



Financials & Statistics

Chapel Hill, North Carolina

For the years ending June 30, 2023, and June 30, 2022

Letter of Transmittal

February 16, 2024

To the Governor, the State Auditor, members of the General Assembly, members of the UNC Board of Governors, UNC Chapel Hill Board of Trustees, members of the UNC Health Care System Board of Directors, supporters of the University of North Carolina Health Care System, and Dr. Wesley Burks, CEO.

Introduction

This Annual Report includes a compilation of the operating results and financial position of the University of North Carolina Health Care System (UNC Health) as established by N.C.G.S 116-37. The financial reports as presented represent a summary of data generated by the various entities under the control of the Board of Directors of UNC Health.

The University of North Carolina Hospitals at Chapel Hill (UNC Hospitals), Rex Healthcare, Inc. (Rex), Chatham Hospital, Inc. (Chatham), Caldwell Memorial Hospital (Caldwell), UNC Rockingham Health Care, Inc. (Rockingham), UNC Physicians Network, LLC (UNCPN), UNC Physicians Network Group Practice (UNCPNGP) and the Liability Insurance Trust Fund (LITF) prepare and publish their own separate audit reports on an annual basis. University of North Carolina Faculty Physicians (UNCFP), the clinical patient care programs of the University Of North Carolina School Of Medicine, is included in the audit report for The University of North Carolina at Chapel Hill (UNC-CH). Additional information regarding the organization structure can be found in the Notes to Financials section of the Annual Report.

The Annual Report is compiled to provide useful information about the entity's operations and programs and to ensure its accountability to the citizens of North Carolina. While UNC Health's management believes this information to be accurate, it should be noted that these documents are collectively considered to be unaudited and are not intended to be used for financial decision purposes.

The Financials and Statistics section of the Annual Report presents Management's Discussion and Analysis and pro-forma financial statements for UNC Health and UNCFP. This section also includes selected statistical and financial ratio information. Management's Discussion and Analysis provides a review of the financial operations and the Notes to Financials section provides additional explanation for the reader.

Financial Information

Internal Control Structure

UNC Health's management establishes and maintains an internal control structure to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. Management implements internal control standards to meet each of the internal control objectives and to assess internal control effectiveness. When evaluating the effectiveness of internal control over financial reporting and compliance with financial-related laws and regulations, management follows an assessment process to assure to the state of North Carolina and the public that UNC Health is committed to safeguarding its assets and is providing reliable financial information.

One objective of an internal control structure is to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. Another objective is to ensure that transactions are executed in accordance with appropriate authorization and recorded properly in the financial records to permit the preparation of financial statements in accordance with generally accepted accounting principles. Annually, management provides assurances on internal control in its Performance and Accountability Report, including a separate assurance on internal control over financial reporting along with a report on identified material weaknesses and corrective actions.

As a recipient of federal and state funds, UNC Health is responsible for ensuring compliance with all applicable laws and regulations. A combination of state and UNC Health policies and procedures, integrated with a system of internal controls,

provides for this compliance. The accounts and operations of UNC Hospitals and UNCFP (as a part of UNC-CH) are subject to an annual examination by the Office of the State Auditor. Rex, Chatham, Caldwell, Rockingham, UNCPN, UNCPNGP and the LITF are audited annually by an independent third-party CPA firm. All of these entities were an integral part of the state's reporting entity represented in the state's Annual Comprehensive Financial Report and the state's Single Audit Report. The audit procedures are conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States.

Budgetary Controls

On an annual basis, UNC Health's Board of Directors approves budgets for UNC Hospitals, UNCFP, Rex, Chatham, Caldwell, Rockingham, UNCPN and UNCPNGP. The budget for UNCFP is also subject to approval by UNC-CH. The LITF is governed by the LITF Council. Each entity of UNC Health produces monthly reports that compare budget and actual operating results. Department heads are expected to review the reports and identify significant variances from their budget. If necessary, action plans are implemented that will improve negative variances.

UNC Health is subject to the provisions of the Executive Budget Act, except for trust funds identified in N.C.G.S. 116-36.1 and 116-37.2. These two statutes primarily apply to the receipts generated by patient billings and other revenues from the operations of UNC Hospitals and UNCFP. UNC Hospitals submits monthly reports to the Office of the State Controller that reflect its overall operations. UNC Health receives no appropriation from the state. In the past, appropriated funds from the General Fund covered a portion of operating expenses, including the portion of expenses attributable to the cost of providing (i) care to indigent patients and (ii) graduate medical education.

Cash and Investment Management

UNC Health continues to work with the Office of the State Treasurer and the University of North Carolina Management Company (UNCMC) to maximize the investment earnings for UNC Hospitals based on changes in the General Statutes that were made during the 2005, 2008 and 2011 sessions of the General Assembly. In addition, UNC-CH has allowed UNCFP to invest a portion of their funds in an intermediate fund beginning in fiscal year 2008. Investment earnings subsidize operating income and enable UNC Health to provide more services to the citizens of the state of North Carolina. The cash management policy includes all areas of receipts and disbursements so that investment earnings are maximized, and vendor relations are maintained.

Risk Management

Exposures to loss are managed by a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance and self-retention of certain risks. The key to managing risk is to ensure that programs are in place that educate and guide employees to the best practices for our industry. We have a responsibility to safeguard our patients so that no harm comes to them while under our care. We are similarly committed to ensure a safe workplace for our employees.

In addition to the typical litigation risks with which we are faced, we have to recognize the risk and rewards associated with the health care industry. Continual evaluation of existing programs and new service development is the only way to maintain or increase our competitive advantage.

Acknowledgements

Preparation for this Annual Report would not have been possible without the coordinated efforts of the various financial staffs within UNC Health, with special assistance from the CEO's office and Communications & Marketing.

Will Bryant
System Chief Financial Officer
The University of North Carolina Health Care System

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 Health Care System (UNC Health) for the fiscal years ending June 30, 2023, and June 30, 2022. The financial statements included for UNC Health – The Statement of Net Position; The Statement of Revenues, Expenses, and Changes in Net Position; and The Statement of Cash Flows – are labeled "pro forma" to demonstrate that they are an aggregation of assets and liabilities and the results of financial activities and not the result of an overall audit of UNC Health by an independent auditor and should not be relied on as such. UNC Health was established November 1, 1998, by N.C.G.S. 116-37. The original legislation included only the University of North Carolina Hospitals at Chapel Hill (UNC Hospitals) and the clinical patient care programs of the University of North Carolina at Chapel Hill (UNC-CH). UNC Health is governed by a Board of Directors and is administered as an affiliated enterprise of the University of North Carolina. UNC Faculty Physicians (UNCFP) represents the clinical patient care programs of the UNC School of Medicine (UNC SOM). The University of North Carolina System Funds (System Fund), REX Healthcare, Inc. (REX), Chatham Hospital, Inc. (Chatham), Caldwell Memorial Hospital (Caldwell), UNC Rockingham Health Care (Rockingham), UNC Physicians Network (UNCPN) and UNC Physicians Network Group Practice (UNCPNGP) have been added to the organization since its inception.

The Liability Insurance Trust Fund (LITF) is also included in the annual report. LITF is an unincorporated entity created by North Carolina General Statutes Chapter 116, Article 26 and the University of North Carolina Board of Governors Resolution of June 9, 1978. LITF is a self-insurance program established to provide professional medical malpractice liability coverage for UNC Hospitals and UNCFP, (collectively, the program participants) and is discussed in more detail within the Notes to the Financial Statements.

Effective February 1, 2014, UNC Health and Johnston Memorial Hospital Authority (JMHA) entered into a Master Agreement to form Johnston Health Services Corporation (JHSC), a joint venture to provide health care services to the residents of Johnston County. Oversight and governance of the joint venture is controlled by a Board of Directors consisting of appointees from both JMHA and UNC Health. UNC Health manages the day-to-day operations of JHSC.

On November 4, 2020, the boards of REX and JHSC executed a Joint Operating Agreement to form a stronger partnership to expand the organizations' long history of collaboration to enhance care, improve outcomes, and increase access for patients in Johnston and Wake counties. The agreement calls for a long-term commitment to opening new medical facilities in Johnston County and expanding clinical services offered across the region.

UNC Health owns and/or controls the net assets and financial operations of UNC Hospitals, the System Fund, REX, Chatham, Caldwell, Rockingham, UNCPN and UNCPNGP. In contrast, UNC-CH owns and controls the net assets and financial operations of UNCFP. The UNC Health Board of Directors governs and oversees physician credentialing, quality and patient safety, and resident training and acts to advise and review the financial activities of UNCFP. Final direct control of the monetary operations of UNCFP remains within UNC-CH. The physicians who provide patient care at UNC Hospitals and in the UNC-CH clinics are employees of UNC-CH. Most non-physician employees who assist in providing patient care and the associated administrative, billing and collection services are employees of UNC Health.

