



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

Board of Trustees

Audit and Finance Committee

January 21, 2009

Comprehensive Annual Financial Report 2008

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Comprehensive Annual Financial Report

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, System Fund)

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

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



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Financial Reporting Standards

Changes for June 30, 2008

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* - Requires cost-sharing employers to recognize Other Post Employment Benefit (OPEB) expenses for their contractually required contributions to the plan generally consistent with the approach adopted in GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with modifications to reflect differences between pension benefits and OPEB.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* - Requires disclosures pertaining to future revenues that have been pledged in order to disclose information about which revenues will be unavailable for other purposes and how long they will continue to do so.
- GASB Statement No. 50, *Pension Disclosures* - Aligns the financial reporting requirements for pensions with those of other postemployment benefits, to conform with GASB Statement No. 45. This Statement amends GASB Statement No. 27 to require note disclosure of the employer contribution rates and percentage of the amount contributed for the current and preceding two years and to disclose how the required contribution rates are established.

Changes for June 30, 2007

- GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* – Addresses financial statement and disclosure requirements for reporting by administrators or trustees of OPEB plan assets or by employees or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.
- Statement on Auditing Standards Statement No. 112, *Communicating Internal Control Related Matters Identified in an Audit*- Establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements. Requires the auditor to communicate control deficiencies that are *significant deficiencies* or *material weaknesses* in internal control.

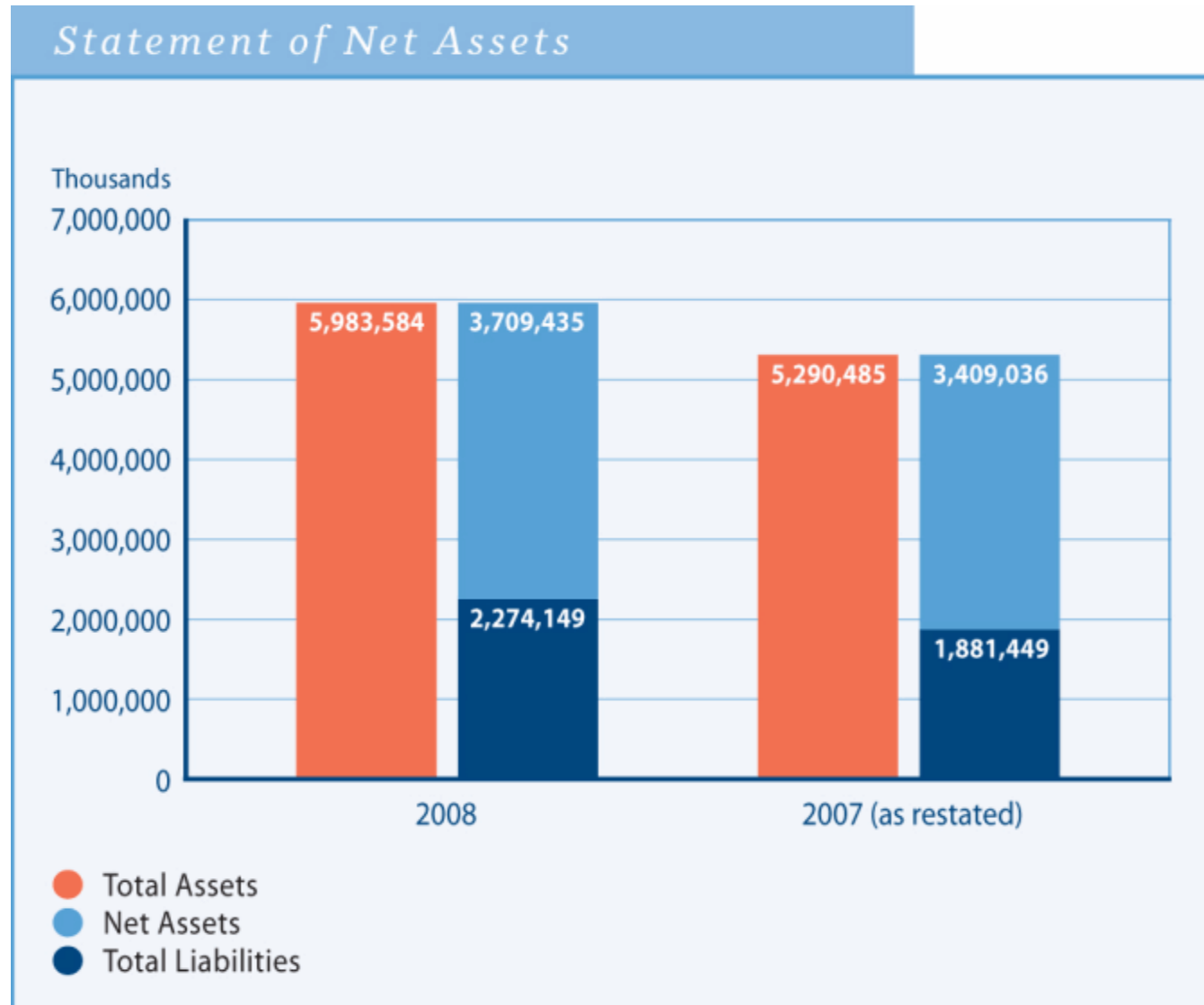
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Financial Highlights for Fiscal Year End June 30, 2008

