



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

Board of Trustees – Budget, Finance, and Audit Committee January 25, 2012 Meeting

Comprehensive Annual Financial Report 2011

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Comprehensive Annual Financial Report

Accountants' Acronyms

CAFR= Comprehensive Annual Financial Report

An organization's annual financial report that includes statistical and other information in addition to the financial statements.

GASB= Governmental Accounting Standards Board

Established in 1984, the GASB is the standard-setting body for financial reporting by governmental organizations, including public higher education.

FASB= Financial Accounting Standards Board

Established in 1973, the FASB is the standard-setting body for financial reporting by non-governmental organizations, including private higher education.

GFOA= Government Finance Officers Association

The purpose of the GFOA is to enhance and promote the professional management of government for the public benefit.



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Financial Reporting Standards

Changes for June 30, 2011

- GASB Statement No. 59, *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. Statement 59 removes the fair value exemption for unallocated insurance contracts and applies other reporting provisions for interest-earning investment contracts to unallocated insurance contracts, which improves consistency of investment measurements that are reported by pension and other postemployment benefit plans.
- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, applies only to governments that report governmental funds.

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Financial Reporting Standards

Changes for June 30, 2012

- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, (an amendment of GASB Statement No. 53)*, clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Statement lists criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

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Financial Reporting Entity

Primary Entity (based on board control)

- The University
- Affiliated Foundations (UNC Chapel Hill Foundation and Schools for Business, Law, and Education)
- UNC Management Company
- Investment Funds (Chapel Hill Investment Fund, UNC Investment Fund)

Other Component Units (based on benefit, access, and materiality criteria)

- Affiliated Foundations (Arts & Sciences, Medical School, Educational Foundation Scholarship Trust)

GASB Statement No. 61, The Financial Reporting Entity Omnibus

- Effective for Fiscal Year 2012-13
- Modifies Certain Requirements for Inclusion of Component Units in the CAFR
- Potential Impact Under Review



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Financial Reporting Practices

- **State Appropriations**

Reported as a non-operating revenue although the source funds operating expenses.

- **Investment Income or Loss**

Reported as a non-operating revenue or expense and includes income and realized and unrealized gains and losses on investments. There is no segregation for earnings from current funds and endowment funds.

- **Net Assets of Endowment Funds**

The net assets of endowments are reported in all categories of net assets on the balance sheet: 'Restricted Non-expendable' which includes the original donor contribution amounts, 'Restricted Expendable' which includes net appreciation and income that have not been distributed for expenditure, 'Unrestricted' which includes endowments without donor stipulations, and 'Invested in Capital Assets' for real estate used in operations.

- **Tuition and Fees**

The income statement reflects operating revenues for tuition and fees net of scholarship discounts. Essentially, tuition and fee revenues and financial aid expenses are reduced by equal amounts based on revenues from gifts, grants, and other sources that are used to fund scholarships and fellowships.



