

# Comprehensive Annual Financial Report 2013



Photo credit: Sam Kittner '85

January 22, 2014



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## Committee Charter

A primary audit-related function of the Finance and Infrastructure Committee is to assist the Board in fulfilling its responsibilities related to the integrity of the University's financial statements.



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## Financial Points for FYE June 30, 2013

- Unmodified audit opinion issued by State Auditor and no financial audit findings.
- **Total assets** increased **7.2 percent** to **\$8.0 billion**.
- **Net position** increased **6.3 percent** to **\$4.5 billion**.
- **Net position** increase was **\$268 million in 2013**, and \$131 million in 2012. [*Return on long-term investment fund was 12.1 percent in 2013 and 2.1 percent for 2012*].
- **State appropriations** increased **5.9 percent** to **\$515.1 million**.
- **Operating revenues** increased **5.9 percent** to **\$1.83 billion**.
- **Operating expenses** increased **4.2 percent** to **\$2.55 billion**.
- Private gifts and grants, with state matching funds, exceeded \$272 million, including foundations.
- 18<sup>th</sup> GFOA ***Certificate of Achievement*** received for 2012 CAFR.



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## Changes in Financial Reporting Standards for 2013

### Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

- Issued to incorporate literature guidance from Pre-November 1989 FASB Statements and other guidance
- Provides clear and accessible guidance to apply provisions

### GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

- Deferred outflows and inflows of resources are reported separately
- Net Assets are renamed as Net Position



## Financial Reporting Standards for FYE June 30, 2013

### GASB Statement No. 61, *The Financial Reporting Entity Omnibus*

- Amends standards for including component units (CU's) in CAFR
- Additional focus on financial benefit or burden relationship as criteria
- Authority to appoint board no longer single factor in determining a CU
- Currently 7 CU's blended and 3 presented discretely (separately) in CAFR



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# University Financial Reporting Entity 2013

## Included In CAFR Financial Statements

- The University of North Carolina at Chapel
- The University of North Carolina at Chapel Hill Foundation, Inc.
- The UNC at Chapel Hill Foundation Investment Fund, Inc.
- UNC Investment Fund, LLC
- UNC Management Company, Inc.
- 3 School-Based Foundations

## **WHY INCLUDE EXTERNAL ENTITIES?**

**University controls a majority of the Board appointments for the entity.**



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# University Financial Reporting Entity 2013

## Included In Separate Financial Statements In CAFR

- The Educational Foundation Scholarship Endowment Trust
- The University of North Carolina at Chapel Hill Arts & Sciences Foundation, Inc.
- The Medical Foundation of North Carolina, Inc.

## **WHY INCLUDE SEPARATELY?**

**University does not control a majority of the Board appointments for the entity; however, the entity exists for the direct benefit of the University.**

## Not Included In CAFR

- The Dental Foundation of North Carolina, Inc.
- The Educational Foundation, Inc.
- The School of Government Foundation, Inc.
- 8 Other Foundations

## **WHY NOT INCLUDE?**

**The entity's net assets are less than 5% of the University's net assets.**



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

[i.e. INCOME STATEMENT]

	FYE 2013	FYE 2012	Change
<b>Operating Revenues</b>	\$1,838,693,898	\$1,736,529,068	5.9%
<b>LESS: Operating Expenses</b>	2,552,476,058	2,449,478,732	4.2%
<b>Operating Loss</b>	(713,782,160)	(712,949,664)	0.1%
<b>ADD: Non-Operating Revenues (Expenses)</b>	887,987,223	732,310,321	21.3%
<b>Income before Other Changes</b>	174,205,063	19,360,657	799.8%
<b>ADD: Capital Additions</b>	93,598,169	111,326,821	-15.9%
<b>Increase in Net Position</b>	267,803,232	130,687,478	104.9%
<b>Net Position - July 1</b>	4,233,646,010	4,102,958,532	3.2%
<b>Net Position - June 30</b>	<u>\$4,501,449,242</u>	<u>\$4,233,646,010</u>	6.3%



