

# FCR 1

Office of the President  
March 29, 2011

Members, Board of Trustees:

ACCEPTANCE OF INTERIM FINANCIAL REPORT FOR THE  
UNIVERSITY OF KENTUCKY FOR THE SIX MONTHS ENDED  
DECEMBER 31, 2010

Recommendation: that the Board of Trustees accept the University of Kentucky consolidated financial report for the six months ended December 31, 2010.

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 Humanities Foundation, University of Kentucky Equine Research Foundation, University of Kentucky Center on Aging Foundation, and Central Kentucky Management Services.

As of December 31, 2010, the University has recognized \$1,151,502,862 of current funds revenue representing 46 percent of the 2010-11 approved budget of \$2,500,327,000. Expenses and transfers total \$1,166,356,651 or 47 percent of the approved budget.

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



*Consolidated Financial  
Statements*

*For the six months ended December 31, 2010*

**UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 319,934,561
Notes, loans and accounts receivable, net	238,936,517
Inventories and other assets	36,505,116
Total current assets	<u>595,376,194</u>

**Noncurrent Assets**

Restricted cash and cash equivalents	61,397,046
Endowment investments	921,169,660
Other long-term investments	185,940,095
Notes, loans and accounts receivable, net	50,088,856
Other noncurrent assets	15,692,352
Capital assets, net	1,762,028,761
Total noncurrent assets	<u>2,996,316,770</u>
Total assets	<u>3,591,692,964</u>

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued liabilities	134,047,684
Deferred revenue	63,680,144
Long-term liabilities - current portion	61,305,786
Total current liabilities	<u>259,033,614</u>

**Noncurrent Liabilities**

Accounts payable and accrued liabilities	2,687,142
Deferred revenue	6,389,688
Long-term liabilities	815,874,338
Total noncurrent liabilities	<u>824,951,168</u>
Total liabilities	<u>1,083,984,782</u>

**NET ASSETS**

<b>Invested in capital assets, net of related debt</b>	<u>1,088,196,702</u>
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**Restricted**

<b>Nonexpendable</b>	
Scholarships and fellowships	125,109,382
Research	267,209,650
Instruction	77,362,691
Academic support	88,494,758
Other	8,264,397
Total restricted nonexpendable	<u>566,440,878</u>

<b>Expendable</b>	
Scholarships and fellowships	42,981,250
Research	32,050,173
Instruction	51,359,703
Academic support	23,623,643
Loans	9,592,201
Capital projects	58,190,691
Debt service	11,341,658
Auxiliary	12,146,793
Other	9,177,489
Total restricted expendable	<u>250,463,601</u>

Total restricted	<u>816,904,479</u>
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<b>Unrestricted</b>	<u>602,607,001</u>
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Total net assets	<u>\$ 2,507,708,182</u>
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**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**ALL FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2010**

**OPERATING REVENUES**

Student tuition and fees	\$ 155,386,666
Federal grants and contracts	78,922,867
State and local grants and contracts	31,818,525
Nongovernmental grants and contracts	77,784,016
Recoveries of facilities and administrative costs	24,262,128
Sales and services	20,584,394
Federal appropriations	8,157,528
County appropriations	9,070,491
Hospital services	406,836,357
Auxiliary enterprises:	
Housing and dining	26,932,663
Athletics	48,970,903
Other auxiliaries	15,158,173
Other operating revenues	199,077
Total operating revenues	<u>904,083,788</u>

**OPERATING EXPENSES**

Educational and general:	
Instruction	132,957,991
Research	124,645,757
Public service	102,829,879
Libraries	7,506,125
Academic support	39,457,565
Student services	15,998,025
Institutional support	39,990,117
Operations and maintenance of plant	30,614,164
Student financial aid	59,825,571
Depreciation	26,074,428
Total educational and general	<u>579,899,622</u>
Clinical operations	43,254,456
Hospital and clinics (including depreciation of \$14,386,281)	378,958,502
Auxiliary enterprises:	
Housing and dining (including depreciation of \$2,580,559)	21,983,552
Athletics (including depreciation of \$247,148)	35,694,130
Other auxiliaries	12,648,711
Other operating expenses	329,952
Total operating expenses	<u>1,072,768,925</u>
Net loss from operations	<u>(168,685,137)</u>

