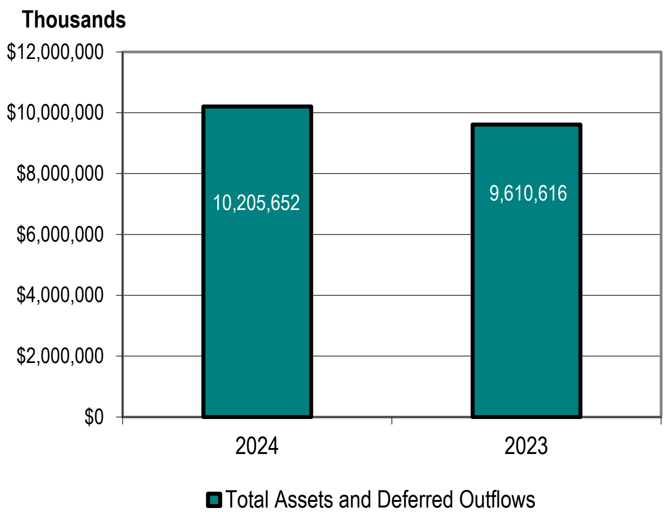
The financial reporting entity for the financial statements is comprised of the University and its component units. Certain component units are reported as if they were part of the University, and others are reported as discretely presented component units based on the nature and significance of their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

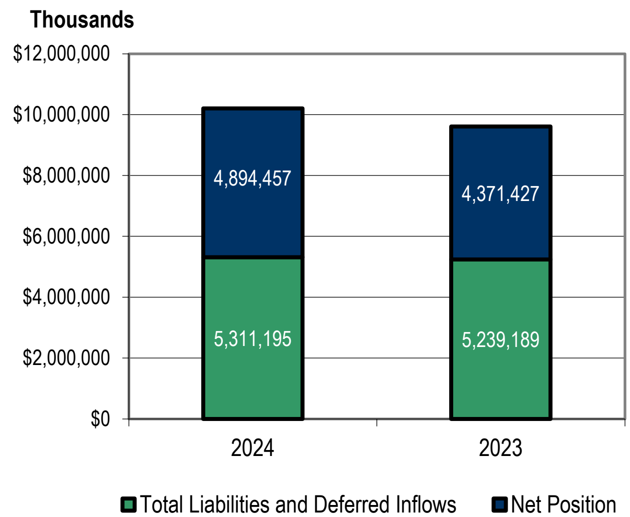
Financial Overview

The University maintained its stable financial position at June 30, 2024. The current ratio at June 30, 2024 was 4.3 times, compared to 4.0 times at June 30, 2023. 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 $4.9 billion at June 30, 2024, up from $4.4 billion at June 30, 2023. The University's total assets and deferred outflows of resources were $10.2 billion, and the total liabilities and deferred inflows were $5.3 billion at June 30, 2024.

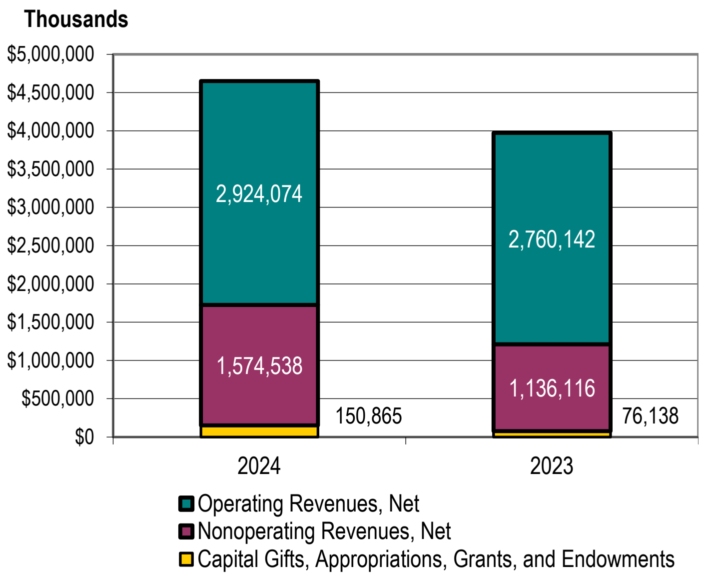
A comparison of the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2024, and June 30, 2023, respectively, along with the major components of the changes in net position for the two fiscal years is presented below:

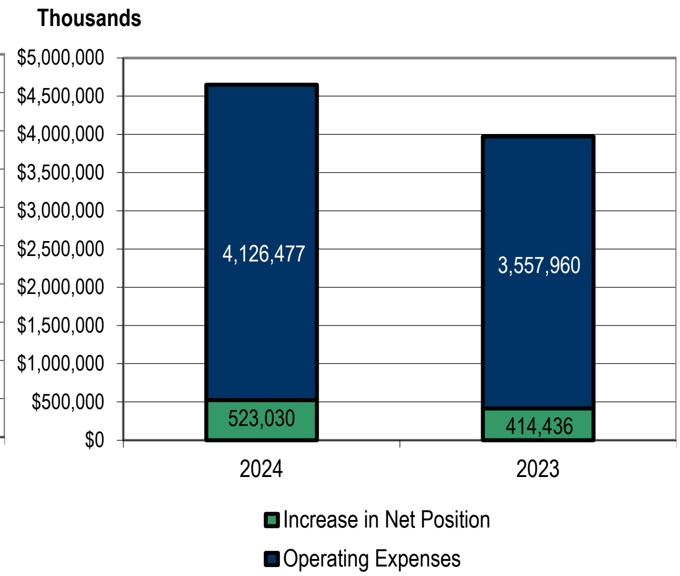
STATEMENT OF NET POSITION





STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION





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*
- *Statement of Revenues, Expenses, and Changes in Net Position*
- *Statement of Cash Flows*
- *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 Net 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.

Also included are the notes to the financial statements and required supplementary information which are essential to a comprehensive understanding of the financial position of the University. GASB standards require that assets and liabilities be separated into current and noncurrent categories and that financial statements be presented on a consolidated basis to focus on the University's business-type activities as a whole.

Condensed Statement of Net Position

The Condensed 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 as of June 30, 2024 and June 30, 2023:

CONDENSED STATEMENT OF NET POSITION
(Dollars in Thousands)

	2024	2023	Percent Change
Assets:			
Current Assets	$ 2,632,389	$ 2,377,370	10.7
Noncurrent Assets:			
Endowment and Other Investments	3,350,376	3,150,747	6.3
Capital Assets, Net	3,106,947	3,084,170	0.7
Other Noncurrent Assets	264,907	257,588	2.8
Total Assets	9,354,619	8,869,875	5.5
Total Deferred Outflows of Resources	851,033	740,741	14.9
Liabilities:			
Current Portion of Long-Term Liabilities	149,056	148,333	0.5
Other Current Liabilities	463,781	441,125	5.1
Noncurrent Liabilities:			
Long-Term Liabilities, Net	4,058,571	3,737,662	8.6
Other Noncurrent Liabilities	73,373	84,695	(13.4)
Total Liabilities	4,744,781	4,411,815	7.5
Total Deferred Inflows of Resources	566,414	827,374	(31.5)
Net Position:			
Net Investment in Capital Assets	1,665,422	1,620,668	2.8
Restricted	3,557,269	3,372,668	5.5
Unrestricted	(328,234)	(621,909)	(47.2)
Total Net Position	$ 4,894,457	$ 4,371,427	12.0

Current Assets and Liabilities

Working capital is defined as current assets less current liabilities. Working capital increased from $1.8 billion as of June 30, 2023 to $2.0 billion at June 30, 2024.

Current assets were $2.6 billion at June 30, 2024, up from $2.4 billion at June 30, 2023. This increase is primarily attributable to increases in cash and cash equivalents and short-term investments. Cash and cash equivalents increased mainly due to increases in grants and contract revenue and patient service revenues further discussed in the operating section below along with amounts received from the UNC Health Care System. Short-term investments increased due to improved performance when compared to the previous year.

Endowment and Other Investments

Investment assets - Total endowment and other investments were $3.4 billion at June 30, 2024 which represents an increase of 6.3% from June 30, 2023. This increase is the result of the performance of the UNC Investment Fund.

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, 2024, the distribution rate was 4.6%.

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 2024, UNC Investment Fund recorded a 12.6% investment return, compared to an investment return of -0.4% for fiscal year 2023. The Fund's fiscal year 2024 investment return exceeded the Fund's primary long-term objective of earning a real rate of return of at least 5.5% plus inflation (which amounted to 8.5% for fiscal year 2024), while also exceeding the Strategic Investment Policy Portfolio (SIPP) return of 8.6% for fiscal year 2024. For the fiscal year, six of the Fund's seven primary asset classes generated positive returns and four exceeded their respective SIPP benchmarks. UNCIF performance returns were calculated prior to the annual fair market value adjustment.

Over a longer-term time horizon, UNCIF's five-year annualized performance of 11.2% surpassed its SIPP benchmark return of 8.8% 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 five-year period (which amounted to 9.7% for the period). The Fund's ten-year annualized return of 9.4% also surpassed its SIPP benchmark return of 7.3% 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 8.3% 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

Fiscal year 2024 saw the opening of UNC School of Medicine's Roper Hall, a 172,000 square-foot structure which began construction in 2020. This is the driver of the decrease of 22.0% in construction in progress below.

Capital donations during the year include a new outdoor stadium and practice courts at the Cone-Kenfield Tennis Center Complex, new practice facility and course improvements at Finley Golf Course, and improvements to the Boshamer Baseball facilities.

Major projects in construction include Kenan Flagler School of Business McColl Building addition and renovation, the School of Nursing Carrington Hall renewal, and Bingham Hall's comprehensive renovation.

Current projects in design are the chilled water infrastructure expansion, HVAC and rooftop replacement, and the East Cameron Avenue walkway reconstruction.

A summary of changes in capital assets is disclosed in Note 6. Capital assets, net of accumulated depreciation and amortization, at June 30, 2024 and June 30, 2023, were as follows:

Capital Assets
(Dollars in Thousands)

	2024	2023	Percent Change
Capital Assets:			
Construction in Progress	$ 153,683	$ 196,920	(22.0)
Land and Other Nondepreciable Assets	256,112	250,902	2.1
Buildings, Net	1,944,594	1,896,558	2.5
General Infrastructure, Net	409,199	413,387	(1.0)
Machinery, Equipment, and Computer Software, Net	215,294	214,392	0.4
Right-to-Use Land and Buildings, Net	96,225	96,914	(0.7)
Right-to-Use Subscription Assets, Net	31,840	15,097	110.9
Total	$ 3,106,947	$ 3,084,170	0.7

Capital Financing

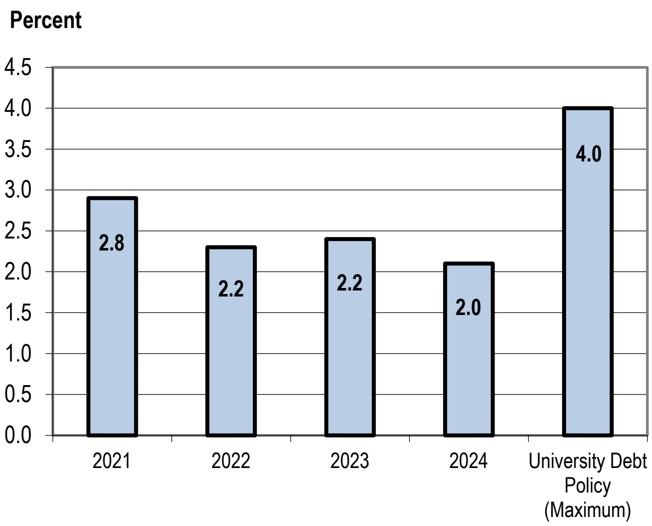
During fiscal year 2024, the University continued to use its commercial paper program to provide low-cost bridge financing for capital projects with the intent to refinance all, or a portion of the funding, through the issuance of long-term bonds.

The University began and ended fiscal year 2024 with a balance of $19.0 million in commercial paper deciding not to issue any additional commercial paper during the year.

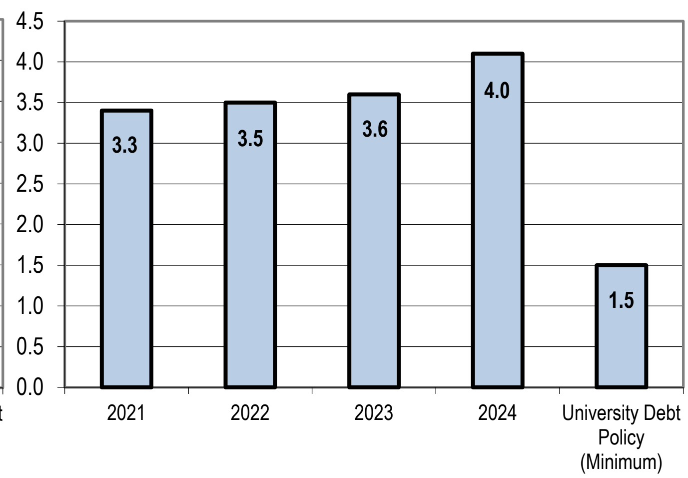
Debt management - The University maintains a combination of variable and fixed-rate debt, consistent with its debt management policy. Additional detail on rates and maturities can be found in Note 9 – Long-Term Liabilities.

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. The net position and operating expenses included in this calculation exclude the impact of the net pension and net other postemployment benefits (OPEB) liabilities since these do not have an impact on the University's ability to pay debt. Please see Note 12 – Net Position for additional information. Each ratio is compared to the University's debt policy standard. At June 30, 2024, the debt service to operations ratio was 2.0% and the expendable resources to debt ratio was 4.0 times. Results of both ratios comply with the University's debt policy and indicate healthy coverage of debt requirements.

DEBT SERVICE TO OPERATIONS



EXPENDABLE RESOURCES TO DEBT



As a function of its debt management strategy, the University retained a balance of $402.1 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, 2024.

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.

<u>Other Noncurrent Assets and Liabilities</u>

Other noncurrent assets were $264.9 million at June 30, 2024, and $257.6 million at June 30, 2023, reflecting a 2.8% increase. Other noncurrent assets include restricted cash and cash equivalents, receivables, notes receivable, leases receivable, and beneficial interest in assets held by others.

Total noncurrent liabilities were $4.1 billion at June 30, 2024. For more information, refer to Note 9 – Long-Term Liabilities.

