

# FCR 6

Office of the President  
April 21, 2009

Members, Board of Trustees:

ACCEPTANCE OF INTERIM FINANCIAL REPORT FOR THE  
UNIVERSITY OF KENTUCKY FOR THE NINE MONTHS ENDED  
MARCH 31, 2009

Recommendation: that the Board of Trustees accept the University of Kentucky consolidated financial report for the nine months ended March 31, 2009.

Background: The consolidated financial report includes the financial activities of the University of Kentucky and its affiliated corporations, consisting of the University of Kentucky Research Foundation, The Fund for Advancement of Education and Research in the University of Kentucky Medical Center, University of Kentucky Athletic Association, University of Kentucky Mining Engineering Foundation, University of Kentucky Business Partnership Foundation, University of Kentucky Humanities Foundation, University of Kentucky Equine Research Foundation, University of Kentucky Center on Aging Foundation, and Central Kentucky Management Services. The financial statements also include the operations of the Boone Center, a not-for-profit entity for which the University is financially accountable under Governmental Accounting Standards, but which is not an affiliated corporation under Kentucky Revised Statutes.

As of March 31, 2009, the University had realized income of \$1,759,284,000 representing 79 percent of the 2008-09 estimate of \$2,227,947,000. Expenditures total \$1,565,238,000 or 70 percent of the approved budget of \$2,227,947,000.

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



*Consolidated Financial  
Statements*

*For the nine months ended March 31, 2009*

**CONSOLIDATED BALANCE SHEET**  
**UNIVERSITY OF KENTUCKY AND AFFILIATED CORPORATIONS**  
**MARCH 31, 2009**

with comparative totals for March 31, 2008  
(in thousands)

	2008-09					2007-08	
	Current Unrestricted Funds	Current Restricted Funds	Loan Funds	Endowment Funds	Plant Funds	Totals	Totals
<b>ASSETS</b>							
Cash and cash equivalents	\$ 302,363	\$ 39,974	\$ 5,574		\$ 154,885	\$ 502,796	\$ 651,183
Notes, loans, and A/R (less bad debt allowances of \$39,852)	163,570	69,396	26,490	\$ 2,500	422	262,378	248,451
Investments	20,279	142,337		619,381	39,777	821,774	1,075,744
Property, plant, and equipment, net of depreciation					1,448,778	1,448,778	1,278,336
Inventories and other	50,058				3,172	53,230	55,216
<b>Total Assets</b>	<b>\$ 536,270</b>	<b>\$ 251,707</b>	<b>\$ 32,064</b>	<b>\$ 621,881</b>	<b>\$ 1,647,034</b>	<b>\$ 3,088,956</b>	<b>\$ 3,308,930</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 82,496	\$ 3,923	\$ 297		\$ 867	\$ 87,583	\$ 92,248
Employee withholdings and deposits		24,936				24,936	25,258
Other liabilities	13,746	297	21,546	\$ 20,118	19,726	75,433	67,848
Liability for self insurance	55,086					55,086	68,879
Deferred income	26,080	43,071				69,151	65,405
Bonds payable					506,625	506,625	525,515
Capitalized lease obligation					138,661	138,661	121,967
<b>Total Liabilities</b>	<b>177,408</b>	<b>72,227</b>	<b>21,843</b>	<b>20,118</b>	<b>665,879</b>	<b>957,475</b>	<b>967,120</b>
Interfund Balances	(74,149)	60,148		18,877	(4,876)		
Net deferred revenues and appropriated fund balances	184,392	9,654				194,046	205,789
<b>Fund Balances</b>							
<b>Current unrestricted</b>							
Working capital	243,107					243,107	233,021
Future operating purposes	5,512					5,512	3,311
<b>Current restricted</b>							
Loan		109,678	10,221			109,678	89,210
True endowments				404,602		404,602	602,954
Term endowments				2,387		2,387	3,596
Quasi endowments				175,528		175,528	278,239
Charitable trusts				115		115	2,761
Gift annuities				254		254	871
<b>Plant</b>							
Retirement of indebtedness					13,573	13,573	14,769
Renewal and replacement					16,107	16,107	11,381
Allocated for designated projects					155,635	155,635	114,418
Net investment in plant					800,716	800,716	771,746
<b>Total Fund Balances</b>	<b>248,619</b>	<b>109,678</b>	<b>10,221</b>	<b>582,886</b>	<b>986,031</b>	<b>1,937,435</b>	<b>2,136,021</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 536,270</b>	<b>\$ 251,707</b>	<b>\$ 32,064</b>	<b>\$ 621,881</b>	<b>\$ 1,647,034</b>	<b>\$ 3,088,956</b>	<b>\$ 3,308,930</b>

**CONSOLIDATED STATEMENT OF CURRENT FUNDS REVENUES AND APPROPRIATED FUND BALANCES  
UNIVERSITY OF KENTUCKY AND AFFILIATED CORPORATIONS  
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

with comparative totals for March 31, 2008  
(in thousands)