For purposes of these financial statements, UNCFP serves as a financial proxy for the "clinical patient care programs of the School of Medicine." The financial statements for the entities directly controlled by UNC Health (UNC Hospitals, REX, Chatham, Caldwell, Rockingham, UNCPN and UNCPNGP) are separately audited on an annual basis and have received unqualified opinions for their prior year reports. The financial activities of UNCFP are included in the financial statements and audit report of UNC-CH. LITF is also audited separately on an annual basis. Since an audit on the aggregation of financial information for these entities cannot be efficiently obtained, we have used the term "pro forma" to describe the financial statements presented.

Pro forma consolidated financial statements for UNC Health are presented, which include UNC Hospitals, the System Fund, REX, Chatham, Caldwell, Rockingham, UNCPN, UNCPNGP, LITF and UNCFP. UNCFP's Statement of Net Position, and Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows for the fiscal years ending June 30, 2023, and 2022 are also included since these financial activities are not separately disclosed elsewhere.

Using This Financial Report

UNC Health's financial statements provide information regarding its financial position and results of operations as of June 30, 2023, and 2022 and the years then ended. The Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows comprise the basic financial statements required by the Governmental Accounting Standards Board (GASB). In accordance with GASB, the *pro forma* financial statements are presented and follow reporting concepts similar to those used by private-sector health organizations. These statements offer short and long-term financial activities about its operations. The financial statement balances reported are presented in a classified format to aid the reader in understanding the nature of the operations. The Notes to the Financial Statements provide information relative to the significant accounting principles applied in the financial statements and further details concerning the organization and its operations. These disclosures provide information to better understand details, risk and uncertainty associated with the amounts reported and are considered an integral part of these *pro forma* financial statements.

Pro Forma Statement of Net Position

The *pro forma* Statement of Net Position provides information relative to the assets (resources), deferred outflows of resources, liabilities (claims to resources), deferred inflows of resources, and net position (equity). Assets and liabilities on this Statement are categorized as either current or noncurrent. Current assets are those that are available to pay for expenses in the next fiscal year, and it is anticipated that they will be used to pay for current liabilities. Current liabilities are those payable in the next fiscal year. Management estimates are necessary in some instances to determine current or noncurrent categorization. The *pro forma* Statement of Net Position provides the basis for evaluating the capital structure, liquidity and its ability to meet current and long-term obligations.

Pro Forma Statement of Revenues, Expenses, and Changes in Net Position

The *pro forma* Statement of Revenues, Expenses and Changes in Net Position provides information relative to the results of the organization's operations, nonoperating activities and other activities affecting net assets. Nonoperating activities include noncapital gifts and grants, investment income (net of investment expenses), unrealized gains and losses on investments, and loss realized on the disposition of capital assets. Under GASB, bond interest expense is considered a nonoperating activity; but for these *pro forma* statements it is presented as operating. The *pro forma* Statement of Revenues, Expenses and Changes in Net Position measures the success of UNC Health's operations and can be used to determine whether UNC Health successfully recovered all of its costs through its revenue, profitability and credit worthiness.

Pro Forma Statement of Cash Flows

The *pro forma* Statement of Cash Flows provides information relative to the cash receipts, cash disbursements, and net changes in cash resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. It also provides answers to such questions as where cash comes from, what cash was used for, and what the change in the cash balance was during the reporting period.

Notes to the Financial Statements

Notes to the *pro forma* financial statements are designed to give the reader additional information concerning UNC Health and further supports the statements noted above. These disclosures provide information to better understand details, risk, and uncertainty associated with the amounts reported and are considered an integral part of the financial statements.

Comparison of Two-Year Data for 2023 to 2022

Data for 2023 and 2022 are presented in this report and discussed in the following sections. Discussion in the following sections is pertinent to fiscal year 2023 results and changes relative to ending balances in fiscal year 2022.

Financial Analysis

STATEMENT OF NET POSITION

Assets increased year over year due largely to an increase of Patient Accounts Receivable, a Healthcare Access & Stabilization Program (HASP) settlement receivable recognized in Other Assets Whose Use is Limited category and an increase in Property Plant and Equipment. The increase in net patient accounts receivable is attributed to several factors including a higher accounts receivable valuation for Medicaid claims based on higher reimbursement rates for both Traditional and Medicaid Managed Care, a measurable delay in the adjudication of claims across payors, and the natural growth in this account balance due to volume and pricing. Property Plant and Equipment increased reflecting the continued investment in our facilities and equipment. These increases were offset in part by a decrease in our ongoing cash and investments balance as well as a decrease in long-term investments.

Deferred outflows of resources increased \$174.9 million from non-cash adjustments related to Governmental Accounting Standards Board (GASB) No. 68 and Statement No. 75 as it relates to the State of North Carolina Teacher's' and State Employee's Retirement System Plan and other postemployment benefits.

The increase in liabilities is attributed primarily to an increase in payables year over year and the combined non-cash change in the net pension liability and net other postemployment benefits liability recorded in accordance with GASB Statements No. 68 and No. 75, respectively.

Deferred inflows of resources decreased \$137.3 million from the recognition of differences between actual and expected pension plan experience, including investment performance, related to the pension plan and other postretirement benefits in accordance with GASB No. 68 and Statement No. 75, as well as a decrease in lease-related deferred inflows.

Net position increased \$270.3 million or 10% year over year as described in more detail in the statement of revenues, expenses, and changes in net position.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

UNC Health generated operating income of \$332.9 million (5.4% operating margin) in fiscal year 2023. The main drivers of revenue are from volume and Healthcare Access & Stabilization Program (HASP) recognition. Volumes were under budget but continued to rebound in patients with higher acuity cases and overall compared to the prior year. Revenue includes the recognition of \$115 million of HASP revenue that was allocated among the entities.

Operating expenses increased primarily in Salaries and Benefits as well as Medical & Surgical Supplies. Salaries and benefits generally increase every year, but this fiscal year continues to reflect the use of contract labor, mainly in nursing, to ensure quality patient care and competitiveness. This category also includes the favorable impact of a reduction of \$123.8 million in benefit expense in order to recognize the GASB pension and post-employment benefits non-cash adjustment. Medical & Surgical Supplies increased due to overall volume, retail and contract pharmacy expenses and inflation.

Nonoperating income was positive overall at \$1.5 million but down significantly compared to the prior year as a result of a reduction in Cares Act and other government assistance revenue, lower investment returns and a change in how UNCFP records research and educational expense. Historically, UNCFP had recorded these as operating expenses when they are more accurately considered a non-operating allocation of expense. These expenses were recategorized in order to better report the results of operations.

Transfers are comparable to the prior fiscal year and mainly in support of the UNC School of Medicine.

CAPITAL ASSETS

A variety of capital projects are underway throughout UNC Health.

The Hillsborough Bed Tower II created additional rehabilitation and medical and surgical capacity at the UNC Hospitals Hillsborough campus, which will decompress and allow for new volume at the main UNC Medical Center campus. This increased total bed capacity at the Hillsborough campus to 163 inpatient beds inclusive of 108 medical and surgical beds and 40 rehabilitation beds.

The Surgical Tower will provide new space and modernize a significant number of operating and intensive care rooms located on the UNC Medical Center campus. This project is expected to be completed in fiscal year 2024.

The Neuroscience Hospital had construction done throughout fiscal year 2023 and will continue into fiscal year 2024. The

renovations are being done to accommodate new patient behavior health and medical rooms and also to address updated regulatory requirements and ensure continued safety for our behavioral health patients.

The generator plant project at UNC Hospitals is currently underway and will provide a facility to house the generators required to provide emergency power for the entire UNC Medical Center. This project will also modernize the standard and emergency power equipment in each hospital building as required by code.

Caldwell kicked-off the formal planning for the Capstone II project, with groundbreaking anticipated in fiscal year 2024. This \$33 million project will modernize four areas in the Hospital and create additional space to accommodate future growth. Departments included are the Cath Lab, clinical laboratory, food services including the cafeteria and new inpatient pharmacy space.

Significant investment in facility improvements, routine capital equipment and technology were made throughout UNC Health during the fiscal year.

LONG-TERM DEBT ACTIVITY

UNC Hospitals, REX, and Chatham have issued revenue bonds in the past and may issue additional debt in the future should the need arise to finance construction projects and if market rates are favorable.

On July 22, 2020, the Rex issued \$70,535,000 in Series 2020B revenue refunding bonds. The bonds were issued for a current refunding of \$70,535,000 of outstanding Series 2010B revenue bonds.

On February 1, 2021, UNC Hospitals issued \$28,280,000 in Series 2021A revenue refunding bonds. The bonds were issued for a current refunding of \$28,280,000 of outstanding Series 2010B revenue bonds.

S&P Global Ratings (S&P) and Moody's Investors Service (Moody's) rate UNC Hospitals' bonds as AA and Aa3, respectively. S&P and Moody's, rate REX's bonds as AA- and A2, respectively. All of these ratings have stable outlooks.