<u>Deferred Outflows and Inflows of Resources</u>

Deferred outflows of resources were $851.0 million at June 30, 2024, and $740.7 million at June 30, 2023. The 14.9% increase was driven primarily by an increase in deferred outflows related to OPEB and pensions. This is a result of changes of assumptions for OPEB plans and the difference between projected and actual earnings on pension plan investments.

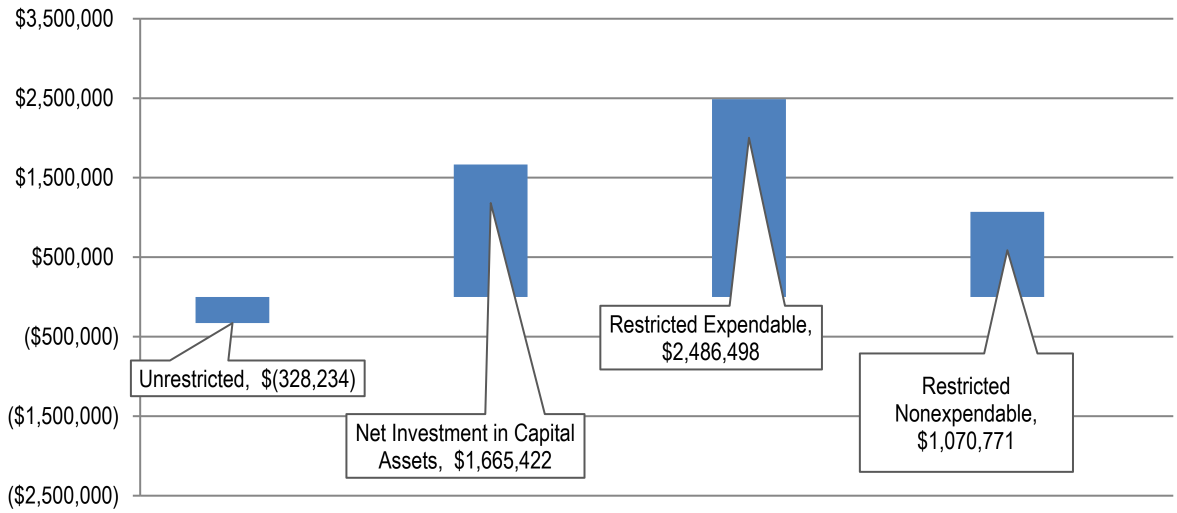
Deferred inflows of resources were $566.4 million at June 30, 2024, and $827.4 million as of June 30, 2023, reflecting a 31.5% decrease. This decrease was a result of a decrease in deferred inflows related to OPEB. The decrease in deferred inflows related to OPEB was due to a change of actuarial assumptions.

For additional information about the University's deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, refer to Note 15 – Pension Plans and Note 16 – Other Postemployment Benefits, respectively.

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 12.0% from $4.4 billion as of June 30, 2023, to $4.9 billion as of June 30, 2024, driven by a robust investment return.

2024 NET POSITION: $4,894,457
(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, 2024, and the prior year are summarized as follows:

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

(Dollars in Thousands)

	2024	2023	Percent Change
Operating Revenues:			
Student Tuition and Fees, Net	$ 500,355	$ 479,786	4.3
Grants and Contracts	1,152,299	1,105,405	4.2
Sales and Services, Net	1,251,091	1,161,552	7.7
Other Operating Revenues	20,329	13,399	51.7
Total Operating Revenues	2,924,074	2,760,142	5.9
Operating Expenses	4,126,447	3,557,960	16.0
Operating Loss	(1,202,373)	(797,818)	50.7
Nonoperating Revenues (Expenses):			
State Appropriations	702,556	615,828	14.1
Student Financial Aid	46,287	45,983	0.7
COVID Relief Funding	15,630	26,256	(40.5)
Noncapital Contributions, Net	456,375	355,747	28.3
Investment Income, Net	411,318	144,153	185.3
Interest and Fees on Debt	(52,036)	(51,314)	1.4
Other Nonoperating Expenses	(5,592)	(537)	941.3
Net Nonoperating Revenues	1,574,538	1,136,116	38.6
Income Before Other Revenues	372,165	338,298	10.0
Capital Contributions	99,459	24,895	299.5
Additions to Permanent Endowments	51,406	51,243	0.3
Increase in Net Position	523,030	414,436	26.2
Net Position – July 1	4,371,427	3,956,991	10.5
Net Position – June 30	$ 4,894,457	$ 4,371,427	12.0

Fiscal year 2024 revenues and other changes total $4,707,105 and expenses total $4,184,075.

Fiscal year 2023 revenues and other changes total $4,024,247 and expenses total $3,609,811.

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 2024 increased 4.3% over the prior year. This was driven by increases in tuition and enrollment for nonresident undergraduate students along with increases in the Executive Educational programs.

Grants and contracts revenues from sponsored projects increased approximately 4.2% from fiscal year 2023 to fiscal year 2024. Sponsored program 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.

The National Institutes of Health (NIH) remained the University's single largest funding source, with direct awards totaling $691.8 million, which was up from the fiscal year 2023 total of $535.0 million. NIH's strong and ongoing support reflects positively on the University's health-related professional schools, UNC Health Care and its teaching hospitals, as well as its basic and social science units in the College of Arts and Sciences.

The University's other top funders were the National Science Foundation at $45.0 million; the U.S. Department of Education at $35.4 million; the U.S. Department of Defense at $29.9 million; and the U.S. Agency for International Development at $18.1 million.

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 patient services. Sales and services (net) increased 7.7% in fiscal year 2024. This increase was driven by patient services outpatient clinic volume growth, housing revenue, and athletics revenue from hosting a professional soccer match.

Operating Expenses

The University's operating expenses were $4.1 billion for the fiscal year ended June 30, 2024, an increase of 16% from the prior year.

Operating Expenses by Natural Classification
(Dollars in Thousands)

	2024	2023	Percent Change
Salaries and Benefits	$ 2,327,785	$ 1,921,677	21.1
Supplies and Services	1,378,856	1,234,892	11.7
Scholarships and Fellowships	120,141	109,903	9.3
Utilities	94,589	94,073	0.5
Depreciation/Amortization	205,076	197,415	3.9
Total Operating Expenses	$ 4,126,447	$ 3,557,960	16.0

Salaries and benefits increased 21.1% driven by an increase in benefits expenses of $305.7 million. OPEB expense increased $226.8 million and pension expense increased $49.1 million. Salaries increased $100.4 million driven by hiring in the School of Medicine and legislative salary increases.

Supplies and services increased 11.7% driven by an increase of $97.4 million in services. This increase was driven by additional community providers working to support the anesthesia faculty practice organization in both UNC Health Johnston and UNC Health Lenoir. The University also experienced increased Office of Sponsored Projects subcontract expenses related to increases in grant awards.

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 $702.6 million for fiscal year 2024, an increase of 14.1% from the $615.8 million received during the prior year. This increase helped to support salary and benefit rate adjustments, research for the Water Safety Act of 2023, and the Energy Research & Development Partnership.

COVID relief funding decreased 40.5% as the Higher Education Emergency Relief Funds were fully allocated and spent by the end of fiscal year 2023.

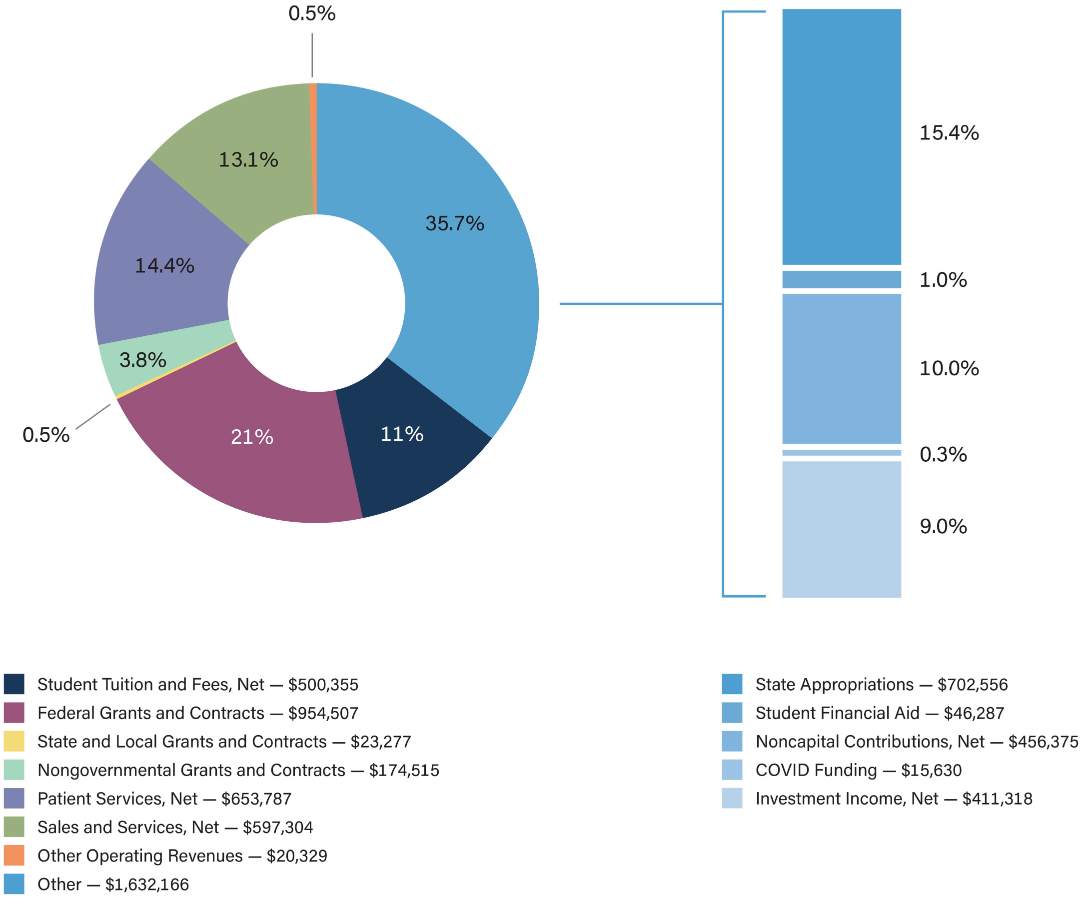
Noncapital contributions (net) increased 28.3% driven by an increase of cash transferred from the UNC Health Care System to support UNC Faculty Practice. This increase, however, was partially offset by decreases in pledges to the University.

Investment income (net) was $411.3 million compared to the fiscal 2023 income of $144.2 million. Refer to the Endowment Performance subsection in the Endowment and Other Investments section above for additional discussion and analysis. Investment income includes investment yield and realized and unrealized gains and losses, net of investment management fees.

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 totaled $4.6 billion for fiscal year 2024. As seen in the chart, the University has a diversified revenue base.

2024 Revenues by Source: $4,556,240
Dollars in thousands



Other Changes in Net Position

Capital contributions increased from $24.9 million in fiscal year 2023 to $99.5 million in fiscal year 2024. This increase was driven by a $41.1 million business school planning capital grant along with $27.0 million in capital gifts to the University for athletic facilities.

Economic Outlook

The University of North Carolina at Chapel Hill remains financially sound with a robust and diverse revenue base, healthy endowments, strong traditions of private donations, experienced management, highly selective acceptance rates, and a continued commitment to research.

Tuition rates for fiscal year 2024 remained consistent for undergraduate resident students for the seventh consecutive year. Under a North Carolina state law effective Fall 2016, students classified as North Carolina residents for tuition purposes in undergraduate degree programs at UNC System schools are eligible for fixed tuition for up to eight consecutive semesters (or ten semesters, if enrolled in an approved five-year program).

The University continues to provide financial aid to meet 100% of documented needs for undergraduate students.

For fiscal year 2025, the beginning budget for state appropriations is $661.0 million. Appropriations are expected to increase during the 2025 fiscal year due to legislative salary increases and other UNC System Office initiatives like Enrollment Change Funding, Rural Residency Medical Education and Training funds, UNC Cancer Research funds, and other various adjustments.

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 15 years, reaching $1.2 billion in awards in fiscal year 2024 and exceeding $1.0 billion in extramural support for the fifth consecutive year. University research has resulted in a $2.6 billion annual impact within North Carolina and contributed to more than 270 UNC start-up companies located in North Carolina. UNC startups provide over 12,000 jobs to North Carolina state residents and resulted in $19.2 billion in annual startup revenue in fiscal year 2024. 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.

Carolina donors committed a total of $410.0 million in fiscal year 2024, including a strong reflection of pledges and estate gifts. Several areas on campus had exceptional years, including the Gillings School of Global Public Health, School of Law, the Graduate School and Student Affairs. The University Development Office remains steadfast in expressing gratitude to the University's donors who have shown a lifetime of commitment to Carolina's public mission.

Investment income provides an important source of earnings to support the University's mission. Approximately $3.4 billion is invested with the UNC Investment Fund to achieve long-term investment objectives. The UNC Investment Fund does not seek to eliminate risk, but to balance volatility and expected return through investments in diverse asset classes 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. 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, December 2023, the outlook has been revised to stable from negative. Revenue gains are predicted to materialize as the residual impacts of the pandemic subside. Expense growth is expected to lessen as inflation slows.

Moody's, S&P Global Ratings, and Fitch continue to rate the University triple-A stable with reviews from all three agencies during fiscal year 2024. The ratings agencies continue to cite the University's strengths of excellent student demand, sizeable research platform, superior asset base to include cash and investments, strong donor support, steady state support, and management oversight and controls.