	2008-09				2007-08	
	Original Budget	Revised Budget	Realized To Date	%	Realized To Date	%
<b>General Fund</b>						
State appropriations	\$ 321,503	\$ 321,503	\$ 257,002	80	\$ 269,713	80
Student fees	253,257	253,257	250,125	99	226,904	93
County appropriations	15,248	15,248	11,983	79	11,135	77
Endowment and investment income	11,060	11,060	6,744	61	15,749	119
Non governmental grants and contracts	111,036	111,036	91,318	82	78,723	80
Grants, donations, pledges						
Affiliated corporations	29,383	29,383	21,681	74	18,987	67
Other	24,416	24,436	13,298	54	18,510	154
Sales and services	25,163	25,176	21,672	86	20,672	83
Transfers	18,812	18,812	13,030	69	13,534	86
<b>Total General Fund</b>	<b>809,878</b>	<b>809,911</b>	<b>686,854</b>	<b>85</b>	<b>673,927</b>	<b>86</b>
<b>Auxiliary Enterprises</b>	<b>72,711</b>	<b>72,729</b>	<b>59,047</b>	<b>81</b>	<b>55,808</b>	<b>79</b>
<b>Restricted Funds</b>						
Federal appropriations	16,576	17,315	13,139	76	12,296	77
Other	117,795	117,939	79,589	67	73,001	64
<b>Affiliated Corporations</b>	<b>353,534</b>	<b>353,620</b>	<b>263,097</b>	<b>74</b>	<b>259,556</b>	<b>77</b>
<b>UK Hospitals</b>	<b>753,205</b>	<b>753,205</b>	<b>554,329</b>	<b>74</b>	<b>520,580</b>	<b>76</b>
<b>Total Revenues</b>	<b>2,123,699</b>	<b>2,124,719</b>	<b>1,656,056</b>	<b>78</b>	<b>1,595,168</b>	<b>79</b>
<b>Appropriated Fund Balance</b>						
Current unrestricted fund	81,155	103,228	103,228	100	87,426	100
<b>Total Revenues and Appropriated Fund Balance</b>	<b>\$ 2,204,854</b>	<b>\$ 2,227,947</b>	<b>\$ 1,759,284</b>	<b>79</b>	<b>\$ 1,682,594</b>	<b>80</b>

**CONSOLIDATED STATEMENT OF CURRENT FUNDS EXPENDITURE SUMMARY BY PROGRAM - ALL FUNDS  
UNIVERSITY OF KENTUCKY AND AFFILIATED CORPORATIONS  
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

with comparative totals for March 31, 2008  
(in thousands)

	2008-09				2007-08	
	Original Budget	Revised Budget	Expended To Date	%	Expended To Date	%
Instruction	\$ 318,407	\$ 294,853	\$ 197,068	67	\$ 193,292	65
Research	279,853	292,402	190,877	65	190,059	67
Public service	284,807	292,029	209,216	72	183,052	73
Academic support	112,646	116,870	78,435	67	73,797	66
Student services	27,961	30,105	20,347	68	20,273	68
Institutional support	109,742	128,356	59,997	47	59,344	46
Student financial aid	93,646	92,976	91,681	99	86,705	97
Operation and maintenance	60,610	63,159	41,556	66	44,202	70
Mandatory transfers (debt service)	45,118	45,118	39,661	88	32,324	88
UK Hospitals	746,050	746,050	537,595	72	503,285	74
Auxiliary enterprises	126,014	126,029	98,805	78	90,472	75
<b>Total Expenditure by Program</b>	<b>\$ 2,204,854</b>	<b>\$ 2,227,947</b>	<b>\$ 1,565,238</b>	<b>70</b>	<b>\$ 1,476,805</b>	<b>70</b>

**EXPENDITURE SUMMARY BY CATEGORY OF EXPENDITURE  
UNIVERSITY OF KENTUCKY AND AFFILIATED CORPORATIONS  
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

with comparative totals for March 31, 2008  
(in thousands)

	2008-09				2007-08	
	Original Budget	Revised Budget	Expended To Date	%	Expended To Date	%
Personnel costs	\$ 1,073,827	\$ 1,090,347	\$ 887,293	81	\$ 838,443	79
Operating expenses	1,037,817	1,042,560	607,184	58	568,177	61
Mandatory transfers (debt service)	45,118	45,118	39,661	88	32,324	88
Capital outlay	48,092	49,922	31,100	62	37,861	61
<b>Total Expenditure by Category</b>	<b>\$ 2,204,854</b>	<b>\$ 2,227,947</b>	<b>\$ 1,565,238</b>	<b>70</b>	<b>\$ 1,476,805</b>	<b>70</b>

**CONSOLIDATED SUMMARY OF NET DEFERRED REVENUES AND APPROPRIATED FUND BALANCES  
UNIVERSITY OF KENTUCKY AND AFFILIATED CORPORATIONS  
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

with comparative totals for March 31, 2008  
(in thousands)

