

FCR 4

Office of the President
December 13, 2016

Members, Board of Trustees:

ACCEPTANCE OF INTERIM FINANCIAL REPORT
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

Recommendation: that the Board of Trustees accept the University of Kentucky consolidated financial report for the three months ended September 30, 2016.

Background: The consolidated financial report includes the financial activities of the University of Kentucky and its affiliated corporations:

- University of Kentucky Research Foundation
- University of Kentucky Gluck Equine Research Foundation, Inc.
- University of Kentucky Humanities Foundation, Inc.
- University of Kentucky Mining Engineering Foundation, Inc.
- University of Kentucky Center on Aging Foundation, Inc.
- Central Kentucky Management Services, Inc.

As of September 30, 2016, the University has recognized \$974,601,647 of current funds revenue representing 28 percent of the 2016-17 approved budget of \$3,524,640,400. Expenses and transfers total \$848,915,851 or 24 percent of the approved budget.

Action taken: Approved Disapproved Other_____



Consolidated
Financial Statements

For the three months ended September 30, 2016

**UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 690,038,230	\$ 649,834,446
Notes, loans and accounts receivable, net	358,019,080	370,503,468
Inventories and other assets	67,873,648	59,919,711
Total current assets	<u>1,115,930,958</u>	<u>1,080,257,625</u>
Noncurrent Assets		
Restricted cash and cash equivalents	356,480,236	271,590,595
Endowment investments	1,265,311,441	1,177,682,769
Other long-term investments	289,142,599	247,836,898
Notes, loans and accounts receivable, net	320,452,531	331,365,932
Other noncurrent assets	849,483	233,644
Capital assets, net	2,721,429,179	2,429,860,160
Total noncurrent assets	<u>4,953,665,469</u>	<u>4,458,569,998</u>
Total assets	<u>6,069,596,427</u>	<u>5,538,827,623</u>
Deferred Outflows of Resources	11,763,821	13,357,425
Total assets and deferred outflows of resources	<u>6,081,360,248</u>	<u>5,552,185,048</u>
 LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities		
Accounts payable and accrued liabilities	261,269,450	251,180,461
Unearned revenue	76,003,172	80,141,713
Long-term liabilities - current portion	81,073,644	77,930,725
Total current liabilities	<u>418,346,266</u>	<u>409,252,899</u>
Noncurrent Liabilities		
Unearned revenue	176,344,161	189,594,333
Long-term liabilities	1,234,043,415	1,108,345,179
Total noncurrent liabilities	<u>1,410,387,576</u>	<u>1,297,939,512</u>
Total liabilities	<u>1,828,733,842</u>	<u>1,707,192,411</u>
Deferred Inflows of Resources	430,950,744	378,119,290
Total liabilities and deferred inflows of resources	<u>2,259,684,586</u>	<u>2,085,311,701</u>
 NET POSITION		
Net investment in capital assets	<u>1,489,290,711</u>	<u>1,386,688,726</u>
Restricted		
Nonexpendable		
Scholarships and fellowships	151,762,737	141,636,224
Research	273,779,548	271,747,842
Instruction	82,631,035	80,365,187
Academic support	85,305,272	84,019,742
Other	10,497,229	8,642,986
Total restricted nonexpendable	<u>603,975,821</u>	<u>586,411,981</u>
Expendable		
Scholarships and fellowships	68,355,935	61,645,472
Research	83,771,489	73,883,421
Instruction	52,648,796	48,975,796
Academic support	63,986,745	53,385,006
Loans	11,521,335	10,925,256
Capital projects	48,709,557	102,968,079
Debt service	34,694,304	33,313,961
Auxiliary	23,498,227	25,008,869
Other	43,417,216	21,749,319
Total restricted expendable	<u>430,603,604</u>	<u>431,855,179</u>
Total restricted	<u>1,034,579,425</u>	<u>1,018,267,160</u>
Unrestricted	<u>1,297,805,526</u>	<u>1,061,917,461</u>
Total net position	<u>\$ 3,821,675,662</u>	<u>\$ 3,466,873,347</u>