Discussion of Conditions that May Have a Significant Effect on Net Position or Revenues, Expenses and Changes in Net Position

UNC Health derives the vast majority of its operating revenues from patient care services. Strong operating performance in the past and earning a positive operating margin during fiscal year 2023 has enabled UNC Health to continue to make investments in support of the clinical, education, and research programs of UNCFP, UNC SOM, and other network entities. These investments have yielded positive results as measured by growth in needed services, expansion of the medical school class and increased research funding.

UNC Health continues to be a leader in providing the continuum of services required in health care. Providing these services relies on a variety of options for program and service development as well as significant, ongoing capital investment. Guided by a philosophy of collaboration and partnership with other providers, UNC Health continues to evaluate options of strategic importance to its development. Acquisitions and affiliations considered include hospitals, home health, hospice, physician practices and infusion services.

Third-party payors, including governmental sponsored programs, continue to migrate from fee-for-service to fee-for-value. UNC Health Care has positioned itself to be a leader in the new health care environment that will ultimately reimburse less for services currently provided to our patients. Significant investments have been made in population health care in response to a value-based reimbursement regulatory environment. We have implemented programs aimed at different aspects of population health management at each of our medical institutions. UNC Health Alliance, LLC, a subsidiary of UNCPN, is a clinically integrated network designed to enable private practice community physicians to enter into value contracts jointly with UNC Health and third-party payors, with the goal of increasing quality and better managing the cost of care. UNC Senior Alliance, LLC, is also a subsidiary of UNCPN and has entered into an agreement with the Centers for Medicare and Medicaid Services (CMS's) to participate in the Next Generation Accountable Care Organization (ACO) for Medicare recipients effective January 1, 2017. The Next Generation ACO Model is a value-based payment model that encourages providers to assume greater accountability in coordinating the health care of Medicare fee-for-service beneficiaries. Learning from these programs has allowed UNC Health to more rapidly scale and ramp-up our initiatives when appropriate.

Behavioral health is an ongoing area of focus as UNC Health evaluates the most effective opportunities to provide care to the populations served. In December 2022, the North Carolina Department of Health and Human Services and UNC Health agreed to partner to convert the R.J. Blackley Alcohol and Drug Abuse Treatment Center in Butner, N.C., into a 54-bed inpatient psychiatric hospital for children and adolescents called the UNC Hospitals Youth Behavioral Health center. This center is projected to open in the fall of 2024. Separately, Wakebrook is a behavioral health facility located in Raleigh, NC that offers a continuum of services for people dealing with mental health and/or substance abuse disorders. The decision was made to discontinue providing services at Wakebrook as of Sept. 30, 2023 after several months of negotiations with Wake County. UNC Hospitals managed and provided care at this facility for approximately 10 years.

UNC Health provides care without charge and at amounts less than its established rates to patients who meet qualifying criteria. Persons who have no health insurance coverage, no coverage from another third party, or who obtain services not covered by their health insurance are eligible for a 40% discount on charges, no application required although some exceptions apply e.g. cosmetic procedures.

Many North Carolinians require additional support. North Carolina Residents with a household income at or below 250% of the Federal Poverty Guidelines may apply for Financial Assistance (Charity Care). A family of four with a household income at or below \$69,375 would qualify, as would an individual with income at or below \$33,975.

If approved, Financial Assistance will apply to medically necessary services, after all third-party coverage has been collected (some exceptions apply).

Management's ongoing commitment is to maintain high quality patient care, innovation, and very satisfied patients while exercising appropriate expense management. Successfully managing in the future requires tighter integration of administrative functions across the entities of UNC Health, caring for patients in lower cost delivery settings, and continuing to develop sufficient scale to spread the cost of major investments across a broad base. UNC Health continues to implement these changes through a health system-wide planning and implementation process.

Pro Forma Statement of Net Position

For the Years Ended June 30, 2023 and June 30, 2023

	2023	restated 2022
Current Assets		
Cash and Investments	\$531,499,000	\$616,749,000
Patient Accounts Receivable Net	625,057,000	570,550,000
Estimated Third Party Settlements	76,019,000	69,653,000
Other Assets Whose Use is Limited or Restricted	288,643,000	216,500,000
Inventories	116,386,000	115,563,000
Prepaid Expenses and Other Current Assets	136,357,000	132,908,000
Total Current Assets	1,773,961,000	1,721,923,000
Noncurrent Assets		
Investments and Assets Whose Use is Limited or Restricted	1,577,898,000	1,587,407,000
Other Noncurrent Assets	1,370,437,000	1,441,446,000
Property Plant and Equipment, Net	2,587,409,000	2,522,419,000
Total Noncurrent Assets	5,535,744,000	5,551,272,000
Total Assets	\$7,309,705,000	\$7,273,195,000
Deferred Outflows of Resources	732,352,000	557,408,000
Total Assets and Deferred Outflows	\$ 8,042,057,000	\$ 7,830,603,000
Current Liabilities		
Accounts and Other Payables	477,174,000	417,929,000
Accrued Salaries and Benefits	325,747,000	357,601,000
Current Portion of Long Term Debt	69,813,000	59,265,000
Estimated Third Party Settlements - Current	98,167,000	131,191,000
Other Current Liabilities	306,186,000	329,283,000
Total Current Liabilities	1,277,087,000	1,295,269,000
Noncurrent Liabilities		
Noncurrent Portion of Long Term Debt	2,525,809,000	2,506,409,000
Estimated Third Party Settlements - Noncurrent	108,589,000	103,345,000
Other Noncurrent Liabilities	556,694,000	484,696,000
Total Noncurrent Liabilities	3,191,092,000	3,094,450,000
Total Liabilities	4,468,179,000	4,389,719,000
Deferred Inflows of Resources	565,293,000	702,672,000
Net Position	3,008,585,000	2,738,212,000
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 8,042,057,000	\$ 7,830,603,000

Pro Forma Statement of Revenues, Expenses, and Changes in Net Position

For For the Years Ended June 30, 2023 and June 30, 2022

	2023	restated 2022
Operating Revenues		
Net patient service revenue	\$5,509,705,000	\$4,886,957,000
Other operating revenues	600,395,000	536,282,000
Total Operating Revenues	6,110,100,000	5,423,239,000
Operating Expenses		
Salaries and benefits	3,188,398,000	2,899,949,000
Medical and surgical supplies	1,423,959,000	1,271,064,000
Contracted services	626,299,000	615,491,000
Other supplies and services	243,397,000	247,894,000
Depreciation and amortization	254,934,000	209,287,000
Interest expense	40,174,000	36,421,000
Total Operating Expenses	5,777,161,000	5,280,106,000
Operating Income (Loss)	332,939,000	143,133,000
Nonoperating Income (Loss)		
Investment income, net	4,001,000	40,089,000
CARES Act Stimulus	14,270,000	207,322,000
Other, net	(16,767,000)	44,122,000
Nonoperating Income, Net	1,504,000	291,533,000
Excess (Deficit) of Revenues and Gains Over Expenses and Losses	334,443,000	434,666,000
Health Care System Transfers	(64,070,000)	(49,799,000)
Change in Net Position	270,373,000	384,867,000
Net Position – Beginning of Period	2,738,212,000	2,353,345,000
Net Position – End of Period	\$ 3,008,585,000	\$ 2,738,212,000

Pro Forma Statement of Cash Flows

For the Years Ended June 30, 2023 and June 30, 2022

	2023	restated 2022
Operating Activities		
Receipts from patients and third-party payors	\$ 5,340,953,000	\$ 4,536,652,000
Payments to and on behalf of employees	(3,380,234,000)	(3,000,955,000)
Payments to suppliers	(2,080,326,000)	(2,066,498,000)
Other receipts	286,172,000	402,588,000
Net Cash Used by Operating Activities	166,565,000	(128,213,000)
Noncapital Financing Activities		
Health Care System transfers	44,753,000	(134,116,000)
CARES Act stimulus	9,668,000	161,273,000
Other payments	3,079,000	19,854,000
Net Cash Provided by Noncapital Financing Activities	57,500,000	47,011,000
Capital and Related Financing Activities		
Proceeds from issuance of long-term debt, net of premium	-	70,536,000
Proceeds from lease arrangements	1,475,000	608,000
Interest paid on capital debt	(34,993,000)	(17,337,000)
Interest paid on leases	(1,803,000)	(3,361,000)
Principal paid on revenue bond maturity	(2,258,000)	(34,363,000)
Principal paid on capital lease and notes payable	(27,179,000)	(10,579,000)
Acquisition and construction of capital assets	(376,778,000)	(346,706,000)
Transfer to construction fund	9,676,000	47,159,000
Net Cash Used/Provided by Capital and Related Financing Activities	(431,860,000)	(364,579,000)
Investing Activities		
Interest income	11,270,000	79,857,000
Investment income, net	140,496,000	232,472,000
Net Affiliated Activity	(3,835,000)	(1,887,000)
Other receipts, net	(25,386,000)	46,751,000
Net Cash Used/Provided by Investing Activities	122,545,000	357,193,000
Net Increase in Cash and Cash Equivalents	(85,250,000)	(88,588,000)
Cash and Cash Equivalents - Beginning of Period	616,749,000	705,337,000
Cash and Cash Equivalents - End of Year	\$ 531,499,000	\$ 616,749,000