- Unqualified (“clean”) audit opinion issued by State Auditor.
- Total assets increased 13.1 % to \$6 billion.
- Net assets increased 8.8 % to \$3.7 billion.
- Return on long-term investment fund of 8 %.
- State appropriations increased 10.3 %.
- Operating revenues increased 7.7 % and operating expenses increased 7.2 %.
- Private gifts and grants, with state matching funds, exceeded \$300 million, including foundations.
- GFOA *Certificate of Achievement* received for 2007 CAFR.

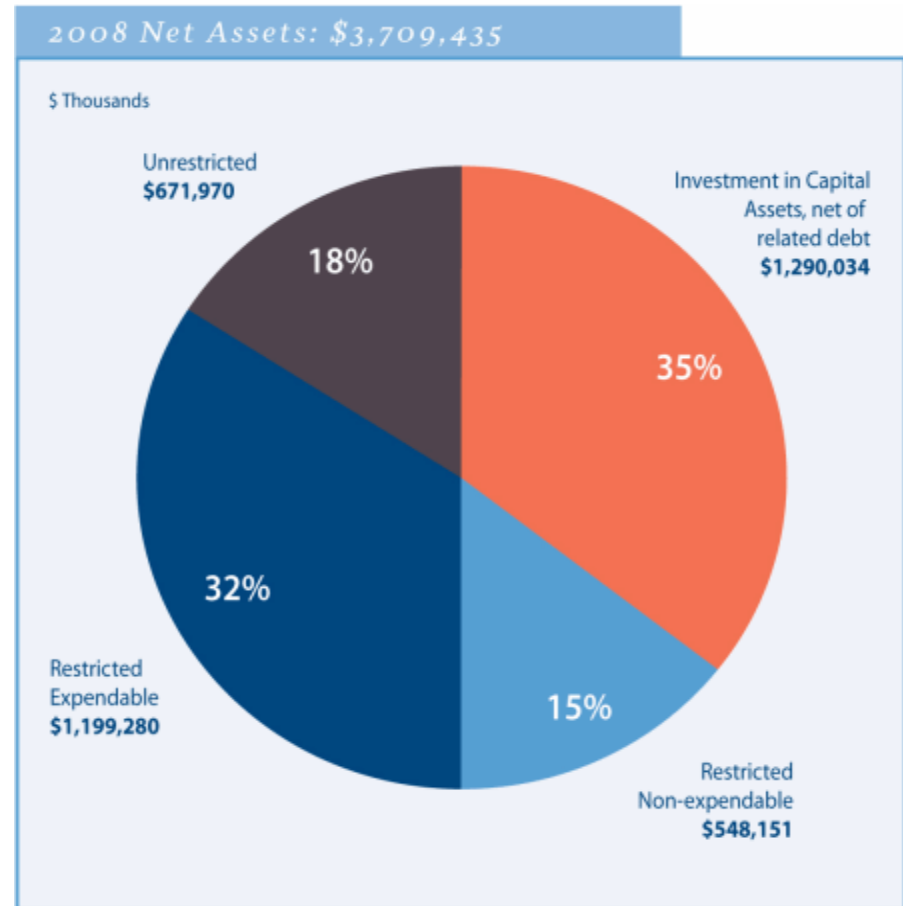


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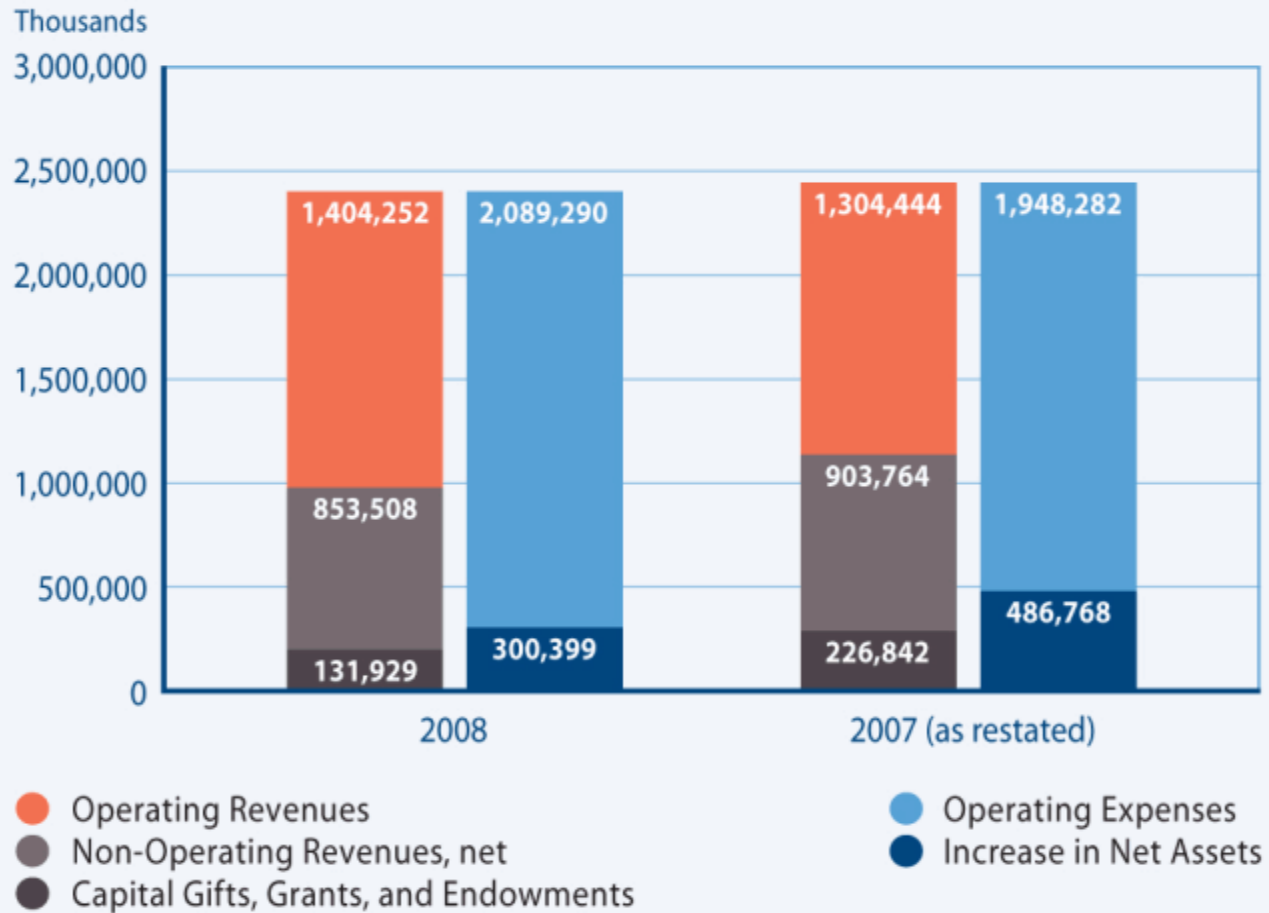
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Invested in Capital Assets, net of related debt	The University's total investment in capital assets attributable to the acquisition, construction, or improvement of those assets, net of accumulated depreciation and outstanding debt obligations.
Restricted 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.



