

University of Kentucky
Center on Aging Foundation, Inc.
A Component Unit of the University of Kentucky
Financial Statements
Years Ended June 30, 2015 and 2014

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Management's Discussion and Analysis

The University of Kentucky Center on Aging Foundation's (the Foundation) Management's Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial performance of the Foundation for the years ended June 30, 2015 and 2014. Management has prepared this discussion, which provides summary financial information, along with the financial statements and related footnotes. MD&A should be read in conjunction with the accompanying financial statements.

Financial Highlights

Assets increased \$61,111 and net position of the Foundation increased \$56,411 during the year ended June 30, 2015 as a result of operating revenue in excess of operating expenses.

Using the Financial Statements

This financial report consists of three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. 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*.

One of the most important questions asked about the Foundation's finances is whether the Foundation is better off as a result of the year's activities. One key to answering this question is the financial statements of the Foundation. The Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows present financial information on the Foundation in a format similar to that used by corporations and present a long-term view of the Foundation's finances. The Foundation's net position (the difference between assets, deferred outflows of resources, liabilities and deferred inflow of resources) is one sign of the Foundation's financial health. Over time, increases or decreases in net position indicate the improvement or erosion of the Foundation's financial health.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources. It is prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Gifts and investment income are classified as operating revenues because fundraising activities represent the Foundation's primary operating purpose.

Another important factor to consider when evaluating financial viability is the Foundation's ability to meet financial obligations as they become due. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital, financing and investing activities.

Reporting Entity

The University of Kentucky Center on Aging Foundation, Inc. is a not-for-profit Kentucky corporation formed to support the educational, research and clinical activities of multi-disciplinary gerontology programs of the University of Kentucky (the University), and to foster the development of education, research and service in the field of aging across the many disciplines within the total University community. The Foundation is considered to be an affiliate and component unit of the University because all Board members are related to the University as faculty or staff and/or are appointed by the President of the University, and certain officers of the Foundation are officers of the University.

Condensed Financial Information

Statements of Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
ASSETS			
Current assets	<u>\$ 170,182</u>	<u>\$ 109,071</u>	<u>\$ 81,635</u>
Total assets	<u>170,182</u>	<u>109,071</u>	<u>81,635</u>
LIABILITIES			
Current liabilities	<u>4,802</u>	<u>102</u>	<u>-</u>
Total liabilities	<u>4,802</u>	<u>102</u>	<u>-</u>
NET POSITION			
Restricted			
Expendable	<u>165,380</u>	<u>108,969</u>	<u>81,635</u>
Total net position	<u>\$ 165,380</u>	<u>\$ 108,969</u>	<u>\$ 81,635</u>

Assets. As of June 30, 2015, the Foundation's total assets, consisting of cash and cash equivalents, amounted to \$170,182, an increase of \$61,111 over the prior year. The increase was primarily due to operating revenue exceeding operating expenses.

Liabilities. Liabilities totaled \$4,802 as of June 30, 2015, which consisted of accounts payable.

Net Position. Net position at June 30, 2015 totaled \$165,380, 97.2% of total assets, all of which were in a restricted net position. Total net position increased by \$56,411 during the year ended June 30, 2015. The increase was primarily due to operating revenue exceeding operating expenses.

2014 Versus 2013. Total assets increased \$27,436 and total net position increased \$27,334 when comparing fiscal 2014 with fiscal 2013 due to operating revenue exceeding operating expenses.

Statements of Revenues, Expenses and Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPERATING REVENUES			
Operating revenue	<u>\$ 158,203</u>	<u>\$ 152,042</u>	<u>\$ 179,530</u>
Total operating revenues	<u>158,203</u>	<u>152,042</u>	<u>179,530</u>
OPERATING EXPENSES			
Educational and general	<u>101,792</u>	<u>124,708</u>	<u>109,158</u>
Total operating expenses	<u>101,792</u>	<u>124,708</u>	<u>109,158</u>
OPERATING INCOME (LOSS)	56,411	27,334	70,372
Net position, beginning of year	<u>108,969</u>	<u>81,635</u>	<u>11,263</u>
Net position, end of year	<u>\$ 165,380</u>	<u>\$ 108,969</u>	<u>\$ 81,635</u>

2015. The Foundation's most significant operating revenue was private gifts of \$129,179 while sales related to fundraising activities totaled \$28,940. Gift revenue increased \$11,029 due to an increase in sponsorships purchased for the annual dinner.

Operating expenses totaled \$101,792, of which all was educational and general expenses for institutional support. A decrease of \$22,916 in operating expenses was due to not having to pay for speaker fees this year. The cost of food, flowers, and entertainment for the annual dinner was also less.

2014 Versus 2013. Operating expenses totaled \$124,708, of which all was educational and general expenses for institutional support. An increase of \$15,550 was primarily due to the hiring of an advertising agency to promote the annual dinner, as well as the purchase of photographs, floral arrangements, and ad placements. The increase was offset by a decrease in the cost of the meal at the annual dinner. Operating revenue decreased \$27,488 due to a decrease in the contributions and sponsorships associated with the annual dinner.