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# INCOME STATEMENT

## OPERATING REVENUES

	FYE 2013	FYE 2012	Change
<b>Operating Revenues:</b>			
Student tuition and fees, net	\$348,049,137	\$320,535,342	8.6%
Patient services, net	291,277,004	280,670,917	3.8%
Federal grants and contracts	587,218,757	578,701,477	1.5%
Non-federal grants and contracts	173,977,232	147,144,655	18.2%
Sales and services, net	429,242,943	400,479,549	7.2%
Interest earnings on loans	730,469	849,473	-14.0%
Other operating revenues	<u>8,198,356</u>	<u>8,147,655</u>	0.6%
<b>Total operating revenues</b>	<u><u>\$1,838,693,898</u></u>	<u><u>\$1,736,529,068</u></u>	5.9%



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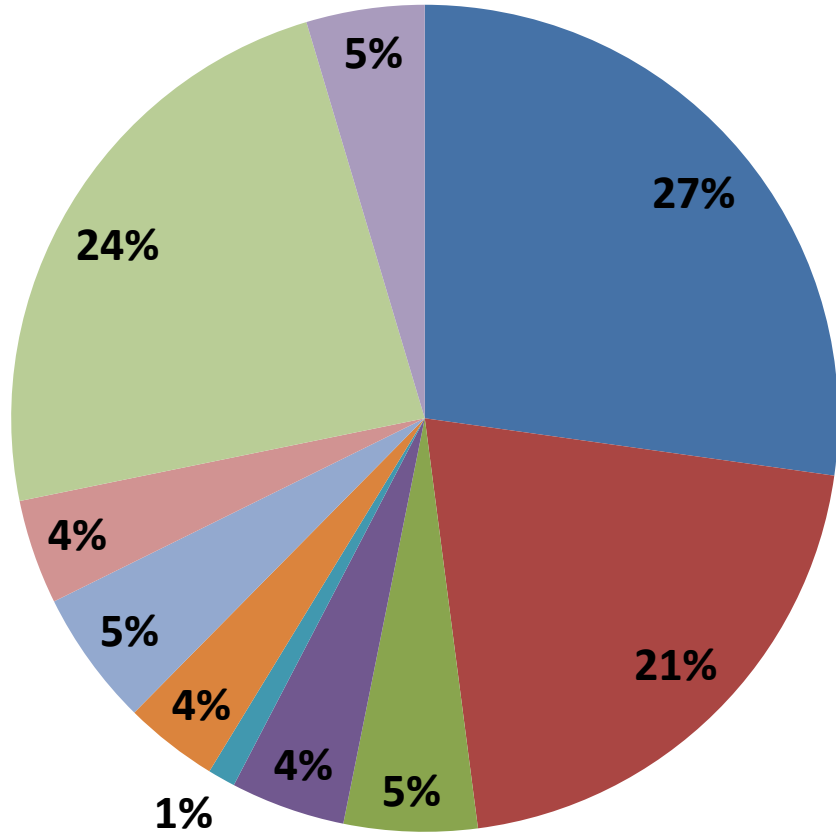
# INCOME STATEMENT

## OPERATING EXPENSES

	FYE 2013	FYE 2012	Change
<b>Operating Expenses:</b>			
Salaries and benefits	\$1,435,472,273	\$1,375,757,987	4.3%
Supplies and materials	160,698,127	164,899,338	-2.5%
Services	650,515,754	617,589,458	5.3%
Scholarships and fellowships	104,556,613	96,870,511	7.9%
Utilities	83,265,203	80,831,565	3.0%
Depreciation and amortization	<u>117,968,088</u>	<u>113,529,873</u>	3.9%
<b>Total operating expenses</b>	<u><u>\$2,552,476,058</u></u>	<u><u>\$2,449,478,732</u></u>	4.2%



## 2013 Operating Expenses by Function: \$2,552,476 (in thousands)



- Instruction \$694,692, +1.7% change from prior year
- Research \$529,102, +12.1%
- Public Service \$133,059, +8.2%
- Academic Support \$114,371, +2.4%
- Student Services \$27,565, +6.0%
- Institutional support \$93,852, +11.2%
- Operations and Maintenance of Plant \$135,314, -3.6%
- Student Financial Aid \$104,557, +7.9%
- Auxiliary Enterprises \$601,996, +0.6%
- Depreciation and amortization \$117,968, +3.9%