Financial Statements

The University of North Carolina at Chapel Hill
Statement of Net Position
Proprietary Fund
June 30, 2024

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 906,988,261
Restricted Cash and Cash Equivalents	469,782,517
Short-Term Investments	604,524,914
Restricted Short-Term Investments	168,578,068
Receivables, Net (Note 5)	324,214,623
Due from Primary Government	5,633,715
Due from State of North Carolina Component Units	106,373,040
Inventories	16,150,720
Notes Receivable, Net (Note 5)	3,906,254
Leases Receivable (Note 11)	728,209
Other Assets	25,508,546
Total Current Assets	2,632,388,867
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	192,870,876
Receivables, Net (Note 5)	35,894,453
Endowment Investments	3,275,954,124
Other Investments	58,208,785
Notes Receivable, Net (Note 5)	26,546,721
Investment in Joint Ventures (Note 20)	16,212,678
Leases Receivable (Note 11)	8,351,771
Beneficial Interest in Assets Held by Others	1,244,358
Capital Assets - Nondepreciable (Note 6)	409,794,350
Capital Assets - Depreciable, Net (Note 6)	2,697,152,412
Total Noncurrent Assets	6,722,230,528
Total Assets	9,354,619,395
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated Decrease in Fair Value of Hedging Derivatives	39,748,488
Deferred Loss on Refunding	7,248,049
Deferred Outflows Related to Pensions (Note 15)	346,875,033
Deferred Outflows Related to Other Postemployment Benefits (Note 16)	457,161,721
Total Deferred Outflows of Resources	851,033,291
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	248,027,454
Due to Primary Government	7,154,288
Due to State of North Carolina Component Units	21,239,474
Due to University Component Units	13,544,980
Deposits Payable	18,796,312
Funds Held for Others	1,183,100
Unearned Revenue	131,159,218
Interest Payable	3,676,028
Short-Term Debt (Note 8)	19,000,000
Long-Term Liabilities - Current Portion (Note 9)	149,055,986
Total Current Liabilities	612,836,840

Noncurrent Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	21,342,884
U.S. Government Grants Refundable	12,281,909
Hedging Derivative Liability	39,748,488
Long-Term Liabilities, Net (Note 9)	4,058,571,184
Total Noncurrent Liabilities	4,131,944,465
Total Liabilities	4,744,781,305
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows for Irrevocable Split-Interest Agreements	23,705,075
Deferred Inflows Related to Pensions (Note 15)	10,539,638
Deferred Inflows Related to Other Postemployment Benefits (Note 16)	523,411,669
Deferred Inflows for Leases	8,758,334
Total Deferred Inflows of Resources	566,414,716
NET POSITION	
Net Investment in Capital Assets	1,665,422,328
Restricted:	
Nonexpendable:	
Scholarships and Fellowships	334,287,561
Research	24,512,501
Endowed Professorships	447,943,559
Departmental Uses	191,513,571
Loans	27,395,340
Other	45,118,566
Total Restricted-Nonexpendable Net Position	1,070,771,098
Expendable:	
Scholarships and Fellowships	503,048,958
Research	37,034,766
Endowed Professorships	946,019,326
Departmental Uses	759,567,963
Capital Projects	64,649,942
Other	176,176,701
Total Restricted-Expendable Net Position	2,486,497,656
Unrestricted	(328,234,417)
Total Net Position	$ 4,894,456,665

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

The University of North Carolina at Chapel Hill
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2024 ***Exhibit A-2***

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 13)	$ 500,354,743
Patient Services, Net (Note 13)	653,787,688
Federal Grants and Contracts	954,506,610
State and Local Grants and Contracts	23,277,321
Nongovernmental Grants and Contracts	174,515,135
Sales and Services, Net (Note 13)	597,303,788
Interest Earnings on Loans	2,682,941
Other Operating Revenues	17,646,099
Total Operating Revenues	2,924,074,325
OPERATING EXPENSES	
Salaries and Benefits	2,327,785,389
Supplies and Services	1,378,855,974
Scholarships and Fellowships	120,140,719
Utilities	94,588,833
Depreciation/Amortization	205,076,088
Total Operating Expenses	4,126,447,003
Operating Loss	(1,202,372,678)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	702,555,956
State Aid - Coronavirus	15,629,971
Student Financial Aid	46,287,427
Noncapital Contributions, Net (Note 13)	456,375,117
Investment Income (Net of Investment Expense of $7,384,407)	411,317,545
Interest and Fees on Debt	(52,036,349)
Other Nonoperating Expenses	(5,591,672)
Net Nonoperating Revenues	1,574,537,995
Income Before Other Revenues	372,165,317
Capital Contributions	99,458,041
Additions to Endowments	51,406,216
Total Other Revenues	150,864,257
Increase in Net Position	523,029,574
NET POSITION	
Net Position - July 1, 2023	4,371,427,091
Net Position - June 30, 2024	$ 4,894,456,665

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

The University of North Carolina at Chapel Hill
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 2,878,486,866
Payments to Employees and Fringe Benefits	(2,335,083,834)
Payments to Vendors and Suppliers	(1,479,807,127)
Payments for Scholarships and Fellowships	(120,140,719)
Loans Issued	(3,585,930)
Collection of Loans	4,936,079
Interest Earned on Loans	2,579,779
William D. Ford Direct Lending Receipts	168,482,118
William D. Ford Direct Lending Disbursements	(168,482,118)
Related Activity Agency Receipts	1,183,100
Related Activity Agency Disbursements	(1,295,247)
Other Receipts	18,777,034
Net Cash Used by Operating Activities	(1,033,949,999)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	702,555,956
State Aid - Coronavirus	12,841,206
Student Financial Aid	45,141,307
Noncapital Contributions	503,173,444
Additions to Endowments	51,406,216
Net Cash Provided by Noncapital Financing Activities	1,315,118,129
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
Capital Contributions	63,591,064
Proceeds from Lease Arrangements	1,698,428
Acquisition and Construction of Capital Assets	(142,147,677)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(74,903,967)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(53,145,934)
Net Cash Used by Capital Financing and Related Financing Activities	(204,908,086)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	384,764,983
Investment Income	51,379,001
Purchase of Investments and Related Fees	(306,447,949)
Net Cash Provided by Investing Activities	129,696,035
Net Increase in Cash and Cash Equivalents	205,956,079
Cash and Cash Equivalents - July 1, 2023	1,363,685,575
Cash and Cash Equivalents - June 30, 2024	$ 1,569,641,654

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (1,202,372,678)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	205,076,088
Lease Income (Amortized Deferred Inflows of Resources)	(1,927,643)
Allowances and Write-Offs	38,357,579
Other Nonoperating Expenses	(729,906)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(41,701,955)
Due from Primary Government	(2,436,334)
Due from State of North Carolina Component Units	(11,754,349)
Inventories	3,932,699
Notes Receivable, Net	1,435,361
Other Assets	(1,808,762)
Deferred Outflows Related to Pensions	(49,052,719)
Deferred Outflows Related to Other Postemployment Benefits	(73,423,893)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	22,798,888
Funds Held for Others	(112,147)
Unearned Revenue	(7,558,726)
Annuities and Life Income Payable	3,788,484
Net Pension Liability	86,493,159
Net Other Postemployment Benefits Liability	247,746,317
Compensated Absences	14,254,341
Deposits Payable	312,638
Workers' Compensation Liability	(2,607,389)
Deferred Inflows Related to Pensions	(5,745,742)
Deferred Inflows Related to Other Postemployment Benefits	(256,913,310)
Net Cash Used by Operating Activities	$ (1,033,949,999)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$ 54,260,098
Assets Acquired through a Gift	35,866,977
Change in Fair Value of Investments	141,700,178
Loss on Disposal of Capital Assets	(3,883,055)
Amortization of Bond Premiums	(1,993,038)
Amortization of Deferred Loss on Refunding	658,913
Change in Receivables Related to Nonoperating Revenues	50,737,756
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(2,559,008)

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

The University of North Carolina at Chapel Hill
Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2024 *Exhibit B-1*

	External Investment Pool Funds	Other Funds
ASSETS		
Cash and Cash Equivalents	$ 0	$ 72,558,125
Accounts Receivable		128,962
Other Assets		539,256
Investments (Note 2):		
Pooled Investment Funds	6,876,594,546	
Other Investments		4,776,072
Total Assets	6,876,594,546	78,002,415
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources		
LIABILITIES		
Accounts Payable and Accrued Liabilities (Note 7)	3,769,874	3,198,136
Total Liabilities	3,769,874	3,198,136
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources		
NET POSITION		
Restricted for:		
Pool Participants	6,872,824,672	
Individuals/Affiliated Organizations		74,804,279
Total Fiduciary Net Position	$ 6,872,824,672	$ 74,804,279

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

The University of North Carolina at Chapel Hill
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
For the Fiscal Year Ended June 30, 2024 *Exhibit B-2*

	External Investment Pool Funds	Other Funds
ADDITIONS		
Contributions:		
Pool Participants	$ 126,839,854	$ 0
Individuals/Affiliated Organizations		38,000,898
Total Contributions	126,839,854	38,000,898
Investment Activity:		
Investment Income	602,403,674	13,757,670
Investment Expenses	(17,857,633)	(557,121)
Net Investment Income	584,546,041	13,200,549
Total Additions	711,385,895	51,201,447
DEDUCTIONS		
Withdrawals and Distributions	276,989,494	45,043,963
Increase in Fiduciary Net Position	434,396,401	6,157,484
NET POSITION		
Net Position - July 1, 2023	6,438,428,271	68,646,795
Net Position - June 30, 2024	$ 6,872,824,672	$ 74,804,279

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

The University of North Carolina at Chapel Hill Foundations
Statement of Financial Position
June 30, 2024 *Exhibit C-1*

	The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc.	The Educational Foundation Scholarship Endowment Trust	UNC Health Foundation, Inc.
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 36,844,781	$ 17,991,183	$ 25,156,065
Accounts Receivable	1,570,124		
Accounts Receivable - Other		160,727	
Pledges Receivable, Net		11,342,788	
Promises to Give, Net	26,006,416		
Unconditional Promises to Give, Current Portion, Net			24,563,152
Other Current Assets			442,978
Total Current Assets	64,421,321	29,494,698	50,162,195
Property and Equipment:			
Capital Assets, Net	5,401,852		252,636
Other Assets:			
Contribution Receivable from Split-Interest Agreements		6,574,464	
Investments	501,826,892	386,262,912	557,434,254
Unconditional Promises to Give, Less Current Portion, Net			10,753,697
Split-Interest Agreements	6,527,635		
Cash Surrender Value of Life Insurance		757,884	
Operating Lease Right-of-Use Asset			2,326,462
Due from UNC Chapel Hill Foundation			5,473,826
Other Assets			3,387,472
Total Other Assets	508,354,527	393,595,260	579,375,711
Total Assets	$ 578,177,700	$ 423,089,958	$ 629,790,542
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	$ 0	$ 0	$ 3,245,367
Operating Lease Liability			530,657
Current Portion of Loan Payable	186,039		
Total Current Liabilities	186,039		3,776,024
Long-Term Liabilities:			
Loan Payable	1,492,279		
Operating Lease Liability			2,017,632
Liabilities Under Charitable Remainder Trusts			44,650
Total Long-Term Liabilities	1,492,279		2,062,282
Total Liabilities	1,678,318		5,838,306
NET ASSETS			
Without Donor Restrictions:			
Undesignated	8,813,432		16,856,164
Designated by the Board for Endowment	95,539,729		13,767,914
Invested in Property and Equipment			252,636
Total Net Assets Without Donor Restrictions	104,353,161		30,876,714
With Donor Restrictions	472,146,221	423,089,958	593,075,522
Total Net Assets	576,499,382	423,089,958	623,952,236
Total Liabilities and Net Assets	$ 578,177,700	$ 423,089,958	$ 629,790,542

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

The University of North Carolina at Chapel Hill Foundations
Statement of Activities
For the Fiscal Year Ended June 30, 2024 *Exhibit C-2*

	The University of North Carolina at Chapel Hill Arts and Sciences Foundation, Inc.	The Educational Foundation Scholarship Endowment Trust	UNC Health Foundation, Inc.
SUPPORT AND REVENUE			
Support:			
Contributions	$ 23,589,044	$ 6,801,297	$ 55,831,085
Contribution of Nonfinancial Assets	4,391,222		
Administrative Fee	2,359,092		
Contributed Services			3,915,998
Change in Value of Split-Interest Agreements	767,671		2,043,051
Endowment Investment Return Designated for Current Operations		15,354,123	
Other Contributions		896,879	
Total Support	31,107,029	23,052,299	61,790,134
Revenue:			
Interest and Dividends			7,549,515
Net Investment Return	53,950,885		
Net Realized and Unrealized Gains on Investments			49,826,538
Other Income			904,417
Total Revenue	53,950,885		58,280,470
Total Support and Revenue	85,057,914	23,052,299	120,070,604
EXPENSES AND LOSSES			
Program Services	23,254,810	15,809,288	53,710,361
Supporting Services:			
Fundraising	3,140,270	143,501	10,184,378
Membership Development		80,719	
Management, Administrative, and General	1,242,414	42,494	5,794,194
Total Supporting Services	4,382,684	266,714	15,978,572
Bad Debt	856,379		
Total Expenses and Bad Debt Expense	28,493,873	16,076,002	69,688,933
OTHER CHANGES			
Endowment Investment Return, Net of Amounts Designated for Current Operations		25,198,433	
CHANGES IN NET ASSETS			
Without Donor Restrictions	12,899,570		4,039,102
With Donor Restrictions	43,664,471	32,174,730	46,342,569
Changes in Net Assets	56,564,041	32,174,730	50,381,671
Net Assets at Beginning of Year, as Restated	519,935,341	390,915,228	573,570,565
Net Assets at End of Year	$ 576,499,382	$ 423,089,958	$ 623,952,236

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

Notes to the Financial Statements

Note 1 - Significant Accounting Policies

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by 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 five 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 up to three members in their discretion. 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. 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 affiliated institutions and tax-exempt organizations, and performs other functions for and generally carries out the purposes of the University. The Management Company is governed by a board of directors consisting of five ex-officio directors and one to three additional directors 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 the members of the Board of Directors of the Management Company are officials of, or elected by members of the Board of Directors who are officials of the University, and the Management Company’s primary purpose is to benefit the University and other organizations operated primarily to support the University, its financial statements have been blended with those of the University.

The UNC-Chapel Hill Foundation is governed by a 19-member board consisting of nine ex-officio directors and ten elected directors. Ex-officio directors include the Chair of the University Board of Trustees, the Chancellor, the Vice Chancellor for Finance and Operations, and the Vice Chancellor for University Development (non-voting). In addition, the Board of Trustees elects two ex-officio directors from among its own members as well as three ex-officio directors from the Board of Trustees of the Endowment Fund who have not otherwise been selected. The ten remaining directors are elected as members of the UNC-Chapel Hill Foundation Board of Directors by action of the ex-officio directors. The UNC-Chapel Hill Foundation aids, supports, and promotes teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the University. Because members of the Board of Directors of the

UNC-Chapel Hill Foundation are officials or appointed by officials of the University and the UNC-Chapel Hill Foundation's sole purpose is to benefit the University, its financial statements have been blended with those of the University.

The Business School Foundation is governed by a board consisting of three ex-officio directors and up to 11 elected directors. Ex-officio directors include the Dean of the Kenan-Flagler Business School (Business School), the Senior Associate Dean for Finance, and the Associate Dean for Advancement. In addition, the Dean will appoint a finance professor from the faculty of the Business School to serve on the board. 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 managing director that is appointed by the University. 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. The University is the sole member of Research Ventures and Research Ventures' primary purpose is to benefit the University, so 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 21.

