

# FCR 3

Office of the President  
December 12, 2017

Members, Board of Trustees:

ACCEPTANCE OF INTERIM FINANCIAL REPORT  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017

Recommendation: that the Board of Trustees accept the University of Kentucky consolidated financial report for the three months ended September 30, 2017.

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, 2017, the University has recognized \$1,013,999,707 of current funds revenue representing 28 percent of the 2017-18 approved budget of \$3,660,727,400. Expenses and transfers total \$904,871,570 or 25 percent of the approved budget.

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Action taken:     Approved     Disapproved     Other \_\_\_\_\_



## Consolidated Financial Statements

For the three months ended September 30, 2017

UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
STATEMENTS OF NET POSITION<sup>1</sup>  
SEPTEMBER 30, 2017 AND 2016

	2017	2016
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 665,700,437	\$ 690,038,230
Notes, loans and accounts receivable, net	404,727,315	358,263,881
Inventories and other assets	71,708,410	67,873,648
Total current assets	1,142,136,162	1,116,175,759
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	218,401,299	356,199,114
Endowment investments	1,295,339,863	1,129,672,211
Other long-term investments	279,485,193	289,142,599
Notes, loans and accounts receivable, net	299,179,520	320,452,531
Other noncurrent assets	733,337	849,483
Capital assets, net	3,053,960,751	2,721,429,179
Total noncurrent assets	5,147,099,963	4,817,745,117
Total assets	6,289,236,125	5,933,920,876
<b>Deferred Outflows of Resources</b>		
Total assets and deferred outflows of resources	10,400,772	11,763,821
	6,299,636,897	5,945,684,697
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	295,966,202	261,269,450
Unearned revenue	89,686,319	76,003,172
Long-term liabilities - current portion	87,869,221	81,073,644
Total current liabilities	473,521,742	418,346,266
<b>Noncurrent Liabilities</b>		
Unearned revenue	163,049,562	176,344,161
Long-term liabilities	1,322,030,259	1,101,933,420
Total noncurrent liabilities	1,485,079,821	1,278,277,581
Total liabilities	1,958,601,563	1,696,623,847
<b>Deferred Inflows of Resources</b>		
Total liabilities and deferred inflows of resources	514,079,328	430,950,744
	2,472,680,891	2,127,574,591
<b>NET POSITION</b>		
<b>Net investment in capital assets</b>		
	1,654,162,145	1,489,290,711
<b>Restricted</b>		
Nonexpendable		
Scholarships and fellowships	159,861,669	151,762,737
Research	275,190,631	273,779,548
Instruction	83,869,218	82,631,035
Academic support	85,462,057	85,305,272
Other	12,466,890	10,497,229
Total restricted nonexpendable	616,850,465	603,975,821
Expendable		
Scholarships and fellowships	82,816,307	68,174,513
Research	103,748,122	83,488,529
Instruction	56,285,557	52,546,466
Academic support	77,695,302	63,887,126
Loans	12,114,852	11,521,335
Capital projects	57,532,301	58,820,583
Debt service	38,206,613	34,694,304
Auxiliary	37,723,845	23,492,913
Other	34,910,488	30,427,260
Total restricted expendable	501,033,387	427,053,029
Total restricted	1,117,883,852	1,031,028,850
<b>Unrestricted</b>		
Total net position	1,054,910,009	1,297,790,545
	\$ 3,826,956,006	\$ 3,818,110,106

<sup>1</sup> Statements include all funds with exception of fiduciary funds held in trust for beneficiaries of other postemployment benefit plans.