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	159,728,000
State fiscal stabilization fund	17,223,683
Gifts and non-exchange grants	45,019,268
Investment income (loss)	118,114,716
Interest on capital asset-related debt	(25,667,342)
Other nonoperating revenues and expenses, net	2,517,691
Net nonoperating revenues (expenses)	<u>316,936,016</u>
Net income before other revenues, expenses, gains or losses	<u>148,250,879</u>
Capital grants and gifts	12,606,067
Additions to permanent endowments	6,118,914
Other, net	3,062,695
Total other revenues (expenses)	<u>21,787,676</u>
<b>INCREASE IN NET ASSETS</b>	<u>170,038,555</u>

**NET ASSETS, July 1, 2010** 2,337,669,627

**NET ASSETS, December 31, 2010** \$ 2,507,708,182

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**CURRENT FUNDS**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2010 AND 2009**

	2010			2009
	Budget	Actual	%	Actual
<b>OPERATING REVENUES</b>				
Student tuition and fees	\$ 289,369,500	\$ 155,386,666	54%	\$ 144,022,787
Federal grants and contracts	163,465,000	78,922,867	48%	75,982,359
State and local grants and contracts	99,392,900	31,818,525	32%	34,282,757
Nongovernmental grants and contracts	139,374,000	77,784,016	56%	75,016,920
Recoveries of facilities and administrative costs	44,000,000	24,262,128	55%	22,090,562
Sales and services	42,733,800	20,584,394	48%	18,948,471
Federal appropriations	17,722,900	8,157,528	46%	8,226,303
County appropriations	17,828,300	9,070,491	51%	8,844,214
Hospital services	915,106,900	406,836,357	44%	404,990,201
Auxiliary enterprises:				
Housing and dining	46,477,400	26,932,663	58%	23,664,776
Athletics	63,255,000	48,970,903	77%	46,696,037
Other auxiliaries	39,133,800	15,158,173	39%	15,016,076
Total operating revenues	<u>1,877,859,500</u>	<u>903,884,711</u>	<u>48%</u>	<u>877,781,463</u>
<b>OPERATING EXPENSES</b>				
Educational and general:				
Instruction	311,661,000	132,957,991	43%	126,497,920
Research	299,260,500	124,599,870	42%	120,864,517
Public service	230,381,500	102,829,906	45%	97,452,374
Libraries	27,397,900	7,506,125	27%	8,006,310
Academic support	102,672,500	39,457,334	38%	38,479,429
Student services	36,382,700	15,848,337	44%	14,890,148
Institutional support	110,682,000	39,975,559	36%	43,863,475
Operations and maintenance of plant	85,102,500	26,641,536	31%	25,607,568
Student financial aid	107,354,400	59,825,571	56%	53,157,352
Total educational and general	<u>1,310,895,000</u>	<u>549,642,229</u>	<u>42%</u>	<u>528,819,093</u>
Clinical operations	95,379,100	43,254,456	45%	40,957,517
Hospital and clinics	867,666,300	356,701,784	41%	338,187,591
Auxiliary enterprises:				
Housing and dining	39,732,300	19,345,226	49%	17,942,254
Athletics	72,970,400	34,927,891	48%	37,816,176
Other auxiliaries	32,846,300	10,713,167	33%	7,853,404
Total operating expenses	<u>2,419,489,400</u>	<u>1,014,584,753</u>	<u>42%</u>	<u>971,576,035</u>
Net loss from operations	<u>(541,629,900)</u>	<u>(110,700,042)</u>	<u>20%</u>	<u>(93,794,572)</u>

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**CURRENT FUNDS**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2010 AND 2009**