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
ALL FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Student tuition and fees	\$ 246,730,833	\$ 229,443,220
Federal grants and contracts	35,242,239	34,033,647
State and local grants and contracts	22,007,575	21,703,945
Nongovernmental grants and contracts	66,352,672	56,608,687
Recoveries of facilities and administrative costs	11,028,283	10,415,443
Sales and services	12,839,106	12,031,901
Federal appropriations	4,780,705	6,031,189
County appropriations	8,200,114	8,301,053
Hospital services	377,797,603	360,187,043
Auxiliary enterprises:		
Housing and dining	8,142,936	9,645,504
Athletics	26,516,736	30,362,030
Other auxiliaries	20,394,727	19,780,903
Other operating revenues	85,536	48,488
Total operating revenues	<u>840,119,065</u>	<u>798,593,053</u>
OPERATING EXPENSES		
Educational and general:		
Instruction	70,780,150	68,442,962
Research	60,935,435	62,489,848
Public service	39,740,151	39,043,297
Libraries	4,371,624	4,336,143
Academic support	19,151,513	19,447,722
Student services	8,912,082	9,172,159
Institutional support	21,977,840	20,417,444
Operations and maintenance of plant	22,765,580	22,390,141
Student financial aid	91,237,731	82,953,833
Depreciation	14,182,663	12,779,761
Total educational and general	<u>354,054,769</u>	<u>341,473,310</u>
Clinical operations	66,062,897	55,885,869
Hospital services (including depreciation of \$33,412,590 in 2016 and \$22,232,019 in 2015)	339,447,051	306,375,440
Auxiliary enterprises:		
Housing and dining (including depreciation of \$3,706,820 in 2016 and \$3,754,497 in 2015)	7,727,824	7,797,490
Athletics (including depreciation of \$5,408,003 in 2016 and \$3,755,681 in 2015)	36,944,027	33,892,678
Other auxiliaries (including depreciator of \$1,198,930 in 2016 and \$1,252,553 in 2015)	4,885,933	6,216,287
Other operating expenses	52,633	39,079
Total operating expenses	<u>809,175,134</u>	<u>751,680,153</u>
Net income from operations	<u>30,943,931</u>	<u>46,912,900</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	80,108,600	83,883,400
Gifts and non-exchange grants	43,649,859	41,666,600
Investment income (loss)	39,182,626	(55,640,382)
Interest on capital asset-related debt	(10,218,686)	(8,799,015)
Other nonoperating revenues and expenses, net	1,707,278	2,622,739
Net nonoperating revenues (expenses)	<u>154,429,677</u>	<u>63,733,342</u>
Net income before other revenues, expenses, gains or losses	<u>185,373,608</u>	<u>110,646,242</u>
Capital grants and gifts	5,263,522	13,384,311
Additions to permanent endowments	970,036	966,841
Other, net	1,015,908	(11,379,402)
Total other revenues (expenses)	<u>7,249,466</u>	<u>2,971,750</u>
INCREASE IN NET POSITION	<u>192,623,074</u>	<u>113,617,992</u>
NET POSITION, July 1	<u>3,629,052,588</u>	<u>3,353,255,355</u>
NET POSITION, September 30	<u>\$ 3,821,675,662</u>	<u>\$ 3,466,873,347</u>

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
CURRENT FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	2016			2015	
	Budget	Actual	%	Actual	%
OPERATING REVENUES					
Student tuition and fees	\$ 486,803,500	\$ 246,730,833	51%	\$ 229,443,220	51%
Federal grants and contracts	176,922,800	35,242,239	20%	34,033,647	18%
State and local grants and contracts	96,571,500	22,007,575	23%	21,703,945	20%
Nongovernmental grants and contracts	203,456,900	66,352,672	33%	56,608,687	29%
Recoveries of facilities and administrative costs	45,000,000	11,028,283	25%	10,415,443	24%
Sales and services	47,524,600	12,839,106	27%	12,031,901	28%
Federal appropriations	18,503,700	4,780,705	26%	6,031,189	33%
County appropriations	24,734,200	8,200,114	33%	8,301,053	36%
Hospital services	1,542,806,000	377,797,603	24%	360,187,043	26%
Auxiliary enterprises:					
Housing and dining	27,967,800	8,142,936	29%	9,645,504	34%
Athletics	102,539,500	26,516,736	26%	30,362,030	31%
Other auxiliaries	47,289,000	20,394,727	43%	19,780,903	45%
Total operating revenues	<u>2,820,119,500</u>	<u>840,033,529</u>	<u>30%</u>	<u>798,544,565</u>	<u>31%</u>
OPERATING EXPENSES					
Educational and general:					
Instruction	411,375,800	70,780,150	17%	68,442,962	16%
Research	313,436,700	60,935,435	19%	62,489,848	19%
Public service	182,093,900	39,740,151	22%	39,043,297	21%
Libraries	14,734,000	4,371,624	30%	4,336,143	31%
Academic support	99,814,600	19,151,513	19%	19,447,722	23%
Student services	44,900,100	8,877,367	20%	9,064,497	21%
Institutional support	134,133,400	21,977,840	16%	20,417,444	13%
Operations and maintenance of plant	82,115,800	18,426,439	22%	17,161,075	23%
Student financial aid	198,061,100	91,237,731	46%	82,953,833	44%
Total educational and general	<u>1,480,665,400</u>	<u>335,498,250</u>	<u>23%</u>	<u>323,356,821</u>	<u>22%</u>
Clinical operations	221,536,400	66,062,897	30%	55,885,869	27%
Hospital services	1,453,956,900	323,983,919	22%	294,125,418	23%
Auxiliary enterprises:					
Housing and dining	14,413,000	5,065,696	35%	5,101,212	29%
Athletics	117,099,100	29,829,021	25%	29,433,615	28%
Other auxiliaries	35,506,100	4,692,248	13%	5,724,211	15%
Total operating expenses	<u>3,323,176,900</u>	<u>765,132,031</u>	<u>23%</u>	<u>713,627,146</u>	<u>23%</u>
Net income (loss) from operations	<u>(503,057,400)</u>	<u>74,901,498</u>	<u>N/A</u>	<u>84,917,419</u>	<u>N/A</u>