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# INCOME STATEMENT

## NET NONOPERATING REVENUES

	FYE 2013	FYE 2012	Change
<b>Non-Operating Revenues (Expenses):</b>			
State appropriations	\$515,120,948	\$486,492,294	5.9%
Non-capital grants -- student financial aid	18,010,874	17,898,888	0.6%
Other non-capital grants	164,789,877	163,440,317	0.8%
Non-capital gifts, net	67,641,050	99,445,647	-32.0%
Investment income			
(net of investment expenses)	191,969,113	33,133,817	479.4%
Interest and fees on debt	(70,119,020)	(64,321,547)	9.0%
Federal interest subsidy on debt	2,174,090	2,273,604	-4.4%
Other non-operating expenses	(1,599,709)	(6,052,699)	-73.6%
<b>Net non-operating revenues</b>	<b><u>\$887,987,223</u></b>	<b><u>\$732,310,321</u></b>	<b>21.3%</b>



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## INCOME STATEMENT

### CAPITAL ADDITIONS

	FYE 2013	FYE 2012	Change
<b>Capital Additions:</b>			
Capital appropriations	\$2,284,500	\$0	
Capital grants	44,177,306	78,133,274	-43.5%
Capital gifts	23,182,356	5,630,001	311.8%
Additions to endowments	<u>23,954,007</u>	<u>27,563,546</u>	-13.1%
<b>Total capital additions</b>	<u><u>\$93,598,169</u></u>	<u><u>\$111,326,821</u></u>	-15.9%





# RECAST INCOME STATEMENT

	FYE 2013	FYE 2012	Change
<b>Revenues for Operations:</b>			
Student tuition and fees, net	\$348,049,137	\$320,535,342	8.6%
State appropriations	515,120,948	486,492,294	5.9%
Grants and contracts	943,996,740	907,185,337	4.1%
Sales and services, net	720,519,947	681,150,466	5.8%
Non-capital gifts, net	67,641,050	99,445,647	-32.0%
Investment income	35,815,646	28,831,888	24.2%
Other revenues	7,329,116	2,944,429	148.9%
<b>Total Revenues for Operations</b>	<u>2,638,472,584</u>	<u>2,526,585,403</u>	4.4%
<b>LESS: Operating Expenses &amp; Debt Service</b>	<u>2,620,420,988</u>	<u>2,511,526,675</u>	4.3%
<b>Operating Margin</b>	<u>18,051,596</u>	<u>15,058,728</u>	19.9%
 <b>Capital Additions:</b>			
Capital gifts and grants	69,644,162	83,763,275	-16.9%
Investment income	156,153,467	4,301,929	3529.8%
Additions to endowments	23,954,007	27,563,546	-13.1%
<b>Total Capital Additions</b>	<u>249,751,636</u>	<u>115,628,750</u>	116.0%
<b>Increase in Net Assets</b>	<u>267,803,232</u>	<u>130,687,478</u>	104.9%
<b>Net Assets - July 1</b>	<u>4,233,646,010</u>	<u>4,102,958,532</u>	3.2%
<b>Net Assets - June 30</b>	<u>\$4,501,449,242</u>	<u>\$4,233,646,010</u>	6.3%



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# BALANCE SHEET JUNE 30

	FYE 2013	FYE 2012	Change
<b>Assets:</b>			
Current assets	\$1,556,409	\$1,469,736	5.9%
<b>Non-current assets:</b>			
Endowment, restricted, and other investments	3,129,647	2,832,661	10.5%
Capital assets, net	3,112,151	3,022,692	3.0%
Other non-current assets	182,568	121,959	49.7%
<b>Total Assets</b>	<u>7,980,775</u>	<u>7,447,048</u>	7.2%
<b>Deferred Outflows of Resources</b>	<u>80,427</u>	<u>122,895</u>	-34.6%
<b>Liabilities:</b>			
Current liabilities	310,154	437,747	-29.1%
<b>Non-current liabilities:</b>			
Funds held in trust for pool participants	1,661,608	1,455,473	14.2%
Long-term liabilities	1,476,431	1,289,115	14.5%
Other non-current liabilities	111,560	153,962	-27.5%
<b>Total Liabilities</b>	<u>3,559,753</u>	<u>3,336,297</u>	6.7%
<b>Net Position</b>	<u>\$4,501,449</u>	<u>\$4,233,646</u>	6.3%



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## **NET POSITION CATEGORIES**

### **NET INVESTMENT IN CAPITAL ASSETS**

Net assets represent 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.

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### **RESTRICTED NON-EXPENDABLE**

Net assets represent 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.