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 of Directors may appoint ex officio directors to the Board and remove such appointed ex officio directors from time to time. The persons serving in the following positions shall be designated as ex officio directors of the Corporation: (a) the CEO, UNC Health and Dean, UNC School of Medicine; (b) the President of the Corporation; (c) the Vice Chancellor of Development at the University of North Carolina at Chapel Hill; (d) the Associate Dean for Medical Alumni Affairs; (e) the President of UNC Hospitals. All ex officio directors shall be full voting members of the Board and shall be counted for purposes of establishing a quorum of the Board. 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 of this, the UNC Health Foundation is considered a component unit of the University.

The Arts and Sciences Foundation is governed by a board consisting of four ex-officio directors, 33 elected directors and such number of emeritus directors determined from time to time by the Board of Directors. Staggered terms are set for the elected directors by the Board of Directors in office at the time of election. The purpose of the Arts and Sciences Foundation is to promote and support the University's College of Arts and Sciences. Although the University does not control the timing or amount of receipts from the Arts and Sciences Foundation, the majority of resources or income that the Arts and Sciences Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Arts and Sciences Foundation can only be used by, or for the benefit of the University, the Arts and Sciences Foundation is considered a component unit of the University.

The Educational Foundation Trust is governed by The Educational Foundation Scholarship Endowment Trust Agreement which 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 student-athletes 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 student-athletes 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 student-athletes 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 student-athletes 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, 2024, the UNC Health Foundation, Arts and Sciences Foundation, and Educational Foundation Trust distributed $79,674,960 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). 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 - These funds account for all of the University's fiduciary activities, which are considered custodial funds. These resources are held by the University in a purely custodial capacity on behalf of individuals, affiliated organizations, and other external parties. Custodial funds include the external portion of an investment pool sponsored by the UNC Investment Fund as well as resources held on behalf of related parties and associated entities for various purposes.

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 invested in short-term investments meeting the definition of cash equivalents, including those held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer and short-term investments classified as cash equivalents, held in University accounts, have the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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

Short-term investments include marketable securities representing the investment of cash that is available for current operations. A majority of this available cash is invested in the University's Temporary Pool, a governmental external investment pool.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts. Further, endowment investments also include amounts internally designated by the University for investment in an endowment capacity (i.e. quasi-endowments), along with accumulated investment earnings on such amounts. Land and other real estate held as investments by endowments are reported at fair value, consistent with how investments are generally reported. 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 computer 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. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the $5,000 threshold are capitalized, if significant.

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.

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Building or land lease liabilities are capitalized as intangible right-to-use assets when the underlying leased asset has a cost of $5,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of $100,000 or greater and an estimated useful life of more than one year.

Amortization for right-to-use leased and subscription assets is computed using the straight-line method over the shorter of the lease/subscription term or the underlying asset's estimated useful life. If a lease agreement contains a purchase option the University is reasonably certain will be exercised, the intangible right-to-use leased asset is amortized over the asset's estimated useful life.

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 - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

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, and notes from direct borrowings. Other long-term liabilities include: annuities and life income payable, lease liabilities, subscription liabilities, compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

Revenue bonds payable are reported net of unamortized premiums or discounts. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method that approximates the effective interest method. Deferred gains and losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method, and are aggregated as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Issuance costs are expensed in the reporting period in which they are incurred.

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2023 *Annual Comprehensive 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 15 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 2023 *Annual Comprehensive 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 and Disability Income Plan of North Carolina. See Note 16 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to 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** - Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

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 12 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 custodial funds held directly by the University.

At June 30, 2024, the amount shown on the Statement of Net Position as cash and cash equivalents includes $1,074,443,306, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.4 years as of June 30, 2024. 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, 2024 was $51,879. The carrying amount of the University's deposits not with the State Treasurer was $567,704,594 in sum, which is $495,146,469 for the proprietary fund and $72,558,125 for the fiduciary funds. The bank balance was $474,198,309. 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, 2024, $59,867,132 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	$ 51,879	$ 0	$ 51,879
Amount of Deposits with Private Financial Institutions	495,146,469	72,558,125	567,704,594
Deposits in the Short-Term Investment Fund	1,074,443,306		1,074,443,306
Total Deposits	$ 1,569,641,654	$ 72,558,125	$ 1,642,199,779
Deposits			
Current:			
Cash and Cash Equivalents	$ 906,988,261	$ 0	$ 906,988,261
Restricted Cash and Cash Equivalents	469,782,517		469,782,517
Noncurrent:			
Restricted Cash and Cash Equivalents	192,870,876	72,558,125	265,429,001
Total Deposits	$ 1,569,641,654	$ 72,558,125	$ 1,642,199,779

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 reconciliation below of total investments for the University as of June 30, 2024.

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, 2024:

Temporary Pool Investments

		Investment Maturities (in Years)			
	Amount	Less Than 1	1 to 5	6 to 10	More than 10
Investment Type					
Debt Securities					
U.S. Treasuries	$ 126,128,543	$ 126,128,543	$ 0	$ 0	$ 0
U.S. Agencies	27,467,405		5,820,262	3,206,032	18,441,111
Collateralized Mortgage Obligations	734,202			535,962	198,240
Asset-Backed Securities	185,035				185,035
Money Market Mutual Funds	11,328	11,328			
Total Debt Securities	154,526,513	$ 126,139,871	$ 5,820,262	$ 3,741,994	$ 18,824,386
Other Securities					
Domestic Stocks	30,000				
Total Temporary Pool Investments	$ 154,556,513				

The University has elected to invest $136,351,024 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, 2024, 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	$ 27,467,405	$ 0	$ 27,467,405	$ 0	$ 0	$ 0	$ 0
Collateralized Mortgage Obligations	734,202			298,900	8,854	19,850	406,598
Asset-Backed Securities	185,035					185,035	
Money Market Mutual Funds	11,328	11,328					
Totals	$ 28,397,970	$ 11,328	$ 27,467,405	$ 298,900	$ 8,854	$ 204,885	$ 406,598

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, 2024, are as follows:

Statement of Net Position
June 30, 2024

	Amount
Assets:	
Accrued Investment Income	$ 1,945,499
Chapel Hill Investment Fund	136,351,024
Investments	154,556,513
Total Assets	292,853,036
Total Liabilities	0
Net Position Restricted for Members:	
Internal Portion	224,052,427
External Portion	68,800,609
Total Net Position	$ 292,853,036

Statement of Operations and Changes in Net Position
June 30, 2024

	Amount
Change in Net Position from Operations:	
Investment Activities:	
Investment Gain	$ 16,436,111
Expenses:	
Investment Management	(19,709)
Increase in Net Position Resulting from Operations	16,416,402
Distributions to Participants:	
Distributions Paid and Payable	(16,416,403)
Share Transactions:	
Net Share Purchases	12,955,315
Total Increase in Net Position	12,955,314
Net Position:	
Beginning of Year	279,897,722
End of Year	$ 292,853,036

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, 2024, the University's membership interest was approximately 52% of the UNC Intermediate Pool's total membership interests. An affiliated organization, not included in the University's reporting entity, held the remaining 48% 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, 2024:

UNC Intermediate Pool

		Investment Maturities (in Years)		
	Amount	Less Than 1	1 to 5	6 to 10
Investment Type				
Debt Securities				
U.S. Treasuries	$ 474,308,243	$ 474,308,243	$ 0	$ 0
Debt Mutual Funds	215,882,201		157,562,231	58,319,970
Money Market Mutual Funds	20,480,876	20,480,876		
Total Debt Securities	710,671,320	$ 494,789,119	$ 157,562,231	$ 58,319,970
Other Securities				
Credit Based Commingled Funds	82,522,756			
Total UNC Intermediate Pool Investments	$ 793,194,076			

The University has elected to invest $219,504,360 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, 2024, investments in the UNC Intermediate Pool had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	A	BBB Baa
Debt Mutual Funds	$ 215,882,201	$ 0	$ 100,684,839	$ 115,197,362
Money Market Mutual Funds	20,480,876	20,480,876		
Totals	$ 236,363,077	$ 20,480,876	$ 100,684,839	$ 115,197,362

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, and Business School Foundation are the predominant proprietary investors in the Chapel Hill Investment Fund. UNC Health Foundation, Arts and Sciences Foundation, and The Educational Foundation Scholarship Trust are the primary discretely presented participants in the Chapel Hill Investment Fund. Other affiliated organizations in the Chapel Hill Investment Fund are not included in the University's reporting entity but are reported in the fiduciary funds' financial statements. 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 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.

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.

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 entities not considered part of the University's reporting entity such as, affiliated organizations invested in the Chapel Hill Investment Fund, and other members of the UNC Investment Fund are characterized as the external portion. The external portion of the UNC Investment Fund is presented in the accompanying Fiduciary Fund financial statements. Discretely presented component units' investments in the Chapel Hill Investment Fund are shown on their discretely presented 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, 2024:

UNC Investment Fund

	Amount	Investment Maturities (in Years) Less Than 1	1 to 5	6 to 10	More than 10
Investment Type					
Debt Securities					
U.S. Treasuries	$ 52,234,731	$ 52,234,731	$ 0	$ 0	$ 0
U.S. Agencies	5,591,771		1,124,290	437,259	4,030,222
Collateralized Mortgage Obligations	17,241,317	290,080	570,577	1,665,071	14,715,589
Asset-Backed Securities	48,706,263		7,445,057	23,058,533	18,202,673
Money Market Mutual Funds	795,524,583	795,524,583			
Total Debt Securities	919,298,665	$ 848,049,394	$ 9,139,924	$ 25,160,863	$ 36,948,484
Other Securities					
Domestic Stocks	398,164,218				
Foreign Stocks	42,431,978				
Real Estate Investment Trust	88,510,961				
Long/Short Hedge Funds	1,652,790,743				
Diversifying Hedge Funds	893,848,144				
Hedge Funds in Liquidation	40,053,224				
Long Only Hedge Funds	1,638,226,453				
Credit Based Commingled Funds	117,613,956				
Private Equity Limited Partnerships	4,469,273,673				
Real Assets Limited Partnerships	794,617,850				
Total UNC Investment Fund Investments	$ 11,054,829,865				

At June 30, 2024, 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	$ 5,591,771	$ 0	$ 3,061,128	$ 0	$ 182,268	$ 2,348,375	$ 0
Collateralized Mortgage Obligations	17,241,317	258,579	268,799	1,111,580	5,758,666	6,907,249	2,936,444
Asset-Backed Securities	48,706,263	133,968		1,538,758	6,099,629	29,844,474	11,089,434
Money Market Mutual Funds	795,524,583	795,524,583					
Totals	$ 867,063,934	$ 795,917,130	$ 3,329,927	$ 2,650,338	$ 12,040,563	$ 39,100,098	$ 14,025,878

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, 2024, the UNC Investment Fund's exposure to foreign currency risk is as follows:

Investment	Currency	Amount (U.S. Dollars)
Private Equity Limited Partnerships	Euro	$ 180,214,703
Real Assets Limited Partnerships	Euro	585,044
Hedge Funds	Euro	26,453,608
Total Euro		207,253,355
Private Equity Limited Partnerships	British Pound Sterling	86,970,964
Foreign Stocks	British Pound Sterling	906,566
Total British Pound Sterling		87,877,530
Private Equity Limited Partnerships	Canadian Dollar	3,395,865
Private Equity Limited Partnerships	Australian Dollar	403,174
Total		$ 298,929,924

The UNC Investment Fund recognized an aggregate foreign currency transaction loss of $8,776,692 for the fiscal year ended June 30, 2024. Transaction gains or losses result from a change in exchange rates between the U.S. Dollar and the currency in which a foreign currency transaction is denominated.

Investment Derivatives: At June 30, 2024, the UNC Investment Fund is invested in U.S. dollar equity futures contracts with a fair value of $8,031,899 and in foreign currency forwards with a fair value of $3,387,751. Disclosures are provided for these investments in Note 10 Derivative Instruments.

The University's reporting entity, including the three discretely presented component units, comprises approximately 43% 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, 2024, for the University's non-pooled investments.

Non-Pooled Investments

		Investment Maturities (in Years)			
	Amount	Less Than 1	1 to 5	6 to 10	More than 10
Investment Type					
Debt Securities					
U.S. Treasuries	$ 261,572	$ 95,771	$ 102,493	$ 63,308	$ 0
Collateralized Mortgage Obligations	39,376		29	38,179	1,168
Debt Mutual Funds	6,806,231	111,922	627,434	6,066,875	
Money Market Mutual Funds	17,814	17,814			
Total Debt Securities	7,124,993	$ 225,507	$ 729,956	$ 6,168,362	$ 1,168
Other Securities					
Equity Mutual Funds	12,682,985				
Domestic Stocks	20,032,468				
Foreign Stocks	1,370,989				
International Mutual Funds	8,459,236				
Investments in Real Estate	4,854,774				
Gifted Life Insurance	4,163,037				
Commodity ETFs	156,718				
Real Estate Investment Trust	2,985,442				
Private Equity Limited Partnerships	21,615,754				
Total Non-Pooled Investments	$ 83,446,396				

At June 30, 2024, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	AA Aa	BBB Baa	BB/Ba and below	Unrated
Collateralized Mortgage Obligations	$ 39,376	$ 0	$ 0	$ 0	$ 35,961	$ 3,415
Debt Mutual Funds	6,806,231		3,938,990	1,156,733	1,710,508	
Money Market Mutual Funds	17,814	17,814				
Totals	$ 6,863,421	$ 17,814	$ 3,938,990	$ 1,156,733	$ 1,746,469	$ 3,415

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

Foreign Currency Risk: At June 30, 2024, 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, 2024:

	Amount
Investment Type	
Debt Securities	
U.S. Treasuries	$ 652,933,089
U.S. Agencies	33,059,176
Collateralized Mortgage Obligations	18,014,895
Asset-Backed Securities	48,891,298
Debt Mutual Funds	222,688,432
Money Market Mutual Funds	816,034,601
Total Debt Securities	1,791,621,491
Other Securities	
Equity Index/Mutual Funds	12,682,985
International Mutual Funds	8,459,236
Investments in Real Estate	4,854,774
Real Estate Investment Trusts	91,496,403
Long/Short Hedge Funds	1,652,790,743
Diversifying Hedge Funds	893,848,144
Hedge Funds In Liquidation	40,053,224
Long Only Hedge Funds	1,638,226,453
Credit Based Commingled Funds	200,136,712
Private Equity Limited Partnerships	4,490,889,427
Real Assets Limited Partnerships	794,617,850
Commodity ETFs	156,718
Gifted Life Insurance	4,163,037
Domestic Stocks	418,226,686
Foreign Stocks	43,802,967
Total Other Securities	10,294,405,359
Total Investments	$ 12,086,026,850