Statement of Net Position (Unaudited)

For the Years Ended June 30, 2023 and June 30, 2022

	2023	restated 2022
Current Assets		
Cash and Investments	\$ (13,632,000)	\$ 71,088,000
Patient Accounts Receivable Net	56,780,000	49,175,000
Estimated Third Party Settlements	67,179,000	63,951,000
Other Assets Whose Use is Limited or Restricted	104,032,000	69,354,000
Inventories	278,000	236,000
Prepaid Expenses and Other Current Assets	17,131,000	18,617,000
Total Current Assets	231,768,000	272,421,000
Noncurrent Assets		
Investments and Assets Whose Use is Limited or Restricted	624,000	527,000
Other Noncurrent Assets	59,121,000	89,385,000
Total Noncurrent Assets	59,745,000	89,912,000
Total Assets	\$ 291,513,000	\$ 362,333,000
Total Assets and Deferred Outflows	\$ 291,513,000	\$ 362,333,000
Current Liabilities		
Accounts and Other Payables	\$ 62,127,000	\$ 50,894,000
Accrued Salaries and Benefits	63,637,000	56,105,000
Total Current Liabilities	125,764,000	106,999,000
Noncurrent Liabilities		
Other Noncurrent Liabilities	59,159,000	56,780,000
Total Noncurrent Liabilities	59,159,000	56,780,000
Total Liabilities	184,923,000	163,779,000
Net Position	106,590,000	198,554,000
Total Liabilities, Deferred Inflows, and Net Position	\$ 291,513,000	\$ 362,333,000

Statement of Revenues, Expenses and Changes in Net Position (Unaudited)

For the Years Ended June 30, 2023 and June 30, 2022

	2023	restated 2022
Operating Revenues		
Net patient service revenue	\$ 584,184,000	\$ 551,095,000
Other operating revenues	156,087,000	148,863,000
Total Operating Revenues	740,271,000	699,958,000
Operating Expenses		
Salaries and benefits	654,107,000	611,058,000
Medical and surgical supplies	52,583,000	49,334,000
Contracted services	99,767,000	94,875,000
Other supplies and services	31,685,000	25,903,000
Total Operating Expenses	838,142,000	781,170,000
Operating Income (Loss)	(97,871,000)	(81,212,000)
Nonoperating Income (Loss)		
Investment income, net	1,476,000	3,151,000
Other, net	(28,346,000)	35,968,000
Nonoperating Income, Net	(26,870,000)	39,119,000
Excess (Deficit) of Revenues and Gains Over Expenses and Losses	(124,741,000)	(42,093,000)
Health Care System Transfers	32,777,000	27,916,000
Change in Net Position	91,964,000	(14,177,000)
Net Position - Beginning of Period	198,554,000	212,731,000
Net Position - End of Period	\$ 106,590,000	\$ 198,554,000

Statement of Cash Flows (Unaudited)

For the Years Ended June 30, 2023 and June 30, 2022

	2023	restated 2022
Operating Activities		
Receipts from patients and third-party payors	\$ 573,351,000	\$ 518,970,000
Payments to and on behalf of employees	(644,195,000)	(620,804,000)
Payments to suppliers	(168,317,000)	(173,522,000)
Other receipts	121,408,000	235,004,000
Net Cash (Used) Provided by Operating Activities	(117,753,000)	(40,352,000)
Noncapital Financing Activities		
Health Care System transfers	32,777,000	27,916,000
Other payments	-	-
Net Cash Provided by Noncapital Financing Activities	32,777,000	27,916,000
Investing Activities		
Interest income	1,476,000	3,151,000
Investment income, net	27,126,000	328,000
Net Affiliated Activity	-	-
Other receipts, net	(28,346,000)	35,968,000
Net Cash Provided by Investing Activities	256,000	39,447,000
Net Increase in Cash and Cash Equivalents	(84,720,000)	27,011,000
Cash and Cash Equivalents - Beginning of Period	71,088,000	44,077,000
Cash and Cash Equivalents - End of Year	\$ (13,632,000)	\$ 71,088,000

Pro Forma Selected Statistics and Ratios

For the Years Ended June 30, 2023 and June 30, 2022

	2023	restated 2022
Patient Service Statistics		
Discharges	85,532	81,528
Patient Days	596,261	579,481
Observation Day Equivalents	37,346	34,796
Deliveries	10,388	10,001
Adjusted Discharges	204,242	184,132
Adjusted Patient Days	1,302,266	1,202,377
CMI Adjusted Discharges	394,613	361,873
CMI Adjusted Patient Days	2,580,243	2,417,954
ED Visits	242,498	218,002
wRVUs	12,337,930	10,879,832
Surgical Cases	65,185	60,647
Cath Lab	16,532	15,843
EP Lab	26,441	24,751
Structural Heart	741	659
Chemotherapy	94,727	89,753
Radiation Therapy	65,398	62,751
Imaging	801,126	740,575
Endoscopy	31,900	30,385
Transplants	448	406

Notes to the Pro Forma Financial Statements

NOTE 1 // SIGNIFICANT ACCOUNTING POLICIES

A. Organization – The University of North Carolina Health Care System (UNC Health) was established November 1, 1998, by N.C.G.S. 116-37. It is governed and administered as an affiliated enterprise of The University of North Carolina system with its stated purpose to provide patient care, facilitate the education of physicians and other health care providers, conduct research collaboratively with the health sciences schools of the University of North Carolina at Chapel Hill (UNC-CH) and render other services designed to promote the health and well-being of the citizens of North Carolina.

The original legislation included the University of North Carolina Hospitals at Chapel Hill (UNC Hospitals) and the clinical patient care programs established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill (UNC SOM) including University of North Carolina Physicians and Associates (UNC P&A). As of January 1, 2013, UNC Physicians & Associates changed its name to UNC Faculty Physicians (UNCFP) to better identify the relationship with the UNC School of Medicine. UNC Health is under the governance of the Board of Directors of UNC Health. The University of North Carolina System Funds (System Fund), REX Healthcare, Inc. (REX), Chatham Hospital, Inc. (Chatham), Caldwell Memorial Hospital (Caldwell), UNC Rockingham Health Care (Rockingham), UNC Physicians Network (UNCPN), UNC Physicians Network and Group Practice (UNCPNGP) have been added to the organization since its inception.

Caldwell Memorial Hospital (Caldwell) – Caldwell is a private, not-for-profit community hospital in Lenoir, North Carolina and is an acute care hospital with a provider network of approximately 90 primary and specialty care physicians and advanced practice professionals. UNC Health became the sole corporate member of Caldwell on May 1, 2013.

Chatham Hospital, Inc. (Chatham) – Chatham is a private, nonprofit corporation that owns and operates a critical access facility located in Siler City, North Carolina. UNC Health is the sole member of Chatham. The Chatham Board consists of 7 to 15 members including the Chatham President and Chief of Staff serving as ex-officio trustees while residents of Chatham's service area are required to hold one third of the trustee positions. UNC Health's Board reviews and approves all board nominations as well as Chatham's annual operating and capital budgets.

Liability Insurance Trust Fund (LITF) – LITF is an unincorporated entity created by North Carolina General Statutes Chapter 116, Article 26 and the University of North Carolina Board of Governors Resolution of June 9, 1978. LITF is a self-insurance program established to provide professional medical malpractice liability coverage for UNC Hospitals and

UNCFP, (collectively, the program participants). LITF services professional liability claims and defense costs for each case and manages separate accounts for each participant from which losses are paid. LITF provides coverage for program participants and individual health care practitioners working as employees, agents, or officers of the program participants. LITF is exempt from federal and state income taxes and is not subject to regulation by the North Carolina Department of Insurance.

REX Healthcare, Inc. (REX) – REX is a North Carolina not-for-profit corporation organized to provide support for a wide range of services offered through UNC Health and its affiliates to the residents of the Triangle area of North Carolina.

UNC Health is the sole member of REX. REX is the sole member and parent corporation of Rex Hospital, Inc. (Rex Hospital). Both REX and Rex Hospital are separate, non-profit 501(c)(3) corporations, organized under the laws of North Carolina and each is governed by a separate board of directors. As of May 30, 2019, REX, no longer has a 13-member Board of Trustees. As of that date, REX has a Board of Directors consisting of three members in order to better serve the interests of REX and provide greater flexibility and convenience in terms of administration. UNC Health appoints all three seats on REX's Board of Directors. Rex Hospital is governed by a Board of Directors consisting of not less than nine or more than fifteen members. The president of Rex Hospital serves as an ex-officio voting member of the Rex Hospital Board of Directors. All of the other members of the Rex Hospital Board of Directors are elected by UNC Health. UNC Health reviews and approves REX's, including Rex Hospital's, annual operating and capital budgets.