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Statement of Revenues, Expenses, and Changes in Net Assets



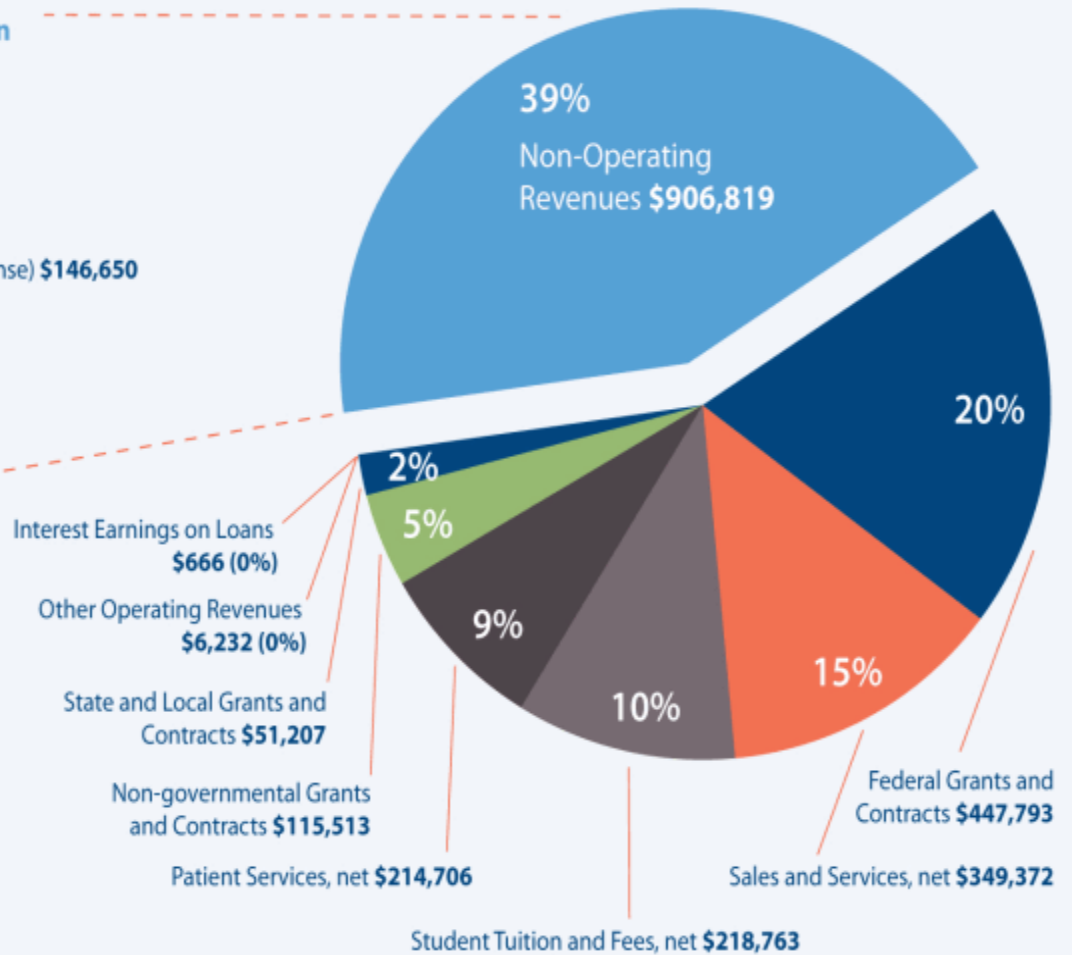
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2008 Total Revenues by Source: \$2,311,071

\$ Thousands

Non-Operating Revenues Breakdown

0%	Other Non-Operating Revenues \$851
4%	Non-capital Grants, net \$102,932
5%	Non-capital Gifts, net \$113,094
6%	Investment Income (net of Investment Expense) \$146,650
24%	State Appropriations \$543,292