Total Investments Reconciliation:

	Amount
University Statement of Net Position	
Short-Term Investments	$ 604,524,914
Restricted Short-Term Investments	168,578,068
Endowment Investments	3,275,954,124
Other Investments	58,208,785
Subtotal	4,107,265,891
Discretely Presented Component Units	
Investments of UNC Investment Fund Held for Component Units that are Discretely Presented in Accompanying Financial Statements	1,149,679,984
Fiduciary Investments	
Investments Presented in Accompanying Fiduciary Financial Statements	6,881,370,618
Assets and Liabilities within Investment Pools*	
Cash and Cash Equivalents	(488,648)
Accrued Investment Income Receivable	(5,887,292)
Accounts Receivable - Pending Trade Settlements	(36,136,990)
Other Assets	(11,419,650)
Accounts Payable / Accrued Expenses	1,642,937
Subtotal	(52,289,643)
Total Investments	$ 12,086,026,850

*Investments held by the University, its Discretely Presented Component Units, or its beneficiaries, within the Investment Pools discussed in Note 2, 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 units, the UNC Health Foundation and The Educational Foundation Scholarship Endowment Trust, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements. Because these foundations report 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	$ 12,103,612
Common Stock	10,031,692
Private Equity Limited Partnerships and Other Alternatives	52,430,128
Mutual Funds - Equity Oriented	121,184,781
Mutual Funds - Credit Oriented	39,330,538
Annuity Contracts	13,842,702
Government Securities and Corporate Fixed Income	42,932,778
Total Investments	$ 291,856,231

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, 2024. 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 fund 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, 2024:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
		Fair Value Measurements Using		
Investments by Fair Value Level				
Debt Securities				
U.S. Treasuries	$ 652,933,089	$ 652,933,089	$ 0	$ 0
U.S. Agencies	33,059,176		33,059,176	
Collateralized Mortgage Obligations	18,014,895		18,014,895	
Asset-Backed Securities	48,891,298		48,891,298	
Debt Mutual Funds	222,688,432	222,688,432		
Money Market Mutual Funds	816,034,601	816,034,601		
Total Debt Securities	1,791,621,491	1,691,656,122	99,965,369	
Other Securities				
International Mutual Funds	8,459,236	8,459,236		
Equity Mutual Funds	12,682,985	12,682,985		
Investments in Real Estate	4,854,774			4,854,774
Domestic Stocks	418,226,686	402,563,227		15,663,459
Foreign Stocks	43,802,967	42,346,045	85,933	1,370,989
Commodity ETFs	156,718	156,718		
Gifted Life Insurance	4,163,037			4,163,037
Real Estate Investment Trust	88,515,677	88,515,677		
Total Other Securities	580,862,080	554,723,888	85,933	26,052,259
Total Investments by Fair Value Level	2,372,483,571	$ 2,246,380,010	$ 100,051,302	$ 26,052,259
Investments Measured at the Net Asset Value (NAV)				
Real Estate Investment Trusts	2,980,726			
Long/Short Hedge Funds	1,652,790,743			
Diversifying Hedge Funds	893,848,144			
Hedge Funds in Liquidation	40,053,224			
Long Only Hedge Funds	1,638,226,453			
Credit Based Commingled Hedge Funds	200,136,712			
Private Equity Limited Partnerships	4,490,889,427			
Real Assets Limited Partnerships	794,617,850			
Total Investments Measured at the NAV	9,713,543,279			
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	1,074,443,306			
Total Investments Measured at Fair Value	$ 13,160,470,156			
Derivative Instruments				
Hedging Derivative Instruments				
Pay-Fixed Interest Rate Swaps	$ (39,748,488)	$ 0	$ (39,748,488)	$ 0
Investment Derivative Instruments				
Pay-Fixed Interest Rate Swap	(71,356)		(71,356)	
U.S. Dollar Equity Futures	8,031,899	8,031,899		
Foreign Currency Forwards	3,387,751		3,387,751	
Total Derivative Instruments	$ (28,400,194)	$ 8,031,899	$ (36,432,093)	$ 0

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 Statement No. 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 and foreign stocks classified in Level 3 of the fair value hierarchy primarily represent equity interests 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 foreign currency forward contract classified in Level 2 of the fair value hierarchy is an over-the-counter (OTC) non-exchange traded instrument valued from observable inputs driven by the underlying spot price of the USD/JPY exchange rate.

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2024:

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)
Long/Short Hedge Funds[A(b)]	$ 1,652,790,743	$ 0	From 30 Days to 3+ Years[(1)]
Diversifying Hedge Funds[A(c)]	893,848,144		From 30 Days to 3+ Years[(1)]
Hedge Funds in Liquidation[A(e)]	40,053,224		From 30 Days to 3+ Years[(1)]
Long Only Equity Hedge Funds[A(a)]	1,638,226,453		From 30 Days to 3+ Years[(1)]
Credit-Based Commingled Hedge Funds[A(d)]	200,136,712		From 30 Days to 3+ Years[(1)]
Private Equity Limited Partnerships[B]	4,490,889,427	1,212,349,208	Not Eligible[(2)]
Real Assets Limited Partnerships[C]	794,617,850	475,319,322	Not Eligible[(2)]
Real Estate Investment Trusts[D]	2,980,726		Monthly[(3)]
Total Investments Measured at the NAV	$ 9,713,543,279		

(1) Redemption notice periods vary and typically range from 30 days to 180 days.
(2) Typically investors in these funds do not have redemption rights. Rather, they have 10 year terms and make periodic distributions.
(3) 15 days

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 Real Estate Investment Trusts (REIT's), programmatic joint ventures, or structuring other investment arrangements with real estate partners.

D. Real Estate Investment Trusts - The real estate investment trust was a gift to one of the University's blended foundations. The foundation endeavors to sell the real estate investment trust as soon as practicable to use the proceeds for the intended charitable purpose.

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, 2024, accumulated income and appreciation of $1,849,413,712 was available in the University's pooled endowment funds, of which $1,669,922,193 was restricted to specific purposes including scholarships and fellowships, research, 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 for the proprietary fund at June 30, 2024, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 13,034,586	$ 5,846,279	$ 7,188,307
Patients	344,715,167	184,768,365	159,946,802
Accounts	43,538,923	638,999	42,899,924
Intergovernmental	85,436,555	7,144,226	78,292,329
Pledges	32,056,648	1,397,432	30,659,216
Investment Earnings	2,822,838		2,822,838
Interest on Loans	1,185,627		1,185,627
Other	1,219,580		1,219,580
Total Current Receivables	$ 524,009,924	$ 199,795,301	$ 324,214,623
Noncurrent Receivables:			
Pledges	$ 36,626,993	$ 732,540	$ 35,894,453
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	$ 1,378,289	$ 41,541	$ 1,336,748
Institutional Student Loan Programs	2,705,564	136,058	2,569,506
Total Notes Receivable - Current	$ 4,083,853	$ 177,599	$ 3,906,254
Notes Receivable - Noncurrent:			
Federal Loan Programs	$ 7,204,578	$ 165,751	$ 7,038,827
Self-Help Ventures Fund	3,000,000		3,000,000
Institutional Student Loan Programs	17,598,843	1,090,949	16,507,894
Total Notes Receivable - Noncurrent	$ 27,803,421	$ 1,256,700	$ 26,546,721

Pledges are receivable over varying time periods ranging from one to 10 years and have been discounted based on a projected interest rate of 4.26% 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
2025	$ 32,056,649
2026	16,706,388
2027	13,111,788
2028	6,136,193
2029	3,335,701
2030-2034	391,540
Total Pledge Receipts Expected	71,738,259
Less Discount Rate Amount Representing Interest (4.26% Rate of Interest)	3,054,618
Present Value of Pledge Receipts Expected	68,683,641
Less Allowance for Doubtful Accounts	2,129,972
Pledges Receivable, Net	$ 66,553,669

Note 6 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2024, is presented as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Capital Assets, Nondepreciable:				
Land	$ 70,755,607	$ 2,741,000	$ 0	$ 73,496,607
Art, Literature, and Artifacts	177,934,314	2,492,705	24,705	180,402,314
Construction in Progress	196,920,105	94,631,995	137,869,448	153,682,652
Other Intangible Assets	2,212,777			2,212,777
Total Capital Assets, Nondepreciable	447,822,803	99,865,700	137,894,153	409,794,350
Capital Assets, Depreciable:				
Buildings	3,546,800,696	150,573,095		3,697,373,791
Machinery and Equipment	541,520,789	44,025,957	20,581,425	564,965,321
General Infrastructure	1,010,945,516	26,301,415		1,037,246,931
Computer Software	121,695,628			121,695,628
Right-to-Use Lease Asset - Land	9,712,213	797,316		10,509,529
Right-to-Use Lease Asset - Buildings	135,795,681	25,591,365	962,871	160,424,175
Right-to-Use Subscription Asset	22,564,017	26,301,675	189,009	48,676,683
Total Capital Assets, Depreciable	5,389,034,540	273,590,823	21,733,305	5,640,892,058
Less Accumulated Depreciation/Amortization for:				
Buildings	1,650,243,187	102,536,460 *		1,752,779,647
Machinery and Equipment	337,565,324	28,804,736	16,698,370	349,671,690
General Infrastructure	597,558,750	30,488,748		628,047,498
Computer Software	111,258,758	10,436,870		121,695,628
Right-to-Use Lease Asset - Land	51,615	225,935		277,550
Right-to-Use Lease Asset - Buildings	48,542,594	26,502,333	613,697	74,431,230
Right-to-Use Subscription Asset	7,466,790	9,369,613		16,836,403
Total Accumulated Depreciation/Amortization	2,752,687,018	208,364,695	17,312,067	2,943,739,646
Total Capital Assets, Depreciable, Net	2,636,347,522	65,226,128	4,421,238	2,697,152,412
Capital Assets, Net	$ 3,084,170,325	$ 165,091,828	$ 142,315,391	$ 3,106,946,762

*The increase in accumulated depreciation is $3,288,607 more than the current year depreciation expense shown on the Statement of Revenues, Expenses, and Changes in Net Position due to the transfer of the Spangler Building from the UNC System Office to UNC Chapel Hill in fiscal year 2024.

As of June 30, 2024, the total amount of right-to-use lease and subscription assets was $170,933,704 and $48,676,683, and the related accumulated amortization was $74,708,780 and $16,836,403, respectively.

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2024, were as follows:

	Proprietary Fund	Fiduciary Fund
Current Accounts Payable and Accrued Liabilities		
Accounts Payable	$ 97,720,995	$ 6,968,010
Accounts Payable - Capital Assets	9,690,262	
Accrued Payroll	114,460,813	
Contract Retainage	2,242,403	
Intergovernmental Payables	23,841,625	
Investment Derivatives Liability	71,356	
Total Current Accounts Payable and Accrued Liabilities	$ 248,027,454	$ 6,968,010
Noncurrent Accounts Payable and Accrued Liabilities		
Contract Retainage	$ 2,734,327	$ 0
Liability Insurance Trust Fund (see Note 17)	18,608,557	
Total Noncurrent Accounts Payable and Accrued Liabilities	$ 21,342,884	$ 0

Note 8 - Short-Term Debt

Short-term debt activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Draws	Repayments	Balance June 30, 2024
Commercial Paper Program	$ 19,000,000	$ 0	$ 0	$ 19,000,000

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

At its June 2012 meeting, the Board of Governors for the University of North Carolina issued a resolution to limit the cumulative amount of outstanding commercial paper for the University under this program to $250,000,000. This resolution does not impact NCSU. Contingent liquidity needs for the entire CP program are provided by the University and supported by a pledge of the University’s available funds.

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

The University began fiscal year 2024 with a balance of $19,000,000 in Commercial Paper and had no new draws during fiscal year 2024. The ending balance for the fiscal year 2024 was $19,000,000 (tax-exempt).

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 9 - Long-Term Liabilities

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2024, is presented as follows:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
Long-Term Debt					
Revenue Bonds Payable	$ 1,174,650,000	$ 0	$ 36,050,000	$ 1,138,600,000	$ 41,720,000
Bonds from Direct Placements	60,000,000			60,000,000	60,000,000
Plus: Unamortized Premium	34,967,073		1,993,038	32,974,035	
Total Revenue Bonds Payable and Bonds from Direct Placements, Net	1,269,617,073		38,043,038	1,231,574,035	101,720,000
Notes from Direct Borrowings	64,701,220		2,598,521	62,102,699	2,505,942
Total Long-Term Debt	1,334,318,293		40,641,559	1,293,676,734	104,225,942
Other Long-Term Liabilities					
Annuities and Life Income Payable	46,304,394	15,625,369	11,836,885	50,092,878	1,101,606
Lease Liabilities	93,362,849	25,805,073	23,429,915	95,738,007	23,123,920
Subscription (SBITA) Liability	12,907,707	25,608,574	12,825,531	25,690,750	8,339,948
Employee Benefits					
Compensated Absences	217,216,598	138,986,343	124,732,002	231,470,939	10,093,963
Net Pension Liability	465,017,706	86,493,159		551,510,865	
Net Other Postemployment Benefits Liability	1,704,779,032	245,325,637	138,328	1,949,966,341	
Workers' Compensation	12,088,045	1,021,484	3,628,873	9,480,656	2,170,607
Total Other Long-Term Liabilities	2,551,676,331	538,865,639	176,591,534	2,913,950,436	44,830,044
Total Long-Term Liabilities, Net	$ 3,885,994,624	$ 538,865,639	$ 217,233,093	$ 4,207,627,170	$ 149,055,986

Additional information regarding leases and subscription (SBITA) liabilities is included in Note 11.
Additional information regarding the net pension liability is included in Note 15.
Additional information regarding the net other postemployment benefits liability is included in Note 16.
Additional information regarding workers' compensation is included in Note 17.