Statements of Cash Flows

Another way to assess the financial health of an organization is to look at the Statement of Cash Flows. The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and cash payments made by the Foundation during the period. The Statement of Cash Flows also helps financial statement readers assess the Foundation's:

- ability to generate future net cash flows,
- ability to meet obligations as they become due, and
- need for external financing.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
CASH PROVIDED (USED) BY:			
Operating activities	\$ 61,111	\$ 27,436	\$ 70,123
Net increase (decrease) in cash and cash equivalents	<u>61,111</u>	<u>27,436</u>	<u>70,123</u>
Cash and cash equivalents, beginning of year	<u>109,071</u>	<u>81,635</u>	<u>11,512</u>
Cash and cash equivalents, end of year	<u>\$ 170,182</u>	<u>\$ 109,071</u>	<u>\$ 81,635</u>

2015. The largest cash receipt in the operating activities group relates to private gifts of \$129,179. Other cash receipts totaled \$29,024. Cash payments for operating activities of \$94,874 were made to vendors and contractors. Salaries, wages, and benefits reimbursements to the University of Kentucky totaled \$2,218.

2014 Versus 2013. Net cash increased \$27,436 as of June 30, 2014, from June 30, 2013, primarily due to operating revenue exceeding operating expenses.

Capital Asset and Debt Administration

Capital Assets. Capital assets purchased by the Foundation are granted to the University of Kentucky at the time of acquisition.

Debt. The Foundation had no debt at or during the year ended June 30, 2015.

Factors Impacting Future Periods

Due to current economic conditions, donations to the Foundation could be negatively impacted, thus affecting future financial results of the Foundation.

**UNIVERSITY OF KENTUCKY CENTER ON AGING FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 170,182	\$ 109,071
Total current assets	<u>170,182</u>	<u>109,071</u>
Total assets	<u>170,182</u>	<u>109,071</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	<u>4,802</u>	<u>102</u>
Total current liabilities	<u>4,802</u>	<u>102</u>
Total liabilities	<u>4,802</u>	<u>102</u>
NET POSITION		
Restricted expendable	<u>165,380</u>	<u>108,969</u>
Total net position	<u>\$ 165,380</u>	<u>\$ 108,969</u>

See notes to financial statements

**UNIVERSITY OF KENTUCKY CENTER ON AGING FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Gifts	\$ 129,179	\$ 118,150
Investment income	84	82
Sales related to fundraising activities	<u>28,940</u>	<u>33,810</u>
Total operating revenues	<u>158,203</u>	<u>152,042</u>
OPERATING EXPENSES		
Educational and general:		
Institutional support	<u>101,792</u>	<u>124,708</u>
Total educational and general	<u>101,792</u>	<u>124,708</u>
Total operating expenses	<u>101,792</u>	<u>124,708</u>
Net income (loss) from operations	56,411	27,334
NET POSITION, beginning of year	<u>108,969</u>	<u>81,635</u>
NET POSITION, end of year	<u><u>\$ 165,380</u></u>	<u><u>\$ 108,969</u></u>

See notes to financial statements

**UNIVERSITY OF KENTUCKY CENTER ON AGING FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Private gifts	\$ 129,179	\$ 118,150
Payments to vendors and contractors	(94,874)	(124,606)
Salaries, wages and benefits reimbursements to the University of Kentucky	(2,218)	-
Other receipts (payments)	<u>29,024</u>	<u>33,892</u>
Net cash provided (used) by operating activities	<u>61,111</u>	<u>27,436</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	61,111	27,436
CASH AND CASH EQUIVALENTS, beginning of year	<u>109,071</u>	<u>81,635</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 170,182</u></u>	<u><u>\$ 109,071</u></u>
Reconciliation of net income (loss) from operations to net cash provided (used) by operating activities:		
Net income (loss) from operations	\$ 56,411	\$ 27,334
Adjustments to reconcile net income (loss) from operations to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
Accounts payable and accrued liabilities	<u>4,700</u>	<u>102</u>
Net cash provided (used) by operating activities	<u><u>\$ 61,111</u></u>	<u><u>\$ 27,436</u></u>

See notes to financial statements

**UNIVERSITY OF KENTUCKY
CENTER ON AGING FOUNDATION, INC.
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The University of Kentucky Center on Aging Foundation, Inc. (the Foundation) is a not-for-profit Kentucky corporation formed to support the educational, research and clinical activities of multi-disciplinary gerontology programs of the University of Kentucky (the University), and to foster the development of education, research and service in the field of aging across the many disciplines within the total University community. The Foundation is considered to be an affiliate and component unit of the University because all Board members are related to the University as faculty or staff and/or are appointed by the Board of Trustees and certain officers of the Foundation are officers of the University.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
 - Nonexpendable* – Net position subject to externally imposed stipulations that they be maintained permanently by the Foundation.
 - Expendable* – Net position whose use by the Foundation is subject to externally imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.
- Unrestricted: Net position whose use by the Foundation is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation is intended to provide a comprehensive, entity-wide perspective of the Foundation's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

Summary of Significant Accounting Policies

Accrual Basis. The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Cash and Cash Equivalents. The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Income Taxes. The Foundation has been granted exemption from federal income taxation pursuant to the provisions of Internal Revenue Code section 501(c)(3).