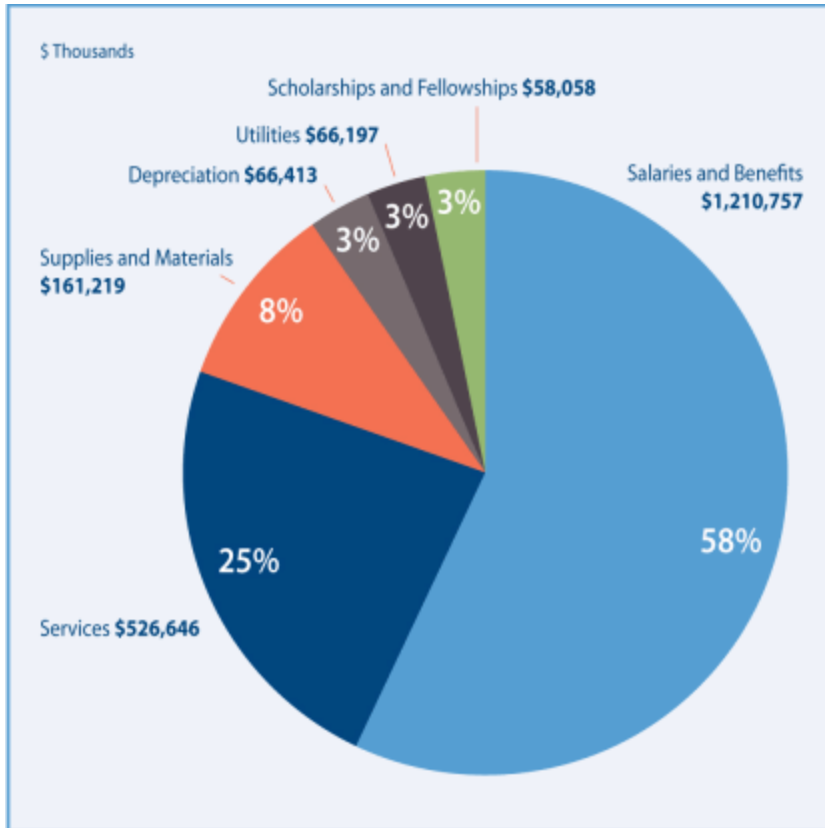


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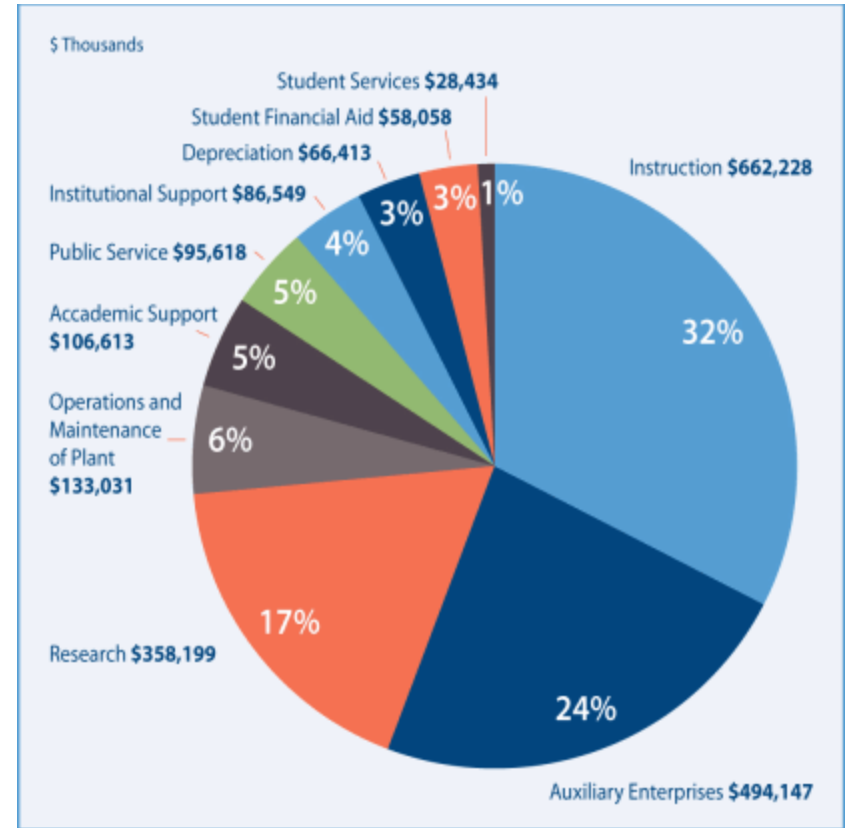
2008 OPERATING EXPENSES \$2,089,290