Health care operations are managed by Rex Hospital. REX, the parent corporation, acts as a supporting organization for UNC Health and certain affiliates. REX may perform management and administrative functions and overall planning and coordination, as well as provide shared services, for the benefit of UNC Health. REX is a component unit of UNC Health, and its financial data is incorporated into the comprehensive annual financial report of UNC Health.

The University of North Carolina Faculty Physicians – Formerly known as UNC Physicians & Associates, University of North Carolina Faculty Physicians (UNCFP) is the clinical service component of the UNC School of Medicine. At the heart of UNCFP are the approximately 1,921 physicians who provide a full range of specialty and primary care services for patients of UNC Health. While the great majority of services are rendered at the inpatient units of UNC Hospitals and the outpatient clinics on the UNC campus, there is a growing range of services provided at clinics in the community. There are 23 clinical departments and 4 administrative units that collectively form UNCFP.

Clinical Departments:

Allied Health Sciences	Radiation Oncology
Anesthesiology	Radiology
Dermatology	Surgery Urology
Emergency Medicine	Center for Development and Learning
Family Medicine	Treatment and Education of Autistic and
Medicine	Orthopedics Related
Neurology	Communication
Neurosurgery	Handicapped Children
Obstetrics & Gynecology	
Ophthalmology	
Orthopaedics	
Otolaryngology	Administrative Units:
Pathology & Laboratory Medicine	Administrative Office (Billing & Collections, Managed Care)
Pediatrics	Ambulatory Administration
Physical Medicine & Rehabilitation	Funds Flow Admin
Psychiatry	Shared Services

While UNCFP is affiliated with UNC Health, the net assets of UNCFP are held in a UNC-CH trust fund. The operating income and expenses for UNCFP are managed via the UNC-CH's accounting infrastructure, and its operational results are included in the annual audit for the UNC-CH.

The University of North Carolina Hospitals – The University of North Carolina Hospitals at Chapel Hill (UNC Hospitals) is the only state-owned teaching hospital in North Carolina. With a licensed base of 1,001 beds, this facility serves as an acute care teaching hospital for The University of North Carolina at Chapel Hill. UNC Hospitals consists of North Carolina Memorial Hospital, North Carolina Children's Hospital, North Carolina Neurosciences Hospital, North Carolina Women's Hospital, North Carolina Cancer Hospital, UNC Hospitals Hillsborough campus and UNC Hospitals WakeBrook campus. As a state agency, UNC Hospitals is required to conform to financial requirements established by various statutory and constitutional provisions

UNC Physicians Network, LLC (UNCPN) – UNCPN is a North Carolina limited liability corporation organized to meet the needs of community practice physicians and offer a partnership for both physicians and UNC Health to face the challenging health care environment. Acting through its network of more than 146 practices, UNCPN provides health care to patients from several locations throughout the Triangle area (Raleigh, Durham and Chapel Hill) and surrounding counties in North Carolina.

UNC Physicians Network Group Practices, LLC (UNCPN-GP) – UNCPN-GP is also a North Carolina limited liability corporation organized to meet the needs of community practice physicians and offer a partnership for both physicians and UNC Health to face the challenging health care environment. UNCPN-GP is wholly owned by UNC Health but is a private employer.

University of North Carolina Health Care Health Insurance Fund (HCS Health Insurance) – HCS Health Insurance

Fund was created to help manage the medical, dental, and pharmacy claims for NC Health non-state team members. This fund provides an essential benefit to UNC Health team members and funded by each owned and managed entity that participates in this program.

University of North Carolina Health Care Real Estate Fund (NC Health Properties) – NC Health Properties within UNC Health was created to segregate and track real estate holdings in the name of UNC Health Care System and Health System Properties, LLC. This fund acts as a service center to accumulate costs associated with real estate holdings across various UNC Health entities which will have rental or use agreements with NC Health Properties.

UNC Rockingham Health Care (Rockingham) – Rockingham is a not-for-profit acute care hospital located in Eden, North Carolina, formally known as Morehead Memorial Hospital. It was acquired via an asset purchase agreement and became a part of the UNC Health as of December 2017

University of North Carolina Health Care Shared Administrative Services Fund (Shared Administrative Services Fund) – The Shared Administrative Services Fund within UNC Health represents those activities that benefit all of the owned entities such as legal, marketing, human resources, finance, strategic planning, contract pharmacy, risk management, and information technology services. The annual flow of funds involves budgeting the Shared Administrative Services required to support UNC Health's operations over the course of the next year and then billing the applicable entities for their allocated share. Managed entities are provided services on a contractual basis

University of North Carolina Health Care System Funds (System Fund) – The Board of Directors of UNC Health Care System (UNC Health) authorized and approved the creation of the System Fund to enable fund transfers among the entities within the System in support of the System's vision and mission to be the nation's leading public academic health care system.

WakeBrook Mental Health Campus (WakeBrook) – UNC Health agreed to provide, enhance and expand all services offered in the past at Wake County's WakeBrook facility. Pursuant to agreements with Wake County and Alliance Behavioral Health, UNC Health began with the operation of WakeBrook Crisis and Assessment services on February 1, 2013. WakeBrook provides behavioral health and medical services in the areas of Crisis and Assessment, Residential Facility Based Crisis, Detoxification Beds, Onsite Medical Care, Primary Care Clinic, Inpatient Care, and Assertive Community Treatment Team. Note that UNC Health made the decision to discontinue all services at WakeBrook as of Sept. 30, 2023 after several months of negotiations with Wake County.

B. Basis of Presentation – The accompanying financial statements present all activities under the direction of the UNC Health Board of Directors. The financial statements for UNC Health are presented as a pro forma compilation of the various statements generated by its separate entities.

Caldwell, Chatham, REX, Rockingham, NC Hospitals, UNCPN, and UNCPN-GP issue their own audited financial statements while UNCFP is included as a part of the audited statements for the UNC-CH.

In compiling the financial statements for UNC Health, significant intercompany transactions and balances between the related parties have been eliminated. In addition, while the general statutes refer to only the clinical operations of the School of Medicine, which are reported through UNCFP, this annual report includes the assets, liabilities and net assets of UNCFP, which are included in the audited financial statements for the UNC-CH.

C. Basis of Accounting – The financial statements of the various entities have been prepared using the accrual basis of accounting for Caldwell, Chatham, LITF UNCFP, UNC Hospitals, REX, Rockingham, UNCPN, UNCPN-GP, and the System Fund. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. When preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

D. Current and Noncurrent Designation – Assets are classified as current when they are expected to be collected within the next 12 months or consumed for a current expense in the case of cash or prepaid items. Liabilities are classified as current if they are due and payable within the next 12 months.

E. Operating and Nonoperating Activities – Revenues and expenses are classified as operating or nonoperating in the accompanying Statements 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 principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as charges for inpatient and outpatient services as well as for external customers who purchase medical services or supplies. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions “and donations” that represent subsidies or gifts, as well as investment income “and gain (loss) on disposal of capital assets,” are considered nonoperating since these are investing, capital or noncapital financing activities. CARES Act relief funds and FEMA reimbursements are recorded as nonoperating income.

F. Cash and Cash Equivalents – This classification includes all highly liquid investments with an original maturity of three months or less when purchased including deposits held by the State Treasurer in the short-term investment fund (STIF).

The STIF account has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

UNC-CH manages the funds of UNCFP as authorized by the University of North Carolina Board of Governors pursuant to N.C.G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina. Special funds and funds received for services rendered by health care professionals pursuant to N.C.G.S 116-36.1(h) are invested in the same manner as the State Treasurer is required to invest. Investments of various funds may be pooled unless prohibited by statute or by terms of the gift or contract. UNC-CH utilizes investment pools to manage investments and distribute investment income. Shares in the temporary pool trade at a fixed value of \$1 per share.

G. Investments – This classification includes marketable debt and equity securities with readily determinable fair values, including assets whose use is limited and is measured at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in nonoperating income (loss). The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.

H. Patient Accounts Receivable, Net – Net patient accounts receivable consist of unbilled (in-house patients, inpatients discharged but not final billed and outpatients not final billed) and billed amounts. Payment of these charges comes primarily from managed care payors, Medicare, Medicaid and, to a lesser extent, the patient. The amounts recorded in the financial statements are net of charity care, contractual allowances, avoidable and other losses, and allowances for bad debt to determine the net realizable value of accounts receivable.

Reserves for these deductions are recorded based on the historical collection percentage realized for each payor and projections for future collection rates. Flexible payment arrangements have been established to optimize collection of past-due accounts, and any amounts payable beyond one year are classified as noncurrent assets.