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 Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2024	Principal Outstanding June 30, 2024
General Revenue Bonds Payable	2001B	4.910% *	12/01/2025	$ 54,970,000	$ 50,285,000	$ 4,685,000
	2001C	3.420% *	12/01/2025	54,970,000	50,285,000	4,685,000
	2012B	4.951% *	12/01/2041	100,000,000		100,000,000
	2012C	2.735% - 3.596%	12/01/2033	127,095,000	63,785,000	63,310,000
	2014	3.713% - 3.847%	12/01/2034	265,600,000	15,600,000	250,000,000
	2016C	2.379% - 3.327%	12/01/2036	400,950,000	49,055,000	351,895,000
	2017	2.851% - 3.326%	12/01/2038	110,225,000	26,595,000	83,630,000
	2019A	4.421% *	12/01/2041	100,000,000		100,000,000
	2019B	3.890% *	12/01/2034	50,925,000		50,925,000
	2021B	5.000%	12/01/2040	103,525,000		103,525,000
	2021C	0.504% - 1.830%	12/01/2031	35,225,000	9,280,000	25,945,000
Total General Revenue Bonds				1,403,485,000	264,885,000	1,138,600,000
General Revenue Bonds from Direct Placements	2012D	6.446%	06/01/2042	30,000,000		30,000,000
	2021A	6.446%	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	$ 264,885,000	1,198,600,000
Plus: Unamortized Premium						32,974,035
Total Revenue Bonds Payable and Bonds from Direct Placements, Net						$ 1,231,574,035

* For variable rate debt, interest rates in effect at June 30, 2024 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 June 30, 2024	Principal Outstanding June 30, 2024
Real Property Purchase	Bank of America	3.55%	02/14/2025	$ 9,250,000	$ 8,857,946	$ 392,054
Real Property Purchase	Nationwide	4.26%	02/01/2037	55,300,000	9,017,724	46,282,276
Real Property Improvements	Nationwide	4.00%	02/01/2037	8,800,000	751,133	8,048,867
Real Property Improvements	The State Life Insurance Company	3.40%	01/01/2036	1,400,000	75,473	1,324,527
Real Property Improvements	The State Life Insurance Company	3.40%	01/01/2036	6,400,000	345,025	6,054,975
Total Notes from Direct Borrowings				$ 81,150,000	$ 19,047,301	$ 62,102,699

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” or otherwise “the Corporation”, 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. 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 $1.0 million as of June 30, 2023. In fiscal year 2024, the Foundation paid down $0.6 million on the note. A balance of $0.4 million remains on the note as of June 30, 2024.

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 the Granville Towers note was $47.9 million as of June 30, 2023. In fiscal year 2024, the Foundation paid down $1.6 million on the note. A balance of $46.3 million remains on the note as of June 30, 2024.

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 Daily SOFR Market Index plus 85 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.

At June 30, 2023 there were no outstanding draws on the line of credit. In fiscal year 2024, the Foundation didn't draw against the line of credit, leaving an available balance of $10.0 million at June 30, 2024. The line of credit commitment has a maturity date of April 30, 2027. As of June 30, 2024, there is a zero balance outstanding on the line of credit.

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, the Note B interest rate was reduced from 4.26% to 4.00% effective December 1, 2021 and the principal and interest due under Note B was reduced from $54,396 to $53,182 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. As of June 30, 2024, the balance of Note B was $8.0 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, 2024, the balance on Note A was $6.1 million and the balance of Note B was $1.3 million.

D. **Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2024, are as follows:

	Annual Requirements						
	Revenue Bonds Payable			Revenue Bonds from Direct Placements		Notes from Direct Borrowings	
Fiscal Year	Principal	Interest	Interest Rate Swaps, Net*	Principal	Interest	Principal	Interest
2025	$ 36,930,000	$ 41,187,456	$ 791,005	$ 0	$ 3,867,642	$ 2,505,942	$ 2,509,858
2026	39,780,000	40,207,459	763,057		3,867,642	2,203,669	2,414,639
2027	41,375,000	39,170,088	753,583		3,867,642	2,297,274	2,321,035
2028	42,470,000	38,074,193	753,583		3,867,642	2,394,865	2,223,443
2029	41,250,000	36,902,723	753,583		3,867,642	2,496,614	2,121,695
2030-2034	385,000,000	155,965,444	3,767,914		19,338,210	14,167,681	8,923,861
2035-2039	334,780,000	70,034,467	5,136,512		19,338,210	36,036,654	3,263,304
2040-2044	217,015,000	21,043,265	2,631,145	30,000,000	14,342,506		
2045-2049					9,669,105		
2050-2054				30,000,000	2,739,580		
Total Requirements	$ 1,138,600,000	$ 442,585,095	$ 15,350,382	$ 60,000,000	$ 84,765,821	$ 62,102,699	$ 23,777,835

Interest on the variable rate General Revenue Bonds 2001B is calculated at 3.55% at June 30, 2024.
Interest on the variable rate General Revenue Bonds 2001C is calculated at 3.42% at June 30, 2024.
Interest on the variable rate General Revenue Bonds 2012B is calculated at 4.23% at June 30, 2024.
Interest on the variable rate Bond from Direct Placement held under the General Revenue Bond 2012D is calculated at 6.45% at June 30, 2024.
Interest on the variable rate General Revenue Bonds 2019A is calculated at 4.23% at June 30, 2024.
Interest on the variable rate General Revenue Bonds 2019B is calculated at 4.23% at June 30, 2024.
Interest on the variable rate Bond from Direct Placement held under the General Revenue Bond 2021A is calculated at 6.45% at June 30, 2024.

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 SOFR index rate plus an interest rate spread of 65 basis points.

Interest rates on General Revenue Bonds 2019 Series A and B are based on 67% of the SOFR index rate plus an interest rate spread of 65 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 10 - Derivative Instruments.

*Computed using (5.240%-3.880%) x ($4,075,000 notional amount-annual swap reduction); (4.375%-3.649%) x ($150,000,000 notional amount); and (3.314%-3.649%) x ($100,000,000 notional amount).

The fiscal year 2024 principal requirements exclude demand bonds classified as current liabilities (see Note 9E).

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 (amended September 17, 2021), $100 million with Branch Banking and Trust Company (now Truist) on September 19, 2018, and $100 million with TD Bank, N.A. on September 19, 2017 (amended September 19, 2022). 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., amended September 17, 2021	Branch Banking and Trust Company (now Truist)	TD Bank, N.A. dated September 19, 2022	TD Bank, N.A. dated September 18, 2019
AA+ or higher	AA+ or higher	Aa1 or higher	0.30%	0.30%	0.23%	0.23%
AA	AA	Aa2	0.30%	0.40%	0.23%	0.23%
AA-	AA-	Aa3	0.30%	0.50%	0.28%	0.28%
A+	A+	A1	0.40%	0.60%	0.33%	0.33%
A	A	A2	0.55%	0.70%	0.38%	0.38%
A-	A-	A3	0.75%	0.85%	0.48%	0.48%
BBB+	BBB+	Baa1	*Default Pricing****	0.85%	0.58%	0.58%
BBB	BBB	Baa2	*Default Pricing****	0.85%	0.68%	0.68%
BBB-	BBB-	Baa3	*Default Pricing****	0.85%	*Base Rate**	*Base Rate**
Below Investment Grade	Below Investment Grade		*Default Pricing****	0.85%	*Default Rate***	*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 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, amended June 28, 2024), Truist, TD Bank, N.A. (dated September 19, 2022), and Bank of America, N.A. (amended September 17, 2021), expire on September 18, 2024, (September 18, 2029 as amended), September 19, 2028, September 19, 2027, and September 17, 2025, 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, 2024, no purchase drawings had been made under the standby liquidity agreements.

General Revenue, Series 2012B

The 2012B Bond has a maturity date of December 1, 2041. On June 16, 2022, the 2012B Bond was successfully remarketed and received a new index tender date for the new Index Mode of June 1, 2025. The 2012B bond bears interest at the index rate, which is the rate per-annum determined monthly equal to 67.0% of SOFR plus an applicable spread of 0.65% (65 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 $33,333,333, $33,333,333, and $33,333,334 in fiscal years 2026, 2027, and 2028, 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 16, 2022, the 2019AB bonds were successfully remarketed and received a new index tender date of June 1, 2025, 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 SOFR plus an applicable spread of 0.65% (65 basis points).

In the event of a failed remarket of the 2019AB bonds beyond November 9, 2022, the bond payments would equal $50,308,333, $50,308,333, and $50,308,334 in fiscal years 2026, 2027, and 2028, 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 (amended September 17, 2021), $100 million with Branch Banking and Trust Company (now Truist) on September 19, 2018, and $100 million with TD Bank, N.A. on September 19, 2017 (amended September 19, 2022). 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., amended September 17, 2021	Branch Banking and Trust Company (now Truist)	TD Bank, N.A. dated September 19, 2022	TD Bank, N.A. dated September 18, 2019
AA+ or higher	AA+ or higher	Aa1 or higher	0.30%	0.30%	0.23%	0.23%
AA	AA	Aa2	0.30%	0.40%	0.23%	0.23%
AA-	AA-	Aa3	0.30%	0.50%	0.28%	0.28%
A+	A+	A1	0.40%	0.60%	0.33%	0.33%
A	A	A2	0.55%	0.70%	0.38%	0.38%
A-	A-	A3	0.75%	0.85%	0.48%	0.48%
BBB+	BBB+	Baa1	*Default Pricing****	0.85%	0.58%	0.58%
BBB	BBB	Baa2	*Default Pricing****	0.85%	0.68%	0.68%
BBB-	BBB-	Baa3	*Default Pricing****	0.85%	*Base Rate**	*Base Rate**
Below Investment Grade	Below Investment Grade		*Default Pricing****	0.85%	*Default Rate***	*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 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, amended June 28, 2024), Truist, TD Bank, N.A. (dated September 19, 2022), and Bank of America, N.A. (amended September 17, 2021), expire on September 18, 2024 (September 18, 2029 as amended), September 19, 2028, September 19, 2027, and September 17, 2025, 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, 2024, no purchase drawings had been made under the standby liquidity agreements.

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 SOFR Rate. “Adjusted SOFR 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) 30-Day Average SOFR Rate Published by the New York Federal Reserve (calculated and published in arrears and applied forward) plus (2) the spread adjustment of 11 basis points (0.11%) and (3) 1% per annum, which shall be adjusted monthly on the first day of each SOFR interest period; provided, however, for any particular SOFR interest period, the Adjusted SOFR Rate will not be less than 1.4% per annum. As of June 30, 2024, 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 Bonds, Series 2021A

On March 24, 2021, the University issued a direct placement bond in the amount of $30 million with a maturity date of March 1, 2051, 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.

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 SOFR Rate. “Adjusted SOFR 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) 30-Day Average SOFR Rate Published by the New York Federal Reserve (calculated and published in arrears and applied forward) plus (2) the spread adjustment of 11 basis points (0.11%) and (3) 1% per annum, which shall be adjusted monthly on the first day of each SOFR interest period; provided, however, for any particular SOFR interest period, the Adjusted SOFR Rate will not be less than 1.4% per annum. As of June 30, 2024, 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.

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, 2024 was $54,231,084. 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 $10.0 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 carries 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.

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. 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 10 - Derivative Instruments

Derivative instruments held at June 30, 2024 are as follows:

		Change in Value		Value at June 30, 2024	
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	$ 3,498,369	Hedging Derivative Liability	$ (6,706,055)
Pay-Fixed Interest Rate Swap	150,000,000	Deferred Outflow of Resources	8,027,127	Hedging Derivative Liability	(33,042,433)
Total			$ 11,525,496		$ (39,748,488)
Investment Derivative Instruments					
Pay-Fixed Interest Rate Swap 2001B Bonds	$ 4,075,000	Investment Income	$ 89,853	Accounts Payable	$ (71,356)
U.S. Dollar Equity Futures	747,335,025	Investment Income	107,190,961	Other Assets	8,031,899
Foreign Currency Forwards	100,000,000	Investment Income	3,892,312	Other Assets	3,387,751
Total			$ 111,173,126		$ 11,348,294

Hedging derivative instruments held at June 30, 2024 are as follows:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms
Pay-Fixed Interest Rate Swap	Hedge Changes in Cash Flows on Variable-Rate Debt	$ 100,000,000	12/1/2007	12/1/2036	Pay 3.314%, Receive 67% of SOFR + 7.4 basis points
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% of SOFR + 7.4 basis points

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 changed since the effective dates of the swaps, both of the swaps have a negative fair value as of June 30, 2024. The fair values are calculated as of June 30, 2024 and are based on the implied forward rate for 67% of SOFR plus 7.4 basis points, which trended up in fiscal year 2024 relative to fiscal year 2023. 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

Credit Risk: At June 30, 2024, non-exchange traded investment derivatives reported as assets expose the University to credit risk as follows:

Investment Derivative Instrument	Fair Value	Counterparty	Collateral Held	Counterparty Credit Ratings S&P/Fitch	Counterparty Credit Ratings Moody's
Foreign Currency Forwards	$ 3,387,751	Morgan Stanley	$ 0	A-/A+	A1
Total Exposure to Credit Risk (1)	$ 3,387,751		$ 0		

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

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

Interest Rate Risk: The University is exposed to interest rate risk on its interest rate swap. The fair value of this instrument is highly sensitive to interest rate changes. Because rates have changed since the effective date of the swap, the swap has a negative fair value of $71,356 as of June 30, 2024. 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, 2024, SIFMA was 3.88%. The interest rate swap has a notional amount of $4,075,000 and matures November 1, 2025.

Foreign Currency Risk: Foreign currency forward contracts are utilized from time to time to minimize the risk and exposure to fluctuations in the exchange rates of foreign currencies. Forward contracts based in foreign currency obligate the buyer to purchase an asset (or seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price. The University's foreign currency investment derivatives are presented in U.S. dollars. See Note 2 - Deposits and Investments for further information about the University's exposure to foreign currency risk.

Note 11 - Leases and Subscription-Based Information Technology Arrangements

The University's leasing arrangements at June 30, 2024 are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable (Liability) June 30, 2024	Current Portion	Lease Terms (as of June 30, 2024)	Interest Rate Ranges
Lessor:					
Land	3	$ 7,969,004	$ 443,686	0.59 - 90.42 years	3.25% - 6.25%
Buildings	9	1,110,976	284,523	0.59 - 9.75 years	3.25% - 8.50%
Total	12	$ 9,079,980	$ 728,209		
Lessee:					
Right-to-Use Lease Land	6	$ (1,730,433)	$ (474,020)	0.17 - 97.50 years	3.25% - 8.25%
Right-to-Use Lease Buildings	108	(94,007,574)	(22,649,900)	0.17 - 36.40 years	0.68% - 8.50%
Total	114	$ (95,738,007)	$ (23,123,920)		

A. Lessor Arrangements - The University leases real estate to both external and related parties. The leases expire at various dates, and some may have renewal options. Lease receivables and related deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate stated per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

Measurement of the lease receivable excluded the following variable payment amounts: the increase or decrease in payments after the initial measurement of the lease receivable that depend on changes in an index or rate (such as the Consumer Price Index). The University recognized revenues of $205,504 during the fiscal year for these changes in variable payments not previously included in the measurement of the lease receivable.