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION<sup>1</sup>**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017	2016
<b>OPERATING REVENUES</b>		
Student tuition and fees	\$ 256,146,521	\$ 246,730,833
Federal grants and contracts	39,460,113	35,242,239
State and local grants and contracts	19,544,548	22,007,575
Nongovernmental grants and contracts	49,601,905	66,352,672
Recoveries of facilities and administrative costs	13,476,495	11,028,283
Sales and services	13,697,677	12,449,868
Federal appropriations	7,732,620	4,780,705
County appropriations	9,429,069	8,200,114
Hospital services	407,627,443	377,797,603
Auxiliary enterprises:		
Housing and dining	8,404,805	8,142,936
Athletics	28,848,294	26,516,736
Other auxiliaries	21,708,434	20,394,727
Other operating revenues	86,212	85,536
Total operating revenues	875,764,136	839,729,827
<b>OPERATING EXPENSES</b>		
Educational and general:		
Instruction	67,814,444	70,780,150
Research	67,734,823	62,117,546
Public service	45,008,701	40,299,674
Libraries	4,716,300	4,371,624
Academic support	20,550,370	19,151,513
Student services	9,498,014	8,912,082
Institutional support	21,505,948	21,977,840
Operations and maintenance of plant	14,526,413	22,765,580
Student financial aid	99,134,158	91,237,731
Depreciation	16,029,879	14,182,663
Total educational and general	366,519,050	355,796,403
Clinical operations	79,344,470	83,364,210
Hospital services (including depreciation of \$12,062,742 in 2017 and \$11,576,462 in 2016)	343,237,043	320,323,804
Auxiliary enterprises:		
Housing and dining (including depreciation of \$2,735,407 in 2017 and \$2,339,001 in 2016)	8,050,623	7,727,824
Athletics (including depreciation of \$3,937,596 in 2017 and \$3,357,127 in 2016)	35,167,743	36,944,027
Other auxiliaries (including depreciation of \$171,940 in 2017 and \$173,118 in 2016)	6,535,104	4,966,233
Other operating expenses	108,657	52,633
Total operating expenses	838,962,690	809,175,134
Net loss from operations	36,801,446	30,554,693
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	80,126,800	80,108,600
Gifts and non-exchange grants	44,117,997	43,649,859
Investment income (loss)	39,311,792	35,271,310
Interest on capital asset-related debt	(9,691,527)	(10,218,686)
Other nonoperating revenues and expenses, net	2,728,847	2,442,276
Net nonoperating revenues (expenses)	156,593,909	151,253,359
Net income before other revenues, expenses, gains or losses	193,395,355	181,808,052
Capital grants and gifts	3,385,901	5,263,522
Additions to permanent endowments	3,119,810	970,036
Other, net	164,352	1,015,908
Total other revenues (expenses)	6,670,063	7,249,466
<b>INCREASE IN NET POSITION</b>	200,065,418	189,057,518
<b>NET POSITION, July 1, as previously reported</b>	3,894,141,945	3,629,052,588
<b>Cumulative effect of adoption of GASB 75</b>	(267,251,357)	-
<b>NET POSITION, July 1, as restated</b>	3,626,890,588	3,629,052,588
<b>NET POSITION, September 30</b>	\$ 3,826,956,006	\$ 3,818,110,106

<sup>1</sup> Statements include all funds with exception of fiduciary funds held in trust for beneficiaries of other postemployment benefit plans.

**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, 2017 AND 2016**

	2017			2016	
	Budget	Actual	%	Actual	%
<b>OPERATING REVENUES</b>					
Student tuition and fees	\$ 507,258,400	\$ 256,146,521	50%	\$ 246,730,833	51%
Federal grants and contracts	196,409,400	39,460,113	20%	35,242,239	20%
State and local grants and contracts	73,821,600	19,544,548	26%	22,007,575	23%
Nongovernmental grants and contracts	253,076,900	49,601,905	20%	66,352,672	33%
Recoveries of facilities and administrative costs	47,000,000	13,476,495	29%	11,028,283	25%
Sales and services	48,321,200	13,697,677	28%	12,449,868	26%
Federal appropriations	18,430,100	7,732,620	42%	4,780,705	26%
County appropriations	27,499,600	9,429,069	34%	8,200,114	33%
Hospital services	1,590,222,900	407,627,443	26%	377,797,603	24%
Auxiliary enterprises:					
Housing and dining	26,267,600	8,404,805	32%	8,142,936	29%
Athletics	105,624,800	28,848,294	27%	26,516,736	26%
Other auxiliaries	51,143,300	21,708,434	42%	20,394,727	43%
Total operating revenues	<u>2,945,075,800</u>	<u>875,677,924</u>	<u>30%</u>	<u>839,644,291</u>	<u>30%</u>
<b>OPERATING EXPENSES</b>					
Educational and general:					
Instruction	426,588,700	67,814,444	16%	70,780,150	17%
Research	350,732,500	67,708,170	19%	62,618,446	20%
Public service	195,267,900	45,008,701	23%	40,299,674	22%
Libraries	15,177,200	4,716,300	31%	4,371,624	30%
Academic support	99,702,500	20,550,370	21%	19,151,513	19%
Student services	46,117,800	9,436,746	20%	8,877,367	20%
Institutional support	125,976,200	21,505,948	17%	21,476,940	16%
Operations and maintenance of plant	87,721,100	18,931,496	22%	18,426,439	22%
Student financial aid	209,623,400	99,134,158	47%	91,237,731	46%
Total educational and general	<u>1,556,907,300</u>	<u>354,806,333</u>	<u>23%</u>	<u>337,239,884</u>	<u>23%</u>
Clinical operations	233,010,700	79,344,470	34%	83,364,210	38%
Hospital services	1,484,325,500	326,410,916	22%	304,860,672	21%
Auxiliary enterprises:					
Housing and dining	13,111,800	5,315,214	41%	5,065,696	35%
Athletics	121,195,200	30,748,503	25%	29,829,021	25%
Other auxiliaries	44,843,400	5,839,899	13%	4,772,548	15%
Total operating expenses	<u>3,453,393,900</u>	<u>802,465,335</u>	<u>23%</u>	<u>765,132,031</u>	<u>23%</u>
Net income (loss) from operations	<u>(508,318,100)</u>	<u>73,212,589</u>	<u>N/A</u>	<u>74,512,260</u>	<u>N/A</u>