I. Inventories – Inventories consist of medical and surgical supplies, pharmaceuticals, prosthetics and other supplies that are used to provide patient care or used by service departments. Inventories are stated at the lower of cost using the first-in, first-out method or market.

J. Other Assets and Receivables – Other assets and receivables relate to items such as sales tax refunds due from the North Carolina Department of Revenue, amounts due from State agencies, and billings to outside companies for ancillary testing.

K. Assets Whose Use Is Limited or Restricted – Current assets whose use is limited or restricted include the debt service funds established with the trustee in accordance with the bond indenture agreements and donor restrictions. The debt service funds are used to pay bond interest and principal

as it becomes due. Noncurrent assets whose use is limited or restricted include the bond proceeds for construction projects, the funds required by the bond indenture agreements, funds in the maintenance reserve fund that will be used to acquire or construct future property, plant or equipment and the money on deposit with LITF.

L. Property Plant and Equipment – Property, plant and equipment are recorded at cost or acquisition value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs.

Expenditures for repairs and maintenance are charged to expense as incurred. The costs for major renewals and betterments are capitalized and depreciated over the estimated useful lives of the assets. Upon disposition, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is credited or charged to nonoperating revenues and expenses.

Depreciation and amortization are generally computed using the straight-line method over the estimated useful lives of the assets which range from 3 to 20 years for software and movable equipment, 10 to 40 years for fixed equipment and buildings and 5 to 25 years for general infrastructure and building improvements. Assets under capital leases and leasehold improvements are depreciated over the estimated useful life or the related lease term, whichever is shorter; generally, periods ranging from 5 to 7 years. Depreciation of assets under capital leases and leasehold improvements is included in depreciation and amortization expense in the accompanying statements of revenues, expenses and changes in net position.

M. Other Noncurrent Assets – Other noncurrent assets include amounts for long-term payment arrangements for patient accounts receivable, bond issuance costs-net of amortization and investments in affiliates.

N. Current and Noncurrent Portions of Long-Term Debt – These categories represent debt issued for the construction of buildings and the acquisition of equipment. The current amount is the portion of debt due within one year, and the balance is reflected as noncurrent.

The debt instruments have fixed, variable or synthetically fixed rates with final maturity in fiscal year 2050. The interest rates in effect on June 30, 2023, ranged from 1.43% to 5%. When applicable, debt is reported net of unamortized discount, premium and deferred loss on refunding. Amortization of these amounts is done using either the effective interest method or the straight-line method.

O. Other Current Liabilities – Other current liabilities represent funds held for others and amounts due to patients or third parties for credit balances.

P. Compensated Absences – Compensated absences represent the liability for employees with accumulated leave balances earned through various leave programs. These amounts would be payable if an employee terminated

employment. Employees earn leave at varying rates depending upon their years of service and the leave plan in which they participate.

Q. Net Position – Net Position represents the difference between assets and liabilities. Due to the complexities of consolidating these entities, only a combined number is shown for Net Position.

Normally, under generally accepted accounting principles, the Net Position category would be further categorized as the amounts (1) Net Investment in Capital Assets, (2) Restricted and (3) Unrestricted.

R. Net Patient Service Revenue – Patient service revenue is recorded at established rates when services are provided with contractual adjustments, estimated bad debt expenses and services qualifying as charity care deducted to arrive at net patient service revenue. Contractual adjustments arise under reimbursement agreements with Medicare, Medicaid, certain insurance carriers, health maintenance organizations and preferred provider organizations, which provide for payments that are generally less than established billing rates. The difference between established rates and the estimated amount collectible is recognized as revenue deductions on an accrual basis.

Charity care represents health care services that were provided free of charge or at amounts that are less than the established rates to individuals who meet the criteria of UNC Health's charity care and uninsured policy. For UNC Hospitals and UNCFP, uninsured patients receive a 40 percent discount for medically necessary treatment. Charity care provided is not considered to be revenue since no effort is made to collect accounts that fall under this policy.

Medicare reimburses for inpatient acute care services under the provisions of the Prospective Payment System (PPS). Under PPS, payment is made at predetermined rates for treating various diagnoses and performing procedures that have been grouped into defined diagnostic-related groups (DRGs) applicable to each patient discharge rather than on the basis of the Hospitals' allowable charges. Psychiatric and Rehabilitation inpatient services are reimbursed under separate programs.

A prospective payment system for outpatient services was implemented Aug. 1, 2000, and is based on ambulatory payment classifications. It applies to most hospital outpatient services other than rehabilitation services, clinical diagnostic laboratory services, dialysis for end-stage renal disease, non implantable durable medical equipment, prosthetic devices and orthotics.

Medicaid reimburses inpatient services on an interim basis under a prospective payment system. Medicaid uses the Medicare DRG system with some modifications. Medicaid reimburses outpatient services on an interim basis at an agreed-upon percent of charges approximating 100% of cost but is settled under an Upper Payment Limit program based

on 100% percent of documented cost, less intergovernmental transfers, for all services except hearing aids, durable medical equipment (DME), outpatient pharmacy, laboratory and home health for traditional Medicaid. Medicaid Managed Care is reimbursed under the same methodology on the interim basis.

Medicaid Managed care then receives supplement payments to settle up to the average commercial rate (ACR) via a directed supplemental payment and HASP supplement payment less intergovernmental transfers for all services except hearing aids, durable medical equipment (DME), outpatient pharmacy, laboratory and home health for traditional Medicaid Managed Care.

Hospital payments for Medicare and Medicaid services are made based on a tentative reimbursement rate with final settlement determined after submission of the appropriate cost reports by the entities within UNC Health. Medicaid reimburses physician services using a fee schedule that approximates ninety-five percent (95 percent) of allowable Medicare rates. Some UNC Health physicians receive supplemental payments under the Upper Payment Limit Program in addition to their Medicaid reimbursement as a replacement to filing a Medicaid Cost report for periods after June 30, 2010.

S. Medical and Surgical Supplies – Medical and surgical supplies represent the items used to provide patient care. These include instruments, special medical devices and pharmaceuticals.

T. Medical Malpractice Costs – Medical malpractice costs represent the actuarially determined contributions required for self-insured funding or commercial premiums for third-party coverage. The coverage is intended to include both reported claims and claims that have been incurred but not yet reported.

U. Medical School Trust Fund – Medical School Trust Fund (MSTF) expenses represent an assessment of 2.5 percent of net patient service revenue. The MSTF funds are at the Dean’s discretion for the support of projects such as program development and recruitment incentives for new department chairs.

V. Donated Services – No amounts have been included for donated services since no objective basis is available to measure the value of such services. However, a substantial number of volunteers donated significant amounts of their time to the operations of UNC Health.

W. Concentrations of Credit Risk – UNC Health provides services to patients without collateral or other proof of ability to pay. Concentration of credit risk with respect to patient accounts receivable are limited due to large numbers of patients served and formalized agreements with third-party payors. Significant accounts receivable are dependent upon the performance of certain governmental programs, primarily Medicare and North Carolina Medicaid for their collectability. Management does not believe there are significant credit risks associated with these governmental programs.

X. Deferred Outflows / Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as revenue until then.

NOTE 2 // ESTIMATED THIRD-PARTY SETTLEMENTS

Estimated third-party amounts represent settlements with Medicare, Tricare/Champus and Medicaid programs that may result in a receivable or a payable. Reimbursement for cost-based items is paid at a tentative interim rate with final settlement determined after submission of annual cost reports and audits thereof by fiscal intermediaries. Final settlements under the Medicare and Medicaid programs are based on regulations established by the respective programs and as interpreted by fiscal intermediaries. The classification of patients under the Medicare and Medicaid programs as well as the appropriateness of their admission is subject to review. Several years of cost reports are currently under review. Beginning in FY 2022, NC Medicaid started transitioning to Medicaid Managed Care plans and hospital entities receive supplemental reimbursement via directed payments for Medicaid Managed Care.

Tricare/Champus is a federal insurance program for eligible active duty and retired military personnel and their dependents. Tricare/Champus makes payments on an interim basis. Upon completion of the Medicare Cost Report, Tricare will reimburse certain portions of direct medical and paramedical education and capital costs from the Medicare Cost Report.