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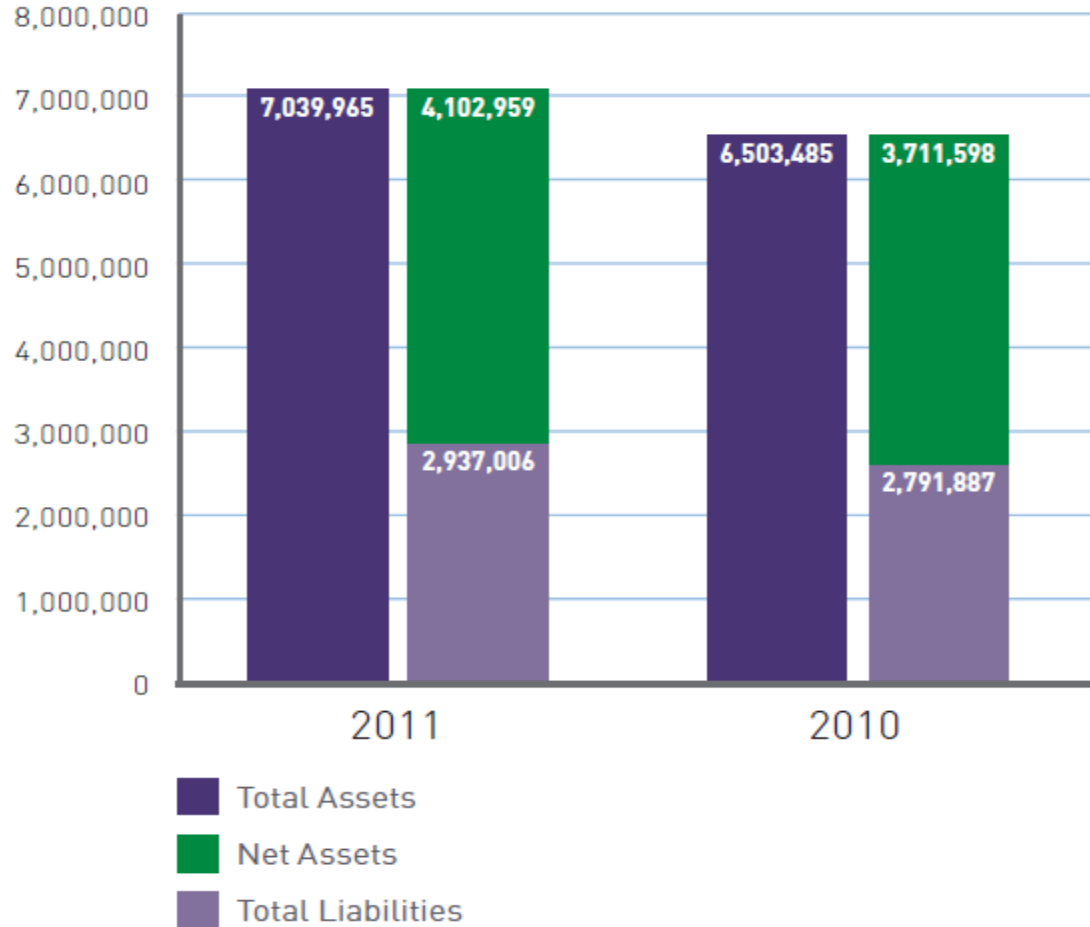
Financial Points for Fiscal Year End June 30, 2011

- Unqualified audit opinion issued by State Auditor, no financial audit findings, and no audit adjustments.
- Total assets increased 8.2 percent to \$7 billion.
- Net assets increased 10.5 percent to \$4.1 billion.
- Net assets change was +\$391 million in 2011, +\$249 million in 2010, and -\$247 million in 2009. [*Return on long-term investment fund was +15.3 percent for 2011, +6.8 percent for 2010, and -19.8 percent for 2009*].
- State appropriations and aid decreased 1.3 percent to \$534.7 million.
- Operating revenues increased 10.5 percent to \$1.70 billion. [*Largest increase in non-governmental contracts & grants operating revenues of 21.1 percent*].
- Operating expenses increased 6.8 percent to \$2.43 billion. [*Largest increase in student financial aid of 31.9 percent*].
- Private gifts and grants, with state matching funds, exceeded \$277 million, including foundations.
- 16th GFOA *Certificate of Achievement* received for 2010 CAFR.



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STATEMENT OF NET ASSETS (DOLLARS IN THOUSANDS)