Restricted Asset Spending Policy. The Foundation's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination of whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Operating Activities. The Foundation defines operating activities, as reported on the Statement of Revenues, Expenses and Changes in Net Position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Gifts and investment income are also classified as operating revenues because fundraising activities represent the Foundation's primary purpose.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The fair value of deposits and investments, by type, at June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Cash on deposit with the University	<u>\$ 170,182</u>	<u>\$ 109,071</u>

Deposit and Investment Policies. The Foundation follows the deposit and investment policies established by the University's Board of Trustees. Such policies are developed to establish and maintain sound financial management practices for the investment and management of the Foundation's funds.

For purposes of investment management, the Foundation's deposits and investments can be grouped into one significant category: Cash on deposit with the University, which the University invests in deposits and repurchase agreements with banks and the Commonwealth of Kentucky (the Commonwealth).

Cash on deposit with the University is managed based on the University's Operating Fund Investment Policy.

Deposit and Investment Risks. The Foundation's deposits and investments are exposed to various risks as discussed in more detail below.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the Foundation to experience a loss of principal. Cash on deposit with the University is governed by policy that minimizes risk in several ways. Deposits are governed by state law which requires full collateralization for balances exceeding amounts covered by the Federal Deposit Insurance Corporation (FDIC). The Foundation's deposits are insured up to \$250,000 at each FDIC insured institution. Credit risk on repurchase agreements is mitigated by requiring the issuing financial institution's pledge of specific U.S. Treasury or agency securities, held in the name of the University by the Federal Reserve Bank. Credit risk on repurchase agreements with the Commonwealth is mitigated by the Commonwealth's requirement that providers of overnight repurchase agreements collateralize these investments at 102% of face value with U.S. Treasury or agency securities, pledged in the name of the Commonwealth.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. Cash on deposit with the University is invested in deposits and repurchase agreements in the University's name. Deposits and repurchase agreements with the Commonwealth are held in the Commonwealth's name. The University maintains records evidencing the Foundation's ownership interest in such balances.

Concentrations of Credit Risk. The Foundation's investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer. Cash on deposit with the University is not limited as to the maximum amount that may be deposited or invested in one issuer. However, all such deposits in excess of federal deposit insurance are required to be fully collateralized by U.S. Treasury and/or U.S. agency securities or other similar investments as provided by KRS 41.240.

At June 30, 2015, the Foundation had no underlying investments in any one issuer that represents more than five percent of total investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Cash on deposit with the University has limited exposure to interest rate risk due to the short term nature of the investment. The University requires that all deposits and repurchase agreements be available for use on the next business day.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Foundation is not exposed to foreign currency risk.

3. RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts and errors and omissions. These risks are covered by extension of coverage by the University's participation in an insurance risk retention group and self-insurance. Claims against directors and officers for wrongful acts (errors and omissions) are insured through a risk retention group. There have been no significant reductions in insurance coverage from 2014 to 2015. Settlements have not exceeded insurance coverage during the past three years.

4. SUPPORT GENERATED FOR THE UNIVERSITY OF KENTUCKY

One of the primary functions of the Foundation is to raise funds to support the gerontology programs of the University. During the fiscal years ended June 30, 2015 and 2014, fundraising efforts by the Foundation resulted in donations to the University totaling \$394,652 and \$379,425 respectively. As of June 30, 2015, the market value of endowments established through these efforts is \$17,277,982.

BOARD OF DIRECTORS

John Y. Brown III
Janet Cerel
Mary Janet Cotter
Norwood "Buddy" Cowgill
Frederick C. deBeer
Marion Forcht
Pat Freibert
Michael Karpf
Susan Krauss
Carolyn Kurz
Jim LeMaster
Charlotte Neal
Peter Nelson
Jacqueline Noonan
Dennis Pike
Bennett Prichard
Linda Van Eldik
Jonathan Vaughn

OFFICERS

Steve Matherly, Chair
Jim LeMaster, Vice Chair
Bonnie Eusner, Secretary

HONORARY MEMBERS

John Y. Brown Jr.

SENIOR MEMBERS (NON-VOTING)

Anthony Beatty, Sr.
Betty Carol Clark
Tom Dupree, Jr.
Cheryl Feigel
William Giles
Mollie Jameson
Ed Lane
Bob Quick
Ray Rector
Vivian Weil
Isabel Yates