NOTE 3 // CAPITAL ASSETS

A summary of capital assets as of June 30:

	FY2023	FY2022
Land and Improvements	\$ 160,751,000	\$ 149,355,000
Buildings and Improvements	2,133,090,000	2,054,172,000
Equipment	1,310,856,000	1,232,105,000
Computer Software	259,770,000	241,522,000
Goodwill	29,258,000	30,685,000
Right of Use	448,493,000	396,134,000
Construction in Progress	522,208,000	467,972,000
Gross PP&E	\$4,864,426,000	\$4,571,945,000
Accumulated Depreciation	(2,277,017,000)	(2,049,526,000)
Net PP&E	\$2,587,409,000	\$2,522,419,000

NOTE 4 // LONG-TERM DEBT

A summary of outstanding bond debt and related issuance costs as of June 30, 2023 was:

	Total FY2023	Total FY2022
Rex Series 2015A Bonds	50,000,000	50,000,000
Rex Series 2015B Bonds	100,000,000	100,000,000
Rex Series 2020A Bonds	197,275,000	198,540,000
Rex Series 2020B Bonds	55,220,000	62,935,000
UNCH Series 2001 Bonds	75,600,000	78,000,000
UNCH Series 2003 Bonds	45,145,000	51,740,000
UNCH Series 2009 Bonds	3,795,000	7,450,000
UNCH Series 2016 A Bonds	74,945,000	74,945,000
UNCH Series 2016 B Bonds	25,000,000	25,000,000
UNCH Series 2019 Bonds	149,995,000	149,995,000
UNCH Series 2021 Bonds	22,985,000	25,655,000
Face Value of Bonds Outstanding	\$ 799,960,000	\$ 824,260,000
Deferred Costs - Premium on Issuance	69,296,880	71,960,976
Net Value Outstanding	\$ 869,256,880	\$ 896,220,976
Current Portion of Bonds	25,130,000	24,300,000
Current Portion of Notes	17,736,431	8,333,895
Other Current Debt	1,900,000	2,103,561
Total Current Bonds and Notes	\$ 44,766,431	\$ 34,737,456
Noncurrent Portion of Bonds	844,126,880	871,920,976
Noncurrent Portion of Notes	8,788,334	38,769,350
Other Noncurrent Debt	0	731,858
Total Noncurrent Bonds and Notes	\$ 852,915,214	\$ 911,422,184
Deferred Costs - Loss on Refunding	(3,252,767)	(4,072,888)
Hedging Liability	(861,793)	3,042,429
Deferred Bond Activity	\$ (4,114,560)	\$ (1,030,458)

As currently structured, UNC Health has no authority to issue debt. Only the individual entities within UNC Health have assets and revenue that can be pledged as collateral for the debt.

Annual requirements to pay principal and interest (including swap arrangements) on the bonds outstanding at June 30, 2023 are:

Fiscal Year	Principal	Interest	Total
2024	\$ 25,130,000	\$ 31,966,347	\$ 57,096,347
2025	26,055,000	31,090,858	57,145,858
2026	27,010,000	30,255,921	57,265,921
2027	27,790,000	29,381,944	57,171,944
2028	28,780,000	28,480,285	57,260,285
2029 - 2033	123,480,000	128,059,868	251,539,868
2034 - 2038	86,505,000	107,202,988	193,707,988
2039 - 2043	141,830,000	86,057,921	227,887,921
2044 - 2048	237,030,000	45,792,566	282,822,566
2049 - 2053	76,350,000	3,392,750	79,742,750
Total	\$ 799,960,000	\$ 521,681,447	\$ 1,321,641,447

Annual requirements to pay principal and interest on the outstanding notes and capital leases payable at June 30, 2023 are:

Fiscal Year	Principal	Interest	Total
2024	\$ 19,636,431	\$ 383,876	\$ 20,020,307.00
2025	1,345,714	221,210	1,566,924.00
2026	1,383,191	183,733	1,566,924.00
2027	1,421,712	145,212	1,566,924.00
2028	1,461,305	105,619	1,566,924.00
2029 - 2033	3,176,412	88,016	3,264,428.00
Total	\$ 28,424,765	\$ 1,127,666	\$ 29,552,431.00

NOTE 5 // PENSION PLANS

UNC Health has a variety of retirement plans available to its permanent full-time employees. The majority of employees of UNC Hospitals and UNCFP are members of the Teachers' and State Employees' Retirement System (TSERS) as a condition of employment. TSERS is a cost-sharing, multiple-employer, defined-benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The plan is administered by the North Carolina State Treasurer. Graduate medical residents, temporary employees and permanent part-time employees with appointments of less than 30 hours per week are not covered by the plan.

The Optional Retirement Program (the Program) is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Eligible employees of UNC Hospitals and eligible faculty of UNC CH may join the Program instead of TSERS. The Board of Governors of The University of North Carolina is responsible for the administration of the Program. Participants in the Program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the Program. Participants become eligible to receive distributions when they terminate employment or retire.

REX sponsors a single-employer, defined-benefit retirement plan available to eligible employees. The benefit formula is based on the highest five consecutive years of an employee's compensation during the 10 plan years preceding retirement. There are no employee contributions to the plan. During the year ended June 30, 2015, the plan was amended to freeze the accrued benefits for all plan participants.

Funding amounts for all of the plans are based upon actuarial calculations.

In addition to the employer plans, UNC Health employees may elect to participate in any number of deferred compensation and Supplemental Retirement Income Plans. These include 401(k) plans, 403(b) plans and 457 plans. All costs of administering and funding the plans are the responsibility of the participants. REX employees may contribute to a tax-deferred annuity plan through which REX matches one half of each participant's voluntary contributions on a graduated scale based on length of service, not to exceed 5 percent of the participant's annual salary.

REX offers a full menu of employment benefits to its employees through various third-party carriers. These include medical insurance, dental coverage, short-term and long-term disability benefits and life insurance coverage.

More information about these plans can be found in the individual audit reports of the various entities.

NOTE 6 // OTHER EMPLOYMENT BENEFITS

UNC Hospitals and UNCFP participate in State-administered programs that provide health insurance and life insurance to current and eligible former employees. Funding for the health care benefit is financed on a pay-as-you-go basis based upon actuarial reports. Due to the implementation of GASB 75, liability for retiree health care benefits provided by the program is now carried by employers proportionately.

UNC Hospitals and UNCFP participate in the Disability Income Plan of North Carolina (DIPNC). DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Due to the implementation of GASB 75, the liability for long-term disability benefits provided by the program is now carried by employers proportionately.

More information about these plans can be found in the individual audit reports of the various entities.

NOTE 7 // RISK MANAGEMENT

UNC Health is exposed to various risks of loss related to torts; theft of damage to and the destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and various employee plans for health, dental and accident. These exposures to loss are handled by 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.

Liability Insurance Trust Fund – UNC Hospitals and UNCFP participate in the Liability Insurance Trust Fund (the Fund), a claims-servicing public entity risk pool for professional liability protection. The Fund acts as a servicer of 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 Fund.

Additional disclosures relative to the funding status and obligations of the 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 Liability Insurance Trust Fund, 5221 Paramount Parkway, Suite 410, Morrisville, NC 27560.

NOTE 8 // ESCROW FOR CERTIFIED PUBLIC EXPENDITURES (CPEs)

With the help of the North Carolina Hospital Association, UNC Health entered into an agreement with other Public Hospitals in North Carolina to receive the benefit of additional Certified Public Expenditures (CPEs) (as defined by Federal Regulation 45 CFR 95.13 and 42 CFR 433.51) from public hospitals (as defined in the North Carolina State Plan for Medicaid payments) which decided to assist UNC Health in meeting its obligations to fund the remaining Disproportionate Share Hospital (DSH) allotment. DSH payments are special payments for hospitals which serve a disproportionate share of low-income patients. By making additional CPE's available, the public hospitals risk possible DSH overpayments that would require repayment to state or federal agencies. In order to mitigate the public hospitals' risk, UNC Health established a reserve fund to be held in escrow. The fund will reimburse participating public hospitals for any repayments that should result from this program. At June 30, 2023, \$75,698,735 was held by the Escrow Agent, First Citizens Bank & Trust Company.

NOTE 9 // RELATED PARTY TRANSACTIONS

Appalachian Regional Healthcare System – Appalachian Regional Healthcare System operates Watauga Medical Center, Charles A. Cannon Jr. Memorial Hospital, and Appalachian Regional Behavioral Healthcare. It serves patients primarily from Watauga, Avery, and other neighboring counties. Appalachian Regional Healthcare System signed a management services agreement with UNC Health on July 1, 2022, to provide certain management services over an initial term of 10 years.

Blue Ridge Health – The system includes one hospital with two locations, a wellness center, a continuing care retirement community and nearly 120 primary care physicians. Blue Ridge

provides graduate medical education programs for medical school graduates and students in osteopathic medicine. Specifically, UNC Health and Blue Ridge intend to build a leading healthcare option for UNC Health's Mountain Region, form a high-performing network of facilities and clinicians and expand Blue Ridge's clinical programs and service lines as well as provide access to research and clinical trials leverage UNC Health's existing population health solutions and explore innovative rural healthcare models that will make UNC Health and Blue Ridge a leader in value-based care regionally and across the state. On April 22, 2021, Blue Ridge Health System signed a management services agreement with UNC Health.