	<u>2008-09</u>	<u>2007-08</u>
<b>Realized Revenues</b>	\$ 1,656,056	\$ 1,595,168
<b>Appropriated Fund Balances</b>		
Current Unrestricted Fund	<u>\$ 103,228</u>	<u>87,426</u>
Total Appropriated Fund Balances	<u>103,228</u>	<u>87,426</u>
Total Revenues and Appropriated Fund Balances	1,759,284	1,682,594
<b>Expenditures</b>	<u>1,565,238</u>	<u>1,476,805</u>
<b>Net Deferred Revenues and Appropriated Fund Balances</b>	<u><u>\$ 194,046</u></u>	<u><u>\$ 205,789</u></u>

**University of Kentucky Interim Financial Report  
For the Nine Months Ended March 31, 2009  
Financial Statements Highlights**

**Overall**

- The March 31, 2009 financial statements include the University and its affiliated corporations, with comparative totals for the nine months ended March 31, 2008.
- The statements are prepared in a fund accounting format, consistent with the budget approved by the Board of Trustees, as compared to the annual financial statements, which are prepared on a GASB Statement No. 35 entity-wide basis.
- As of March 31, 2009, revenues and appropriated fund balances are 79 percent and expenditures are 70 percent of the \$2.2 billion budgeted amount.

**Balance Sheet**

- Assets = \$3.1 billion, a decrease of \$220 million (7 percent) since March 2008.
  - Cash = \$503 million, a decrease of \$148 million (23 percent), primarily due to a decrease in plant fund cash as a result of expenditures for various projects including the patient care facility and the student health facility. Cash also decreased due to an increase in investments in U.S. agency securities in order to improve investment return.
  - Investments = \$822 million, a decrease of \$254 million (24 percent), primarily due to endowment pool losses caused by declining market returns.
  - Property, plant, and equipment, net of depreciation = \$1.4 billion, an increase of \$170 million (13 percent) due to building, equipment, and construction in process additions including the new patient care facility and the Biological Pharmaceutical building.
- Liabilities = \$957 million, a decrease of \$10 million (1 percent) from March 2008.
  - Other liabilities = \$75 million, an increase of \$8 million (11 percent), primarily due to the establishment of the other post employee benefits trust liability in an amount equal to the market value of the corresponding quasi endowment.
  - Liability for self insurance = \$55 million, a decrease of \$14 million (20 percent), mainly due to the elimination of the long term disability liability because the university fully funded the annual required contribution based on actuarial calculations in accordance with GASB 45.
  - Bonds payable = \$507 million, a decrease of \$19 million (4 percent), primarily due to scheduled debt service payments.
  - Capitalized lease obligation = \$139 million, an increase of \$17 million (14 percent), mainly due to new leases for Good Samaritan and Chandler hospital equipment purchases.
- Fund Balances = \$2 billion, a decrease of \$199 million (9 percent) since March 2008.
  - Endowment funds = \$583 million, a decrease of \$267 million (30 percent) due primarily to decreases in market value, as described above.
  - Plant funds = \$986 million, an increase of \$74 million (8 percent) principally because of the receipt of \$80 million from the state for the construction of the Biomedical Pharmaceutical building.

**University of Kentucky Interim Financial Report  
For the Nine Months Ended March 31, 2009  
Financial Statements Highlights**

**Revenues**

- Revenues are 79 percent of the revenue estimate for the year, compared to 80 percent last year.
- Total revenues, excluding appropriated fund balance, increased \$61 million (4 percent), over the same period last year.
  - Student fees = \$250 million, an increase of \$23 million (10 percent), due primarily to an increase in tuition and mandatory fees.
  - Grants, donations, pledges – other = \$13 million, a decrease of \$5 million (28 percent), mainly due to professional supplemental payments (PSP) transfers from the federal government through the state to reimburse the University for treating Medicare and Medicaid recipients.
  - UK Hospitals revenues = \$554 million, an increase of \$34 million (7 percent), due primarily to an increase in rates.

**Expenditures**

- Expenditures = 70 percent of the approved budget, same as last year.
- Total expenditures increased \$88 million (6 percent), over the same period last year.
  - Public service = \$209 million, an increase of \$26 million (14 percent), due principally to increases in faculty salaries and benefits in the clinical departments related to professional supplemental payments and an increase in the Department of Corrections contract.
  - Mandatory transfers (debt service) = \$40 million, an increase of \$7 million (23 percent), due to the debt service payments for the CEBRB bonds and the General Receipts 2005 Series A notes. In prior year, debt service reserve funds and capitalized interest were used to reduce these debt service payments.
  - UK Hospitals expenditures = \$538 million, an increase of \$34 million (7 percent), mainly as a result of an increase in personnel and medical supplies costs.

*If you have additional questions, please contact Frank Butler (257-1841).*