\$ Thousands

BY NATURE

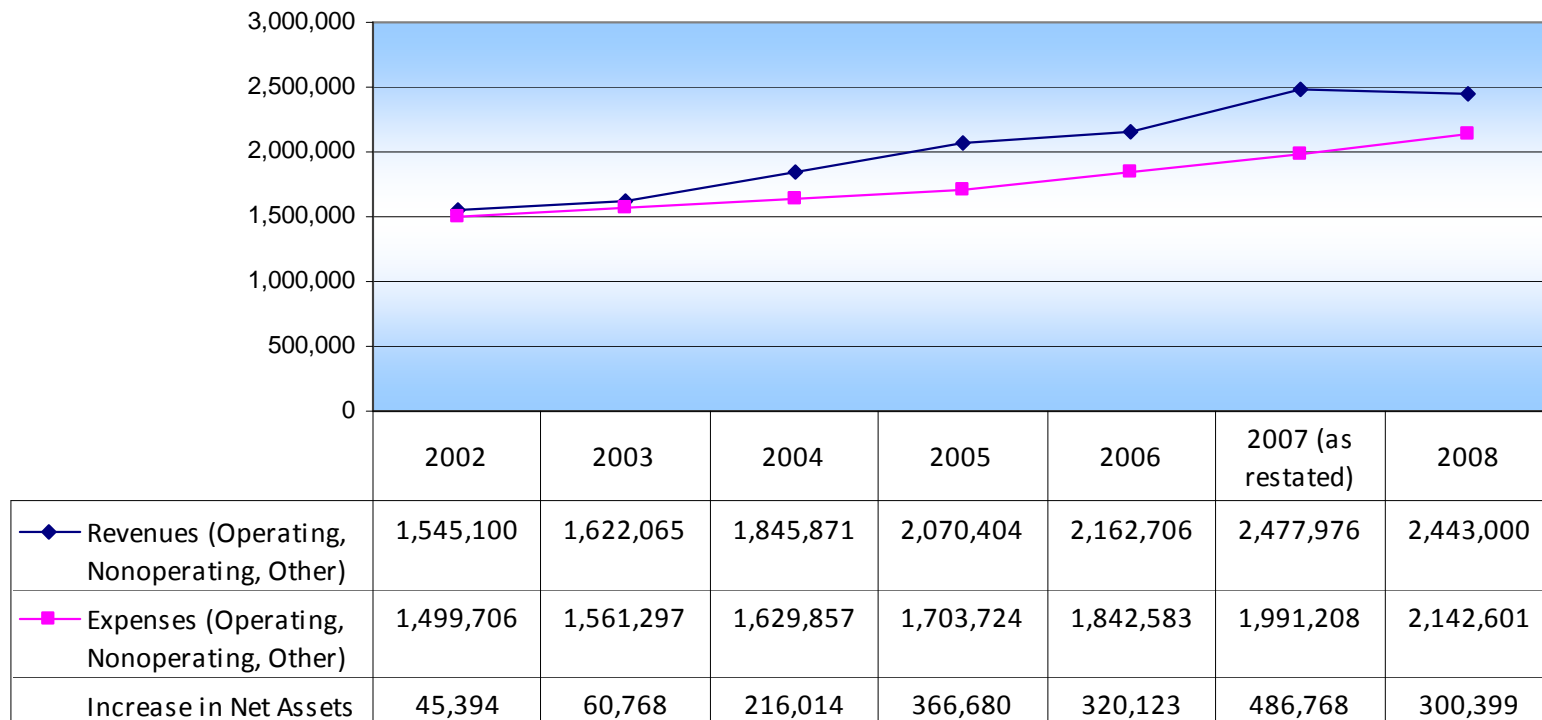


BY FUNCTION



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Revenues and Expenses for Seven Years (in Thousands)



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Board of Trustees

Audit and Finance Committee

January 21, 2009

Conclusion of Presentation