CarolinaEast Health System – CarolinaEast Health System includes, CarolinaEast Medical Center, which is a 350 bed acute care hospital, a rehabilitation hospital, free-standing ASC, comprehensive cancer center and numerous physician practices. Under the terms of the arrangement, CarolinaEast remains a separate legal entity under the authority of its own Board of Directors. The affiliation between UNC Health and New Bern, NC-based CarolinaEast will enhance the quality of healthcare in the Eastern Region while simultaneously growing specialty services in Craven County and beyond. The collaboration will also increase primary and specialty services while growing access to an expanded network of care in the surrounding community. CarolinaEast Health System signed a management services agreement with UNC Health on May 11, 2021. In March of 2023, UNC Health and CarolinaEast mutually agreed to discontinue the management services agreement.

Henderson County Hospital Corporation d/b/a Margaret R. Pardee Memorial Hospital (HCHC) – Henderson County is the sole member of HCHC, a North Carolina not-for-profit corporation, which is in turn the sole member of Henderson County Urgent Care Centers, Inc. and Western Carolina Medical Associates, Inc. HCHC was created by Henderson County to provide for the operation of a community hospital in Henderson County, North Carolina that is dedicated to serving the health care needs of Henderson County citizenry. On June 22, 2011, HCHC signed a management service agreement engaging the Hospitals to conduct and effectively manage the day-to-day operations of Margaret R. Pardee Memorial Hospital and HCHC's affiliated operations over a term of 10 years. On September 4, 2013, this agreement was extended to a term of 25 years.

The John REX Endowment – The John REX Endowment (Endowment) operates as a 501(c)(3) corporation and is independent of the Board of Directors of UNC Health. Its purpose is to advance the health and well-being of the residents of the greater Triangle area, with specific funds set aside for indigent care and to make grants to support health services, education, prevention and research. In discharging its purposes, priority consideration will be given to any funding requests from REX, UNC Health and their affiliates. The funding source for the Endowment is the \$100 million transfer that came from UNC Health in April 2000.

Johnston Health Services Corporation – Effective February 1, 2014, Johnston Memorial Hospital Authority (JMHA) and UNC

Health entered into a Master Agreement to form Johnston Health Services Corporation (JHSC), a joint venture created to achieve the long-term vision of providing high-quality health care to the residents of Johnston County, North Carolina. Oversight and governance of the joint venture is controlled by a Board of Directors consisting of appointees from both JMHA and UNC Health. UNC Health manages the day-to-day operations of JHSC under the terms of a Management Services Agreement entered into and effective November 1, 2013.

On November 4, 2020, the boards of REX and JHSC executed a Joint Operating Agreement to form a stronger partnership to expand the organizations' long history of collaboration to enhance care, improve outcomes, and increase access for patients in Johnston and Wake counties. The agreement calls for a long-term commitment to opening new medical facilities in Johnston County and expanding clinical services offered across the region. This agreement increased UNC Health's membership interest from 35.25 percent to 49.9 percent interest in JHSC.

Lenoir Memorial Hospital, Inc. – Lenoir Memorial Hospital, Inc. is a private, not-for-profit hospital located in Kinston, North Carolina that operates Lenoir Memorial Hospital and several physician practices. It serves patients primarily from Lenoir and neighboring counties. Lenoir Memorial Hospital, Inc. signed a management services agreement with UNC Health on May 17, 2016, to provide certain management services over an initial term of 10 years.

The Medical Foundation of North Carolina, Inc. – UNC Hospitals and UNCFP are participants in The Medical Foundation of North Carolina, Inc., a nonprofit foundation for the University of North Carolina at Chapel Hill and UNC Hospitals, which solicits gifts and grants for both entities. The Board of Directors of the Medical Foundation administers the funds of the Foundation. Transactions are recorded only by the Foundation. If the Foundation were to purchase any equipment for UNC Hospitals, then the amount would be recorded at the time of receipt on UNC Hospitals' financial statements.

Nash Health Care Systems – Nash Health Care Systems is a nonprofit hospital authority composed of Nash General Hospital, Nash Day Hospital, the Bryant T. Aldridge Rehabilitation Center, Community Hospital and Coastal Plain Hospital. It serves Nash, Edgecombe, Halifax, Wilson and Johnston counties, but draws patients from beyond these areas as well. Nash Health Care Systems signed a management service agreement engaging UNC Health to conduct and manage its operations effective April 1, 2014.

UNC Health Care System Enterprise Fund – The Board of Directors of UNC Health authorized and approved the creation of the UNC Health Care System Enterprise Fund (System Fund) to support UNC Health's mission and vision to be the nation's leading public academic health care system. Pursuant to a memorandum of understanding effective July 1, 2005, UNC Hospitals, UNCFP, REX and the UNC-CH School of Medicine agreed to finance the Enterprise Fund. The System Fund

enables fund transfers among entities in the health system in support of the Board's vision to be the nation's leading public academic health care system.

The System Fund assesses, holds, and allocates funds across the entities of UNC Health. Initially formed as the Enterprise Fund to facilitate investments in support of the clinical, academic and research missions of UNC Health and the UNC School of Medicine, the Enterprise Fund today exists as a subaccount within the System Fund. Since its formation, the System Fund has been used to enable additional types of transfers between entities of UNC Health. As such, the Enterprise Fund, Outreach Fund, Patient Safety Fund, Recruitment Fund, and Shared Administrative Services Fund each function as subaccounts of the System Fund.

Onslow County Hospital Authority – Onslow County Hospital Authority is the sole member of Onslow Memorial Hospital, Inc., which operates Onslow Memorial Hospital, a not-for-profit hospital located in Jacksonville, North Carolina. The hospital serves patients primarily from Onslow and neighboring counties. Onslow County Hospital Authority entered into a management services agreement with UNC Health, effective January 1, 2019, to provide certain management services for purposes of managing Onslow Memorial Hospital over an initial term of 2 years. On January 1, 2021, the agreement was extended for another 2 years.

Southeastern Regional Medical Center d/b/a Southeastern Health – Southeastern Health is a private, not-for-profit hospital located in Lumberton, North Carolina that operates Southeastern Regional Medical Center, physician practices and an ambulatory surgery center. It serves patients primarily from Robeson and neighboring counties. Southeastern Health signed a management services agreement with UNC Health on January 1, 2021, to provide certain management services over an initial term of 10 years.

Wayne Health Corporation – Wayne Health Corporation is a private, not-for-profit health corporation located in Goldsboro, North Carolina that operates Wayne Memorial Hospital, Wayne Health Physicians, Wayne MRI, Wayne Health Enterprises, American Management Associates, Wayne Health Properties, and Wayne Health Foundation. It serves patients primarily from Wayne and neighboring counties. Wayne Health Corporation signed a management services agreement with UNC Health on January 1, 2016, to provide certain management services over an initial term of 10 years.

NOTE 10 // COMMUNITY BENEFITS

In addition to providing care without charge, or at amounts less than established rates to certain patients identified as qualifying for charity care, UNC Health also recognizes its responsibility to provide health care services and programs for the benefit of the community, at no cost or at reduced rates. UNC Health sponsors many community health initiatives, including breast and prostate cancer screenings, cardiovascular and pulmonary awareness and diabetes education programs that ultimately result in the overall improved health of the

community. UNC Health also provides contributions, cash and in-kind, to various charitable and community organizations. The costs of these programs are included in operating expenses in the accompanying pro forma statements of revenues, expenses, and changes in net position..

NOTE 11 - THE CORONAVIRUS PANDEMIC EMERGENCY

In response to the novel coronavirus (COVID-19) global pandemic the government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act, among other things, authorized funding to hospitals and other healthcare providers to be distributed through the Provider Relief Fund (PRF). These funds are not required to be repaid provided the recipients attest to, and comply with, certain terms and conditions, including among other things, that the funds are being used for lost operating revenues and COVID-19 related expenses.

UNC Health recognized the entire amount of the PRF grants during the years ended June 30, 2023, and 2022, as permitted by the terms and conditions, as other non-operating revenue given that the amount of lost operating revenues exceeded the amounts received. The funds received from HHS are subject to specific terms, conditions and audit by HHS. Noncompliance with any of the terms or conditions is grounds for HHS to recoup some or all of the payments received by UNC Health. Management believes it has complied with the terms and conditions.

The CARES Act also made other forms of financial assistance available to healthcare providers, including through Medicare and Medicaid payment adjustments and an expansion of the Medicare Accelerated and Advanced Payment Program, which makes available accelerated payments of Medicare funds in order to increase cash flow to providers.

NOTE 12 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

UNC Health has implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87, Leases

GASB Statement No. 93, Replacement of Interbank Offered Rates

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

GASB Statement No. 99, Omnibus 2022

GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for

lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 93 addresses the accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR) for derivative instruments, leases, and other agreements in which variable payments made or received depend on an IBOR.

GASB 96 provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). GASB 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

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

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

NOTE 13 // SUBSEQUENT EVENTS

UNC Health has evaluated subsequent events from June 30, 2023, through the date of this report. Note that after several months of negotiations with Wake County, UNC Health made the decision to discontinue all services at WakeBrook as of Sept. 30, 2023.