During the year ended June 30, 2024, the University recognized operating revenues related to lessor arrangements totaling $1,324,389, and nonoperating lease interest income totaling $603,254.

B. Lessee Arrangements - The University has lease agreements for real estate from both external and related parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use lease assets are recorded based on the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. The expected payments are discounted using the interest rate stated per the lease contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year, the University did not recognize any variable payment amounts.

The University had a commitment under leases before the lease term as follows: a ten year lease agreement for the right-to-use building space beginning on August 8, 2024 with total payments over the period of $6,654,958.

Future principal and interest lease payments as of June 30, 2024, were as follows:

Fiscal Year	Principal	Interest	Total
2025	$ 23,123,920	3,810,475	$ 26,934,395
2026	20,518,012	2,854,374	23,372,386
2027	17,335,753	2,020,776	19,356,529
2028	12,614,503	1,353,279	13,967,782
2029	5,461,820	975,289	6,437,109
2030-2034	15,795,642	1,887,420	17,683,062
2035-2039	327,722	112,318	440,040
2040-2044	190,116	72,916	263,032
2045-2049	77,811	54,356	132,167
2050-2054	106,433	39,479	145,912
2055-2059	141,653	19,432	161,085
2060-2064	44,622	1,018	45,640
Total	$ 95,738,007	$ 13,201,132	$ 108,939,139

C. **Subscription-Based Information Technology Arrangements (SBITAs)** - The University enters SBITAs for the right to use information technology software and cloud computing arrangement (network) assets from external parties. The SBITAs expire at various dates, and some have renewal options. Subscription liabilities and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the University's estimated incremental borrowing rate if there is no stated contractual interest rate.

Measurement of the subscription liability excluded the following variable payment amounts: 1) the increase or decrease in payments after the initial measurement of the subscription liability that depend on changes in an index or rate (such as the Consumer Price Index) and 2) payments based on future performance or usage of the underlying assets. During the fiscal year, the University recognized expenses of $558,384 for these changes in variable payments not previously included in the measurement of the subscription liability.

The University's SBITAs at June 30, 2024, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2024	Current Portion	SBITA Terms (as of June 30, 2024)	Interest Rate Ranges
Right-to-Use Subscription Assets	36	$ 25,690,750	$ 8,339,948	0.17 - 6.58 years	4.75% - 8.50%

Future principal and interest SBITAs payments as of June 30, 2024, were as follows:

Fiscal Year	Principal	Interest	Total
2025	$ 8,339,948	$ 1,741,705	$ 10,081,653
2026	6,356,774	1,211,599	7,568,373
2027	4,673,695	747,835	5,421,530
2028	4,411,841	393,709	4,805,550
2029	979,675	62,770	1,042,445
2030-2034	928,817	38,724	967,541
Total	$ 25,690,750	$ 4,196,342	$ 29,887,092

Note 12 - 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	$ (215,175,470)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(2,016,216,289)
Effect on Unrestricted Net Position	(2,231,391,759)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	1,903,157,342
Total Unrestricted Net Position	$ (328,234,417)

See Notes 15 and 16 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

Note 13 - Revenues

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Less Indigent Care and Contractual Adjustments	Net Revenues
Operating Revenues:					
Student Tuition and Fees, Net	$ 655,661,991	$ 154,368,118	$ 939,130	$ 0	$ 500,354,743
Patient Services, Net	$ 1,577,713,038	$ 0	$ 36,889,109	$ 887,036,241	$ 653,787,688
Sales and Services:					
Sales and Services of Auxiliary Enterprises	$ 502,349,530	$ 17,356,394	$ 0	$ 0	$ 484,993,136
Other Sales and Services	112,310,652				112,310,652
Total Sales and Services, Net	$ 614,660,182	$ 17,356,394	$ 0	$ 0	$ 597,303,788
Nonoperating Revenues:					
Noncapital Contributions, Net	$ 455,234,975	$ 0	$ (1,140,142)	$ 0	$ 456,375,117

Note 14 - 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	$ 793,791,625	$ 210,456,084	$ 0	$ 38,715	$ 0	$ 1,004,286,424
Research	459,091,215	349,769,314		178,093		809,038,622
Public Service	87,530,411	130,874,703		140,208		218,545,322
Academic Support	118,766,252	35,959,586		70,906		154,796,744
Student Services	29,739,125	19,557,070		20,412		49,316,607
Institutional Support	167,994,903	114,992,023		513,170		283,500,096
Operations and Maintenance of Plant	55,773,978	19,197,005		82,387,942		157,358,925
Student Financial Aid			120,140,719			120,140,719
Auxiliary Enterprises	615,097,880	498,050,189		11,239,387		1,124,387,456
Depreciation/ Amortization					205,076,088	205,076,088
Total Operating Expenses	$ 2,327,785,389	$ 1,378,855,974	$ 120,140,719	$ 94,588,833	$ 205,076,088	$ 4,126,447,003

Note 15 - 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 unreduced retirement benefits at age 65 with five years of membership 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 reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. 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. Plan members 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 and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2024 was 17.64% of covered payroll. Plan members' contributions to the pension plan were $37,927,585, and the University's contributions were $111,507,099 for the year ended June 30, 2024.

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 2023 *Annual Comprehensive 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 are 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 2023 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2024, the University reported a liability of $551,510,865 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total pension liability to June 30, 2023. The University's proportion of the net pension liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the University's proportion was 3.30801%, which was an increase of 0.17494 from its proportion measured as of June 30, 2022, which was 3.13307%.

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	12/31/2022
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

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, 2023 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. 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, 2023 is 0.78%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2022 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, 2023 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
$ 946,814,917	$ 551,510,865	$ 225,397,844

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2024, the University recognized pension expense of $146,451,052. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS 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	$ 44,961,182	$ 4,070,539
Changes of Assumptions	19,368,332	
Net Difference Between Projected and Actual Earnings on Plan Investments	153,595,734	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	17,442,686	6,469,099
Contributions Subsequent to the Measurement Date	111,507,099	
Total	$ 346,875,033	$ 10,539,638

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS 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
2025	$ 74,381,025
2026	40,170,137
2027	103,715,994
2028	6,561,140
Total	$ 224,828,296

B. Defined Contribution Plan - The Optional Retirement Program (ORP) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Faculty and staff of the University may join the ORP instead of TSERS. The ORP is administered by the UNC System.

Benefits are provided by means of contracts issued and administered by the privately-operated Teachers' Insurance and Annuity Association and Fidelity Investments. Participants' eligibility and contributory requirements are established in General Statute 135-5.1 and may be amended only by the North Carolina General Assembly. Participants are always fully vested in their own contributions to the plan and their investment earnings. Participants are fully vested in the University's contributions and earnings after five years of participating in the ORP.

Participants contribute 6% of compensation and the University contributes 6.84%. For the year ended June 30, 2024, the University had a total payroll of $1,789,135,430, of which $925,688,280 was covered under ORP. Total employee and employer contributions for pension benefits for the year were $55,541,297 and $63,317,078, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions less forfeitures of $5,843,479.

Note 16 - 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 2023 *Annual Comprehensive 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 other postemployment benefits (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 benefit 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 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 2023 *Annual Comprehensive 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 by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of 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 17. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

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

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), CJRS, or LRS 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.

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 Act. The University's contractually-required contribution rate for the year ended June 30, 2024 was 7.14% of covered payroll. The University's contributions to the RHBF were $111,227,969 for the year ended June 30, 2024.

In fiscal year 2022, the Plan transferred $180.51 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2024, the University recognized noncapital contributions for RHBF of $2,559,008.

2. Disability Income

Plan Administration: As discussed in Note 17, 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 and LEAs which are not part of the State's reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to becoming disabled 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. A general 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; (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, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than $10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security benefits.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act 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, 2024 was 0.11% of covered payroll. The University's contributions to DIPNC were $1,713,596 for the year ended June 30, 2024.

C. Net OPEB Liability

Retiree Health Benefit Fund: At June 30, 2024, the University reported a liability of $1,947,940,481 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the University's proportion was 7.31005%, which was an increase of 0.14019 from its proportion measured as of June 30, 2022, which was 7.16986%.

Disability Income Plan of North Carolina: At June 30, 2024, the University reported a liability of $2,025,860 for its proportionate share of the collective net OPEB liability for DIPNC. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2023, the University's proportion was 7.61716%, which was an increase of 0.34209 from its proportion measured as of June 30, 2022, which was 7.27507%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2022, 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, 2023 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2022	12/31/2022
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6.5% grading down to 5% by 2029	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative***	3%	N/A

* Salary increases include 3.25% inflation and productivity factor.
** Investment rate of return is net of OPEB plan investment expense, including inflation.
*** Disability Income Plan of NC eliminated employer reimbursements from the Plan (which included State Health Plan premiums) effective July 1, 2019.
N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, other educational employee, general employee, or law enforcement officer) and health status (i.e. disabled or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan 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 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. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2023.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. 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, 2023 is 0.78%.

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. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. 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 the historical pattern of sharing of benefit costs between the employer and plan members to that point. The RHBF is funded solely by employer contributions and 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. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2022 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.65% at June 30, 2023 compared to 3.54% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from employers would 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 to current plan members. As a result, a municipal bond rate of 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2023 compared to 3.08% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.00%, 3.00% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% was used during the period that the plan was projected to have no fiduciary net position. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

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

	Net OPEB Liability		
	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
RHBF	$ 2,297,966,119	$ 1,947,940,481	$ 1,662,867,294
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	$ 2,435,358	$ 2,025,860	$ 1,608,897

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability 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:

Net OPEB Liability

	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 0% - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 0% - 6%, Administrative - 4%)
RHBF	$ 1,608,199,231	$ 1,947,940,481	$ 2,386,028,975

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

OPEB Expense: For the fiscal year ended June 30, 2024, the University recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	$ 29,389,160
DIPNC	2,703,650
Total OPEB Expense	$ 32,092,810

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 21,450,637	$ 1,775,408	$ 23,226,045
Changes of Assumptions	211,021,252	147,621	211,168,873
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	15,561,149	2,646,049	18,207,198
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	91,618,040		91,618,040
Contributions Subsequent to the Measurement Date	111,227,969	1,713,596	112,941,565
Total	$ 450,879,047	$ 6,282,674	$ 457,161,721

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 1,908,590	$ 1,122,084	$ 3,030,674
Changes of Assumptions	519,694,800	345,819	520,040,619
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions		340,376	340,376
Total	$ 521,603,390	$ 1,808,279	$ 523,411,669

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities related to RHBF and DIPNC in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as 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
2025	$ (75,230,973)	$ 872,789
2026	(106,564,491)	513,224
2027	(42,265,037)	864,882
2028	42,108,189	274,860
2029		128,677
Thereafter		106,367
Total	$ (181,952,312)	$ 2,760,799

Note 17 - 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 claim, and $5,000,000 annual aggregate through a contract with private insurance companies. 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 all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Fire and lightning coverage and other operations such as housing units or athletic facilities, are charged for the coverage. The University has opted to purchase additional coverages offered by the Fund. Examples of this additional coverage include special form (all-risk) and business interruption insurance for certain property exposures. Losses covered by the Fund are subject to a $25,000 per occurrence deductible.

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

Employee Dishonesty and Computer Fraud - The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $100,000 deductible.

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, 2023 through June 30, 2024, 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 ended June 30, 2024, the Trust Fund purchased a direct insurance policy to cover the first $1,000,000 per occurrence and $3,000,000 in the aggregate for dental residents. North Carolina General Statutes Chapter 116 was amended during 1987 to authorize the Trust Fund to borrow necessary amounts up to $30,000,000, in the event that the Trust Fund may have insufficient funds to pay existing and future claims. Any such borrowing would be repaid from the assets and revenues of program participants. No line of credit or borrowing has been established pursuant to this authorization. The Council believes adequate funds are on deposit in the Trust Fund to meet estimated losses based upon the results of the independent actuary's report.

The Trust Fund has purchased annuity contracts to settle claims for which the claimant has signed an agreement releasing the Fund from further obligation. The related claim liabilities have been removed from estimated malpractice costs.

The Council may choose to terminate the Trust Fund, or the respective participants may choose to terminate their participation. In the event of such termination by either the Council or a participant, an updated actuarial study will be performed to determine amounts due to or from the participants based on loss experience up to the date of termination.

At June 30, 2024, University assets in the Trust Fund totaled $21,436,664, while University liabilities totaled $18,608,557 resulting in net position of $2,828,107.

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 16, 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 16, 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.

Other Insurance Held by the University - 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.

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 18 - 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 $120,674,183 at June 30, 2024.

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, 2024, the UNC Investment Fund had approximately $676,677,711 in unfunded committed capital related to private equity limited partnerships and real assets limited partnerships. There was also unfunded committed capital related to other private equity investments outside of the UNC Investment Fund noted above in the amount of $10,990,819 as of June 30, 2024.

B. **Pending Litigation and Claims** - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management 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 year-end are as follows:

Purpose	Amount
Pledges to Permanent Endowments	$ 35,890,399

Note 19 - 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), 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 amounts reported within the fiduciary statements and support from each organization to the University. This support totaled $63,057,302 for the year ended June 30, 2024. The University had receivables from and payables to the related parties of $2,851,925 and $102,014, respectively, as of June 30, 2024.

Note 20 - Investment in Joint Ventures

The University is a member of the SOAR Telescope Consortium, a joint venture accounted for under the equity method and valued at $11,834,562. 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 2025. 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 Behavioral Health Alliance, a joint venture accounted for under the equity method and valued at $412,374. 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 TRO Ventures, LLC, a joint venture accounted for under the equity method and valued at $2,504,342. 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 Healthcare, Inc. The University has a 2.0% share of WR Imaging, LLC. The joint venture provides outpatient imaging services to patients in Wake County and the surrounding areas, including through the engagement of professional clinical services provided by the University’s School of Medicine Department of Radiology. The audited financial statements may be obtained from the University Controller’s Office, Campus Box 1270, Chapel Hill, NC 27599-1270, or by calling (919) 962-1370.