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### **RESTRICTED EXPENDABLE**

Net assets represent the spendable resources subject to externally imposed stipulations and other parameters governing their use. Net assets include net appreciation of permanent endowments, funds functioning as endowment, expendable gifts, contracts and grants, and other restricted net assets.

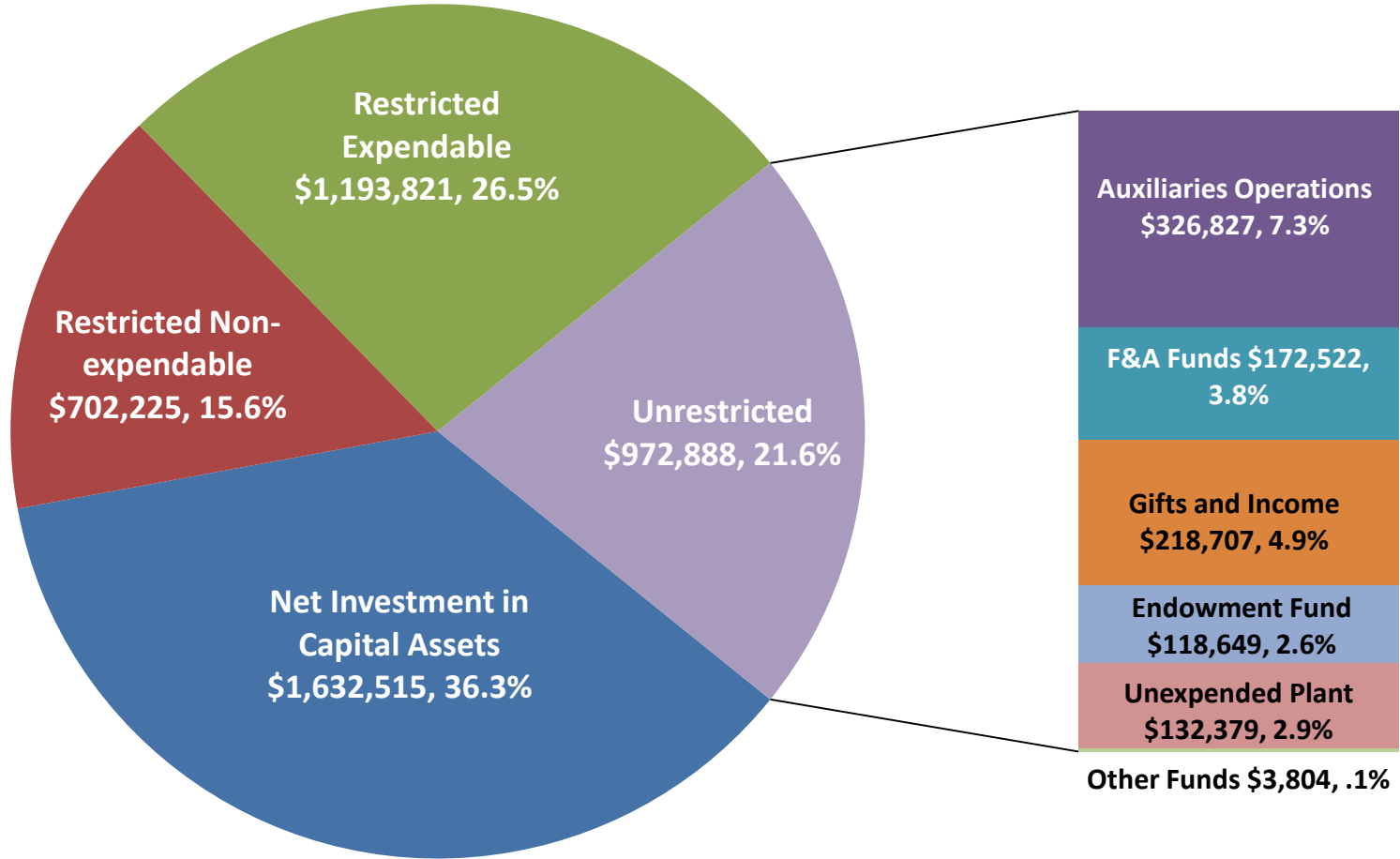
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### **UNRESTRICTED**

Net assets represent the 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.



**2013 Net Assets: \$4,501,449**  
**(in thousands)**



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# FINANCE AND INFRASTRUCTURE COMMITTEE MEETING

January 22, 2014



CAFR 2013- Additional Discussion and Questions



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