

FCR 5

Office of the President
October 25, 2011

Members, Board of Trustees:

ACCEPTANCE OF AUDIT REPORT
AND THE REPORT ON INTERNAL CONTROL
FOR THE UNIVERSITY OF KENTUCKY FOR 2010-11

Recommendation: that the Board of Trustees accept (1) the University of Kentucky Audited Financial Statements for the fiscal year ended June 30, 2011, consisting of the Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, Statements of Cash Flows, Notes to Financial Statements, and Management's Discussion and Analysis; and (2) the Independent Auditor's Report on the Internal Control Based on the Audit of Financial Statements.

Background: The Audit Subcommittee of the Finance Committee has reviewed the University's Financial Statements for the Fiscal Year Ended June 30, 2011, that have been audited by BKD LLP, Certified Public Accountants. These financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, which focuses on the financial condition, results of operations, and cash flows of the University as a whole, with resources classified for accounting and reporting purposes into four net asset categories: invested in capital assets (net of related debt), restricted-nonexpendable, restricted-expendable, and unrestricted.

The financial statements of the University include its operations, the UK HealthCare Hospital System (an organizational unit of the University), the University's for-profit subsidiary (Kentucky Healthcare Enterprise, Inc.), and its affiliated non-profit corporations [i.e. entities for which the University is financially accountable as defined by Statement No. 14 and amended by Statement No. 39 of the Governmental Accounting Standards Board (GASB), and which meet the definition of an affiliated corporation under Kentucky Revised Statute (KRS) section 164A.550]:

- The University of Kentucky Research Foundation and its for-profit subsidiaries (Kentucky Technology, Inc. and Coldstream Laboratories, Inc.);
- The Fund for Advancement of Education and Research in the University of Kentucky Medical Center;
- University of Kentucky Athletic Association;
- Central Kentucky Management Services, Inc.;
- University of Kentucky Mining Engineering Foundation, Inc.;
- University of Kentucky Gluck Equine Research Foundation, Inc.;

- University of Kentucky Humanities Foundation, Inc.; and
- University of Kentucky Center on Aging Foundation, Inc.

The financial statements also include the operations of Kentucky Medical Services Foundation, Inc. (KMSF), a non-profit entity for which the University is financially accountable as defined by GASB, but which is not an affiliated corporation under KRS.

The financial statements and the independent auditor's report have been provided separately. The documents may be viewed at:

<http://www.uky.edu/evpfa/controller/finst>

Action taken: Approved Disapproved Other _____