Note 21 - Blended Component Units

Condensed combining information for the University's blended component units for the year ended June 30, 2024, is presented as follows:

Condensed Statement of Net Position
Proprietary Fund
June 30, 2024

	The University of North Carolina at Chapel Hill	The University of North Carolina at Chapel Hill Foundation, Inc.	The Kenan-Flagler Business School Foundation	Other Blended Component Units*	Eliminations	Total
ASSETS						
Current Assets	$ 2,432,253,434	$ 66,439,030	$ 91,400,434	$ 42,295,969	$ 0	$ 2,632,388,867
Capital Assets, Net	2,955,448,271	127,172,387	9,381,387	14,944,717		3,106,946,762
Other Noncurrent Assets	2,723,951,227	655,157,619	186,780,753	55,966,978	(6,572,811)	3,615,283,766
Total Assets	8,111,652,932	848,769,036	287,562,574	113,207,664	(6,572,811)	9,354,619,395
TOTAL DEFERRED OUTFLOWS OF RESOURCES	851,033,291					851,033,291
LIABILITIES						
Current Liabilities	582,853,881	9,334,064	1,229,811	19,419,084		612,836,840
Long-Term Liabilities, Net	3,907,738,362	128,151,005	4,130,163	23,721,631	(5,169,977)	4,058,571,184
Other Noncurrent Liabilities	61,912,091	12,572,811		5,461,190	(6,572,811)	73,373,281
Total Liabilities	4,552,504,334	150,057,880	5,359,974	48,601,905	(11,742,788)	4,744,781,305
TOTAL DEFERRED INFLOWS OF RESOURCES	532,997,368	28,247,371			5,169,977	566,414,716
NET POSITION						
Net Investment in Capital Assets	1,596,534,082	63,472,118	1,178,323	4,237,805		1,665,422,328
Restricted - Nonexpendable	620,331,413	270,451,938	179,987,747			1,070,771,098
Restricted - Expendable	2,081,938,134	298,827,044	99,121,593	6,610,885		2,486,497,656
Unrestricted	(421,619,108)	37,712,685	1,914,937	53,757,069		(328,234,417)
Total Net Position	$ 3,877,184,521	$ 670,463,785	$ 282,202,600	$ 64,605,759	$ 0	$ 4,894,456,665

*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.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2024

	The University of North Carolina at Chapel Hill	The University of North Carolina at Chapel Hill Foundation, Inc.	The Kenan-Flagler Business School Foundation	Other Blended Component Units*	Eliminations	Total
OPERATING REVENUES						
Student Tuition and Fees, Net	$ 500,354,743	$ 0	$ 0	$ 0	$ 0	$ 500,354,743
Patient Services, Net	653,787,688					653,787,688
Grants and Contracts	1,152,299,066					1,152,299,066
Sales and Services, Net	554,723,325	18,561,758		24,923,050	(904,345)	597,303,788
Other Operating Revenues	19,068,369		16,739,758	712,887	(16,191,974)	20,329,040
Total Operating Revenues	2,880,233,191	18,561,758	16,739,758	25,635,937	(17,096,319)	2,924,074,325
OPERATING EXPENSES						
Operating Expenses	3,859,655,620	17,420,790	16,749,255	44,249,595	(16,704,345)	3,921,370,915
Depreciation/Amortization	200,445,162	2,714,404	556,437	1,360,085		205,076,088
Total Operating Expenses	4,060,100,782	20,135,194	17,305,692	45,609,680	(16,704,345)	4,126,447,003
Operating Loss	(1,179,867,591)	(1,573,436)	(565,934)	(19,973,743)	(391,974)	(1,202,372,678)
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	702,555,956					702,555,956
Noncapital Contributions, Net	478,697,032	1,838,413	19,687,871	12,738,187	(56,586,386)	456,375,117
Investment Income, Net	322,900,363	64,820,754	20,380,573	3,215,855		411,317,545
Other Revenues (Expenses)	2,678,449	(35,107,599)	(20,416,658)	(822,623)	57,957,808	4,289,377
Net Nonoperating Revenues	1,506,831,800	31,551,568	19,651,786	15,131,419	1,371,422	1,574,537,995
Income (Loss) Before Other Revenues	326,964,209	29,978,132	19,085,852	(4,842,324)	979,448	372,165,317
Capital Contributions	99,458,041					99,458,041
Additions to Endowments	33,398,301	15,845,062	3,142,301		(979,448)	51,406,216
Total Other Revenues	132,856,342	15,845,062	3,142,301		(979,448)	150,864,257
Increase (Decrease) in Net Position	459,820,551	45,823,194	22,228,153	(4,842,324)		523,029,574
NET POSITION						
Net Position, July 1, 2023	3,417,363,970	624,640,591	259,974,447	69,448,083		4,371,427,091
Net Position, June 30, 2024	$ 3,877,184,521	$ 670,463,785	$ 282,202,600	$ 64,605,759	$ 0	$ 4,894,456,665

*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 Fund
For the Fiscal Year Ended June 30, 2024

	The University of North Carolina at Chapel Hill	The University of North Carolina at Chapel Hill Foundation, Inc.	The Kenan-Flagler Business School Foundation	Other Blended Component Units*	Total
Net Cash Provided (Used) by Operating Activities	$ (1,012,025,699)	$ (20,444,539)	$ 367,265	$ (1,847,026)	$ (1,033,949,999)
Net Cash Provided by Noncapital Financing Activities	1,280,560,244	21,196,772	13,123,574	237,539	1,315,118,129
Net Cash Used by Capital Financing and Related Financing Activities	(193,153,963)	(9,112,007)	(1,809,343)	(832,773)	(204,908,086)
Net Cash Provided (Used) by Investing Activities	122,233,775	15,864,174	770,711	(9,172,625)	129,696,035
Net Increase (Decrease) in Cash and Cash Equivalents	197,614,357	7,504,400	12,452,207	(11,614,885)	205,956,079
Cash and Cash Equivalents, July 1, 2023	1,199,596,851	60,216,129	68,561,539	35,311,056	1,363,685,575
Cash and Cash Equivalents, June 30, 2024	$ 1,397,211,208	$ 67,720,529	$ 81,013,746	$ 23,696,171	$ 1,569,641,654

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

Required Supplementary Information

The University of North Carolina at Chapel Hill
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
*Last Ten Fiscal Years**

Exhibit D-1

Teachers' and State Employees' Retirement System	**2024**	**2023**	**2022**	**2021**	**2020**
Proportionate Share Percentage of Collective Net Pension Liability	3.30801%	3.13307%	3.28250%	3.14155%	3.17570%
Proportionate Share of TSERS Collective Net Pension Liability	$ 551,510,865	$ 465,017,706	$ 153,706,378	$ 379,561,977	$ 329,223,453
Covered Payroll	$ 579,306,835	$ 526,214,456	$ 505,923,105	$ 506,075,117	$ 507,759,996
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	95.20%	88.37%	30.38%	75.00%	64.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.97%	84.14%	94.86%	85.98%	87.56%

	2019	**2018**	**2017**	**2016**	**2015**
Proportionate Share Percentage of Collective Net Pension Liability	3.17515%	3.11981%	3.09361%	3.12227%	3.22422%
Proportionate Share of TSERS Collective Net Pension Liability	$ 316,120,760	$ 247,539,484	$ 284,334,716	$ 115,061,832	$ 37,801,432
Covered Payroll	$ 498,130,872	$ 480,647,184	$ 460,471,749	$ 451,281,663	$ 457,366,996
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	63.46%	51.50%	61.75%	25.50%	8.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%	89.51%	87.32%	94.64%	98.24%

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 ended June 30.

The University of North Carolina at Chapel Hill
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years — *Exhibit D-2*

Teachers' and State Employees' Retirement System	**2024**	**2023**	**2022**	**2021**	**2020**
Contractually Required Contribution	$ 111,507,099	$ 100,683,528	$ 86,193,928	$ 74,775,435	$ 65,637,943
Contributions in Relation to the Contractually Determined Contribution	111,507,099	100,683,528	86,193,928	74,775,435	65,637,943
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 632,126,414	$ 579,306,835	$ 526,214,456	$ 505,923,105	$ 506,075,117
Contributions as a Percentage of Covered Payroll	17.64%	17.38%	16.38%	14.78%	12.97%

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

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

The University of North Carolina at Chapel Hill
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2024

Changes of Benefit Terms:

Cost of Living Increase

Teachers' and State Employees' Retirement System	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLAs) in the period of the legislative session or Board of Trustees meeting when it was passed. The COLA is effective as of July 1 of that period and the fiscal year end plan liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan net pension liability.

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017, and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at age 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of July 1, 2016, received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

In December 2021 for the fiscal year ended June 30, 2022, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of September 1, 2021, received a one-time cost-of-living supplement payment, equal to 2% of the beneficiary's annual retirement allowance.

Benefit recipients of the TSERS received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in October 2022, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2023. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in November 2023, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2024. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each year for the plan. 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. See Note 15 for more information on the specific assumptions for the 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 January 2021, the actuarial assumptions for the TSERS were updated to more closely reflect actual experience.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of the TSERS 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 the TSERS experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for the TSERS was lowered from 7.00% to 6.50% effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2023 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

The University of North Carolina at Chapel Hill
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
*Last Eight Fiscal Years**

Exhibit D-3

Retiree Health Benefit Fund	**2024**	**2023**	**2022**	**2021**	**2020**
Proportionate Share Percentage of Collective Net OPEB Liability	7.31005%	7.16986%	7.15736%	6.95955%	6.90922%
Proportionate Share of Collective Net OPEB Liability	$ 1,947,940,481	$ 1,702,614,844	$ 2,212,739,626	$ 1,930,637,269	$ 2,186,043,474
Covered Payroll	$ 1,441,892,327	$ 1,318,223,933	$ 1,246,160,097	$ 1,236,582,485	$ 1,205,200,371
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	135.10%	129.16%	177.56%	156.13%	181.38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.73%	10.58%	7.72%	6.92%	4.40%

	2019	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	6.76376%	6.36069%	7.24839%
Proportionate Share of Collective Net OPEB Liability	$ 1,926,872,329	$ 2,085,455,588	$ 3,153,296,023
Covered Payroll	$ 1,145,860,475	$ 1,091,925,969	$ 1,058,316,661
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	168.16%	190.99%	297.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%

Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
*Last Eight Fiscal Years**

Disability Income Plan of North Carolina	**2024**	**2023**	**2022**	**2021**	**2020**
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	7.61716%	7.27507%	7.08730%	7.09259%	6.92313%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ 2,025,860	$ 2,164,188	$ (1,157,640)	$ (3,489,129)	$ (2,987,331)
Covered Payroll	$ 1,441,892,327	$ 1,318,223,933	$ 1,246,160,097	$ 1,236,582,485	$ 1,205,200,371
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.14%	0.16%	0.09%	0.28%	0.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.61%	90.34%	105.18%	115.57%	113.00%

	2019	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	6.91392%	6.80968%	6.66043%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (2,100,172)	$ (4,162,076)	$ (4,163,127)
Covered Payroll	$ 1,145,860,475	$ 1,091,925,969	$ 1,058,316,661
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.18%	0.38%	0.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 ended June 30.

The University of North Carolina at Chapel Hill
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years

Exhibit D-4
Page 1 of 2

Retiree Health Benefit Fund	**2024**	**2023**	**2022**	**2021**	**2020**
Contractually Required Contribution	$ 111,227,969	$ 99,346,381	$ 82,916,285	$ 83,243,495	$ 80,006,887
Contributions in Relation to the Contractually Determined Contribution	111,227,969	99,346,381	82,916,285	83,243,495	80,006,887
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,557,814,694	$ 1,441,892,327	$ 1,318,223,933	$ 1,246,160,097	$ 1,236,582,485
Contributions as a Percentage of Covered Payroll	7.14%	6.89%	6.29%	6.68%	6.47%

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

The University of North Carolina at Chapel Hill
Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans — *Exhibit D-4*
Last Ten Fiscal Years — *Page 2 of 2*

Disability Income Plan of North Carolina	**2024**	**2023**	**2022**	**2021**	**2020**
Contractually Required Contribution	$ 1,713,596	$ 1,441,892	$ 1,186,402	$ 1,121,544	$ 1,236,582
Contributions in Relation to the Contractually Determined Contribution	1,713,596	1,441,892	1,186,402	1,121,544	1,236,582
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,557,814,694	$ 1,441,892,327	$ 1,318,223,933	$ 1,246,160,097	$ 1,236,582,485
Contributions as a Percentage of Covered Payroll	0.11%	0.10%	0.09%	0.09%	0.10%

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

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

The University of North Carolina at Chapel Hill
Notes to Required Supplementary Information
Schedule of University Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2024

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-pocket 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-pocket 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.

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Effective January 1, 2022, the structure of employer contributions to the RHBF was altered by legislation. Previously, non-Medicare-eligible retirees had the same employer contribution rate as active employees. As a result of the legislative change, non-Medicare-eligible retirees have the same employer contribution rate as Medicare-eligible retirees.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee's short-term disability benefit period. Effective with the actuarial valuation as of December 31, 2021, this liability was removed from the actuarial valuation because the reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

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 preceding 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 16 for more information on the specific assumptions for each plan. The actuarially determined contributions 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: Consistent with prior years, for the actuarial valuation measured as of June 30, 2023 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.65%, from 3.54% as of June 30, 2022. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims 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 five years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates was included. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 and the terms of the third party administrator contract effective January 1, 2025 were incorporated in the valuation.

For the actuarial valuation measured as of June 30, 2023 for DIPNC, the discount rate was updated to 3.00%, from 3.08% as of June 30, 2022. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with a change in the degree to which the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

In 2020, 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, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS and the Committee on Actuarial Valuation of Retired Employees' Health Benefits 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 mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the TSERS actuarial valuation to better align with the anticipated incidence of disability.

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 to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the 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 in December 2019 and first recognized in the 2020 OPEB report.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2023 *Annual Comprehensive Financial Report* .

Independent Auditor's Report

North Carolina Office of the State Auditor
Jessica N. Holmes, J.D., State Auditor

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 19, 2024. Our report includes a reference to other auditors who audited the financial statements of the UNC Investment Fund, LLC, UNC Intermediate Pool, LLC, The University of North Carolina at Chapel Hill Foundation, Inc., The Kenan-Flagler Business School Foundation, and the University's discretely presented component units, as described in our report on the University's financial statements. The financial statements of the University's blended and discretely component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with those entities.

<u>Internal Control Over Financial Reporting</u>

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jessica N. Holmes, J.D.

Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

November 19, 2024

Ordering Information

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State of North Carolina
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Raleigh, North Carolina 27699

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This audit required 1,443 hours at an approximate cost of $223,665.