**UNIVERSITY OF KENTUCKY**  
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**CURRENT FUNDS**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017			2016	
	Budget	Actual	%	Actual	%
Net income (loss) from operations	<u>(508,318,100)</u>	<u>73,212,589</u>	N/A	<u>74,512,260</u>	N/A
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State appropriations	267,089,200	80,126,800	30%	80,108,600	30%
Gifts and non-exchange grants	95,103,400	44,057,367	46%	43,530,178	47%
Investment income	33,748,500	7,947,454	24%	5,434,841	20%
Other nonoperating revenues and expenses, net	9,203,000	2,728,687	30%	2,403,967	23%
Net nonoperating revenues (expenses)	<u>405,144,100</u>	<u>134,860,308</u>	<u>33%</u>	<u>131,477,586</u>	<u>33%</u>
Net income before other revenues, expenses, gains or losses	<u>(103,174,000)</u>	<u>208,072,897</u>	N/A	<u>205,989,846</u>	N/A
Capital grants and gifts	14,385,000	3,379,901	23%	3,758,278	22%
Other, net	-	81,574	-	67,252	-
Total other revenues (expenses)	<u>14,385,000</u>	<u>3,461,475</u>	<u>24%</u>	<u>3,825,530</u>	<u>22%</u>
<b>NON-GASB ACTIVITY</b>					
Appropriated fund balance	277,215,800	-	-	-	-
Capital purchases and transfers	(110,493,900)	(55,267,762)	50%	(38,286,960)	35%
Debt service transfers	(86,842,400)	(44,539,678)	51%	(45,139,349)	53%
Noncapital transfers	8,909,500	945,463	11%	(458,470)	-7%
Total non-GASB current funds activity	<u>88,789,000</u>	<u>(98,861,977)</u>	N/A	<u>(83,884,779)</u>	N/A
<b>INCREASE IN NET POSITION</b>	-	112,672,395		125,930,597	
<b>NET POSITION, July 1, as previously reported</b>		756,483,587		777,325,681	
<b>Cumulative effect of adoption of GASB 75</b>		<u>(267,251,357)</u>		-	
<b>NET POSITION, July 1, as restated</b>		489,232,230		777,325,681	
<b>NET POSITION, September 30</b>		<u>\$ 601,904,625</u>		<u>\$ 903,256,278</u>	
<b>RECONCILIATION TO ANNUAL BUDGET</b>					
Operating revenues	\$ 2,945,075,800	\$ 875,677,924	30%	\$ 839,644,291	30%
Nonoperating revenues	<u>715,651,600</u>	<u>138,321,783</u>	<u>19%</u>	<u>135,303,116</u>	<u>19%</u>
Total revenues	<u>3,660,727,400</u>	<u>1,013,999,707</u>	<u>28%</u>	<u>974,947,407</u>	<u>28%</u>
Operating expenses	3,453,393,900	802,465,335	23%	765,132,031	23%
Nonoperating expenses and transfers	<u>207,333,500</u>	<u>98,861,977</u>	<u>48%</u>	<u>83,884,779</u>	<u>42%</u>
Total expenses and transfers	<u>3,660,727,400</u>	<u>901,327,312</u>	<u>25%</u>	<u>849,016,810</u>	<u>24%</u>
<b>INCREASE IN NET POSITION</b>	<u>\$ -</u>	<u>\$ 112,672,395</u>		<u>\$ 125,930,597</u>	