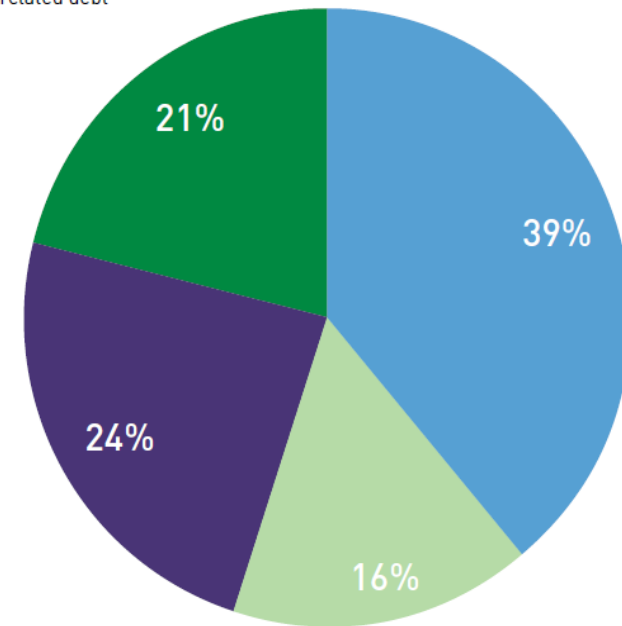


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Invested in Capital Assets, net of related debt	The University's total investment in capital assets attributable to the acquisition, construction, or improvement of those assets, net of accumulated depreciation and outstanding debt obligations.
Restricted Non-expendable	The historical value (corpus) of gifts to the University's permanent endowment funds. The use of the funds is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.
Restricted Expendable	Spendable resources subject to externally imposed stipulations and other parameters governing their use. Includes net appreciation of permanent endowments, funds functioning as endowment, expendable gifts, contracts and grants, and other restricted net assets.
Unrestricted	Spendable resources that are not subject to externally imposed stipulations. The resources are designated for various operating and capital uses. Includes resources derived from student tuition and fees, state appropriations, sales and services, unrestricted gifts, and other unrestricted funds.

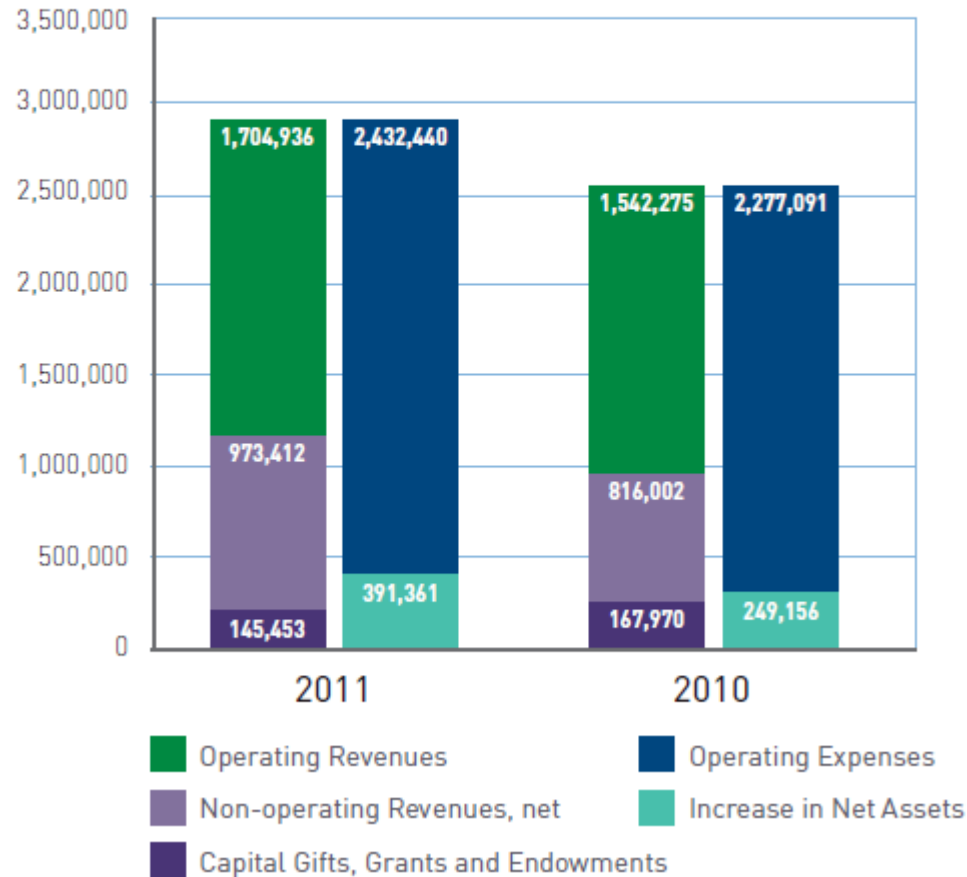
2011 NET ASSETS: \$4,102,959 (IN THOUSANDS)

- Investment in Capital Assets, net of related debt
\$1,587,446
- Restricted Non-expendable
\$656,723
- Restricted Expendable
\$1,007,536
- Unrestricted
\$851,254