	2010			2009
	Budget	Actual	%	Actual
Net loss from operations	<u>(541,629,900)</u>	<u>(110,700,042)</u>	20%	<u>(93,794,572)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	290,664,700	159,728,000	55%	161,775,350
State fiscal stabilization fund	17,223,600	17,223,683	100%	21,066,800
Gifts and non-exchange grants	72,463,200	43,490,601	60%	37,637,553
Investment income	31,582,600	12,271,903	39%	14,632,041
Other nonoperating revenues and expenses, net	4,350,600	3,678,960	85%	2,177,977
Net nonoperating revenues (expenses)	<u>416,284,700</u>	<u>236,393,147</u>	<u>57%</u>	<u>237,289,721</u>
Net income before other revenues, expenses, gains or losses	<u>(125,345,200)</u>	<u>125,693,105</u>	<u>-100%</u>	<u>143,495,149</u>
Capital grants and gifts	5,380,100	11,225,004	209%	8,349,329
Other, net	-	(1,095,859)	-	(1,246,563)
Total other revenues (expenses)	<u>5,380,100</u>	<u>10,129,145</u>	<u>188%</u>	<u>7,102,766</u>
<b>NON-GASB ACTIVITY</b>				
Appropriated fund balance	200,802,700	-	-	-
Purchase of capital assets	-	(5,629,844)		(3,364,786)
Capital and debt service transfers	(71,764,500)	(145,540,337)		(66,559,954)
Noncapital transfers	<u>(9,073,100)</u>	<u>494,142</u>		<u>(1,906,241)</u>
Total non-GASB current funds activity	<u>119,965,100</u>	<u>(150,676,039)</u>		<u>(71,830,981)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	-	(14,853,789)		78,766,934
<b>NET ASSETS, July 1, 2010</b>		<u>505,823,740</u>		<u>509,197,001</u>
<b>NET ASSETS, December 31, 2010</b>		<u>\$ 490,969,951</u>		<u>\$ 587,963,935</u>
<b>RECONCILIATION TO ANNUAL BUDGET</b>				
Operating revenues	\$ 1,877,859,500	\$ 903,884,711	48%	\$ 877,781,463
Nonoperating revenues	622,467,500	247,618,151	40%	245,639,050
Total revenues	<u>\$ 2,500,327,000</u>	<u>\$ 1,151,502,862</u>	<u>46%</u>	<u>\$ 1,123,420,513</u>
Operating expenses	\$ 2,419,489,400	\$ 1,014,584,753	42%	\$ 971,576,035
Nonoperating expenses and transfers	80,837,600	151,771,898	188%	73,077,544
Total expenses and transfers	<u>\$ 2,500,327,000</u>	<u>\$ 1,166,356,651</u>	<u>47%</u>	<u>\$ 1,044,653,579</u>

**UNIVERSITY OF KENTUCKY  
SUMMARY OF ENDOWMENT POOL ACTIVITY  
JULY 1, 2010 TO DECEMBER 31, 2010**

Beginning Market Value - July 1, 2010	\$ 788,019,685
Research Challenge Trust State Funds Received (RCTF V)	340,000
Addition to OPEB Quasi	14,855,787
Other Additions to Principal	14,959,442
Current Income Earned	5,202,636
Distributions for Spending	(15,659,295)
Management Fee	(1,164,390)
Market Gains / Losses	<u>108,813,489</u>
 Ending Market Value - December 31, 2010	 <u><u>\$ 915,367,354</u></u>

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***RECONCILIATION TO FINANCIAL STATEMENT ENDOWMENT INVESTMENTS:***

Endowment Pool Assets (Northern Trust)	\$ 915,367,354
Charitable Trusts (Fifth Third Bank)	6,600,596
Charitable Gift Annuities (Fifth Third Bank)	1,404,758
Other endowment assets	296,952
Less accrued interest in endowment fund	<u>(2,500,000)</u>
 Endowment Investments per Financial Statement	 <u><u>\$ 921,169,660</u></u>