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CURRENT FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	2016			2015	
	Budget	Actual	%	Actual	%
Net income (loss) from operations	<u>(503,057,400)</u>	<u>74,901,498</u>	N/A	<u>84,917,419</u>	<u>N/A</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	267,028,800	80,108,600	30%	83,883,400	30%
Gifts and non-exchange grants	93,192,000	43,530,178	47%	41,534,151	43%
Investment income	26,727,800	5,434,841	20%	5,452,357	21%
Other nonoperating revenues and expenses, net	10,441,900	1,668,969	16%	2,622,455	27%
Net nonoperating revenues (expenses)	<u>397,390,500</u>	<u>130,742,588</u>	<u>33%</u>	<u>133,492,363</u>	<u>32%</u>
Net income before other revenues, expenses, gains or losses	<u>(105,666,900)</u>	<u>205,644,086</u>	N/A	<u>218,409,782</u>	<u>N/A</u>
Capital grants and gifts	17,082,900	3,758,278	22%	9,479,624	60%
Other, net	-	67,252	-	89,555	-
Total other revenues (expenses)	<u>17,082,900</u>	<u>3,825,530</u>	<u>22%</u>	<u>9,569,179</u>	<u>61%</u>
NON-GASB ACTIVITY					
Appropriated fund balance	273,188,800	-	-	-	-
Capital purchases and transfers	(105,858,600)	(38,286,960)	36%	(44,654,935)	34%
Debt service transfers	(85,282,300)	(45,139,349)	53%	(41,766,651)	55%
Noncapital transfers	6,536,100	(357,511)	-5%	631,204	11%
Total non-GASB current funds activity	<u>88,584,000</u>	<u>(83,783,820)</u>	<u>N/A</u>	<u>(85,790,382)</u>	<u>N/A</u>
INCREASE IN NET POSITION	-	125,685,796		142,188,579	
NET POSITION, July 1		<u>777,325,681</u>		<u>700,130,462</u>	
NET POSITION, September 30		<u>\$ 903,011,477</u>		<u>\$ 842,319,041</u>	
RECONCILIATION TO ANNUAL BUDGET					
Operating revenues	\$ 2,820,119,500	\$ 840,033,529	30%	\$ 798,544,565	31%
Nonoperating revenues	704,520,900	134,568,118	19%	143,061,542	19%
Total revenues	<u>3,524,640,400</u>	<u>974,601,647</u>	<u>28%</u>	<u>941,606,107</u>	<u>28%</u>
Operating expenses	3,323,176,900	765,132,031	23%	713,627,146	23%
Nonoperating expenses and transfers	201,463,500	83,783,820	42%	85,790,382	40%
Total expenses and transfers	<u>3,524,640,400</u>	<u>848,915,851</u>	<u>24%</u>	<u>799,417,528</u>	<u>24%</u>
INCREASE IN NET POSITION	<u>\$ -</u>	<u>\$ 125,685,796</u>		<u>\$ 142,188,579</u>	