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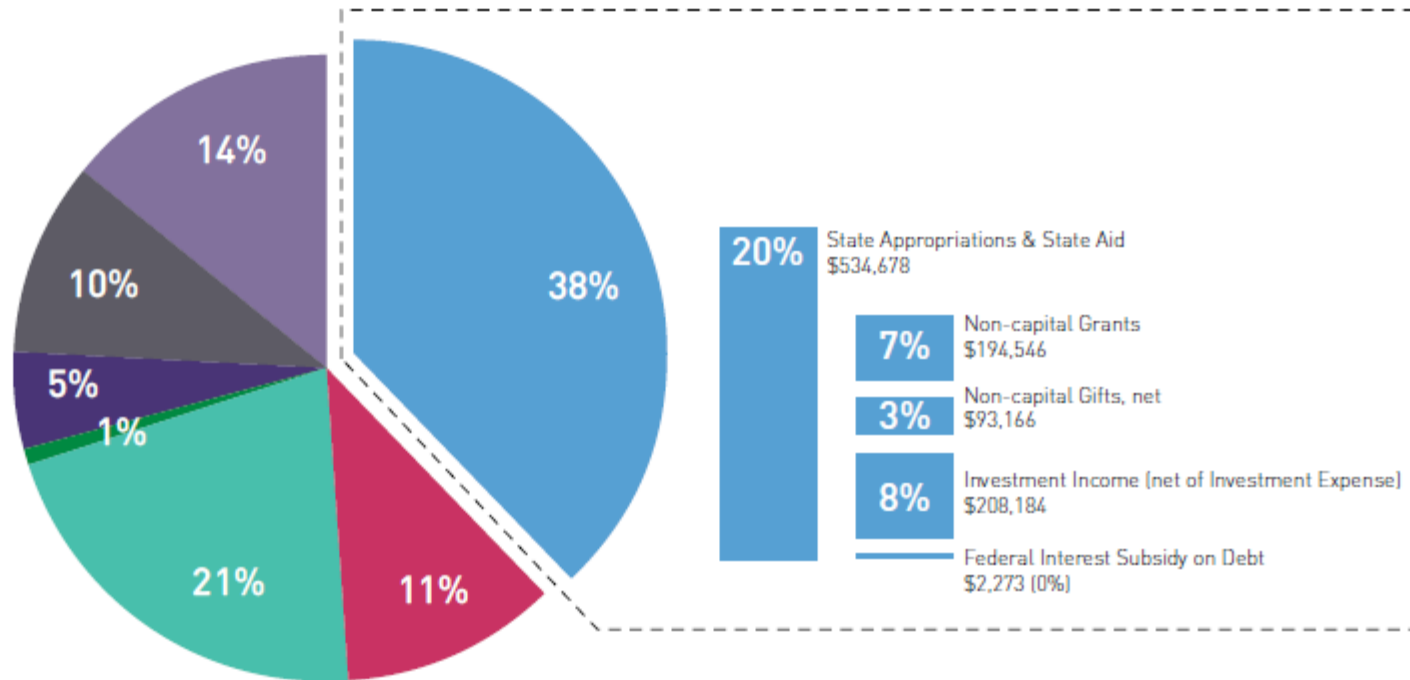
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS *(DOLLARS IN THOUSANDS)*



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2011 TOTAL REVENUES BY SOURCE: \$2,737,783 (DOLLARS IN THOUSANDS)

- Non-operating Revenues
\$1,032,847
- Student Tuition and Fees, net
\$289,897
- Federal Grants and Contracts
\$571,288
- State and Local Grants and Contracts
\$38,251
- Non-governmental Grants and Contracts
\$146,081
- Patient Services, net
\$280,035
- Sales and Services, net
\$373,706
- Interest Earnings on Loans
\$842 (0%)
- Other Operating Revenues
\$4,836 (0%)



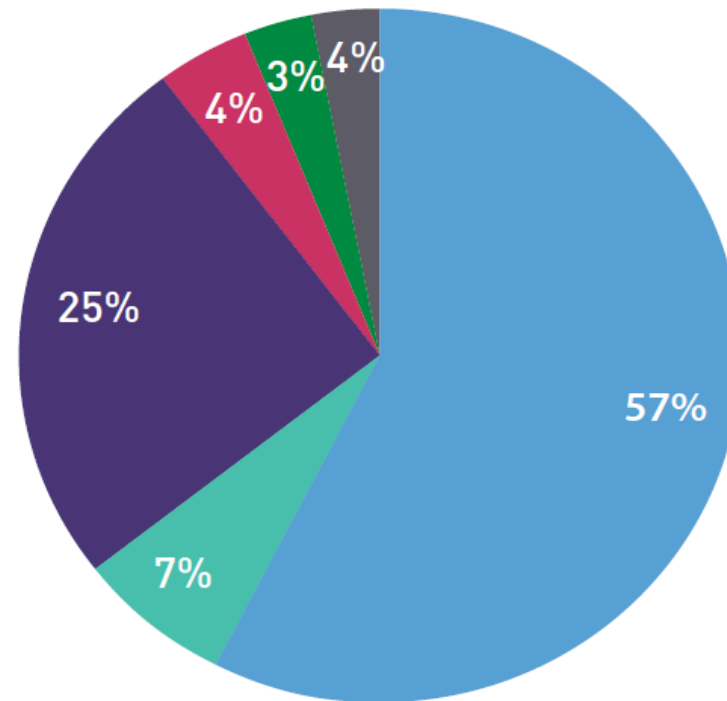
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2010 OPERATING EXPENSES \$2,432,440

\$ Thousands
BY NATURE

2011 OPERATING EXPENSES
BY NATURE: \$2,432,440
(IN THOUSANDS)

- Salaries and Benefits
\$1,379,178
- Supplies and Materials
\$162,999
- Services
\$614,928
- Scholarships and Fellowships
\$91,140
- Utilities
\$81,471
- Depreciation and Amortization
\$102,724



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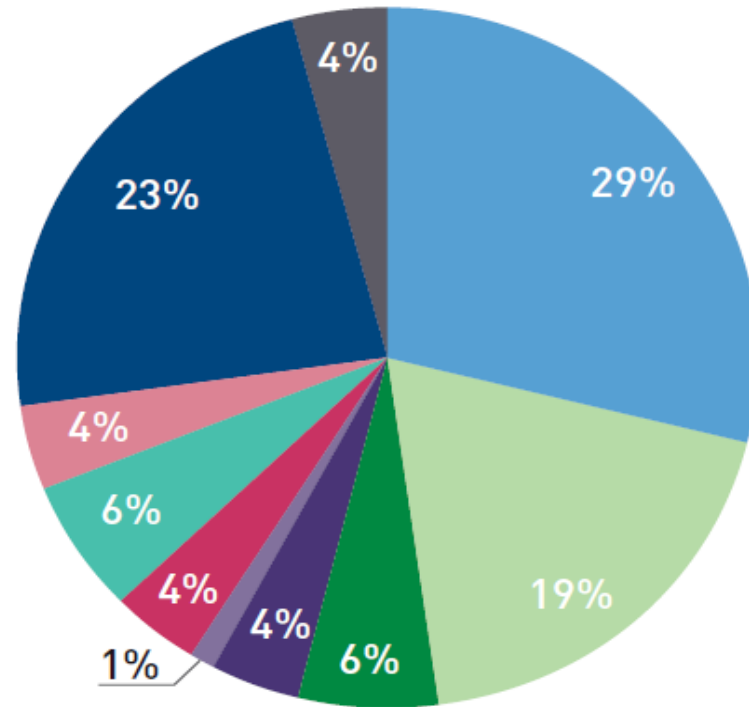
2011 OPERATING EXPENSES \$2,432,440

\$ Thousands

BY FUNCTION

2011 OPERATING EXPENSES
BY FUNCTION: \$2,432,440
(IN THOUSANDS)

- Instruction
\$698,770
- Research
\$468,685
- Public Service
\$137,279
- Academic Support
\$105,883
- Student Services
\$28,320
- Institutional Support
\$91,558
- Operations and Maintenance of Plant
\$145,270
- Student Financial Aid
\$91,140
- Auxiliary Enterprises
\$562,811
- Depreciation and Amortization
\$102,724



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Revenues and Expenses for Ten Years
(in Thousands)



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Board of Trustees

Budget, Finance, and Audit Committee

January 25, 2012

Additional Questions and Discussion

