

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
December 13, 2011, 8:45 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

Jim Stuckert, Chairperson , Jo Curris, Keith Gannon, Bill Gatton, Terry Mobley, Erwin Roberts, Joe Peek

Approval of Minutes

The minutes of the October 25, 2011, Finance Committee meeting were approved as presented.

FCR 1, Approval of Investment in Coldstream Laboratories, Inc.

Jim Stuckert requested that the Finance Committee authorize the President to approve the transfer of up to \$4 million dollars to the University of Kentucky Research Foundation (UKRF) to be used for investment in Coldstream Laboratories, Inc. (“CLI”) to fund operations and capital improvements. In addition, it is recommended that the Committee authorize the President to transfer up to \$3 million dollars to UKRF to be used as a line of credit to CLI for working capital. Sales in 2011 have increased more than 50 percent over 2010. Approximately \$2 million of the \$4 million dollar investment will be used to improve systems, build redundancy, and implement an at-risk reduction strategy. Keith Gannon moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 2 Expand/Renovate Ambulatory Care: Orofacial Pain Clinic

Jim Stuckert requested that the Finance Committee approve the initiation of the Expand/Renovate Ambulatory Care capital project to renovate space in Kentucky Clinic for the Orofacial Pain Clinic. This phase of the project will renovate approximately 2,850 square feet on the second floor of the Kentucky Clinic Building, Wing C. This phase will include operatories, consulting exam rooms, a waiting room, resident carrel space, lab and supplies space, and radiographic equipment space. A feasibility study has been completed and yielded an estimated cost of \$1.4 million, well within the total 2010 legislative authorization of \$20 million. The project will be funded from clinical revenues. Pam May moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 3, Construct UK/Nicholasville Road Flood Mitigation

Jim Stuckert recommended that the Finance Committee approve as the initiation of the ‘Construct University of Kentucky/Nicholasville Road Flood Mitigation’ Capital Project. The \$8,014,463 project will be funded with a \$6,011,597 grant from the Federal Emergency Management Agency (FEMA) with the balance of \$2,003,866 being the in-kind value of the 3.6 acres of University of Kentucky land designated for the project. Upon approval of the Board, the University will request approval from the Council on Postsecondary Education (CPE) at its February 9, 2012 meeting, and authorization by the Capital Projects and Bond Oversight Committee at its February 21, 2012 meeting. Jo Curris moved for approval. Erwin Roberts seconded, and the motion for approval unanimously carried.

FCR 4, Renovate/Upgrade Softball Complex

Jim Stuckert recommended that the Finance Committee approve the initiation of the ‘Renovate/Upgrade Softball Complex’ capital project. The UK softball program is coming off its most accomplished season in school history, ranked among the top 13 schools in the nation after appearing in and hosting its first Super Regional. UK’s run included its first 40-win season in school history. The project will allow the University to host the 2013 SEC Softball Tournament as requested by the Southeastern Conference. With the improvements, the softball complex will meet all requirements of the conference. The scope of the project is not expected to exceed \$7.5 million and will be funded by Athletics. Bill Gatton moved for approval. Keith Gannon seconded, and the motion for approval unanimously carried.

FCR 5, Lease/Purchase of Medical Equipment

Jim Stuckert asked that the Finance Committee approve the \$10 million UK HealthCare Enterprise Medical Equipment Lease Pool for 2011-12, and declaring official intent to reimburse capital expenditures for the for the HealthCare Enterprise Medical Equipment from a future debt obligation, to be located within the various facilities of UK HealthCare including but not limited to Chandler Medical Center and Good Samaritan Hospital. The University’s Debt Committee reviews these acquisitions to assess the impact on the university’s debt capacity. The Debt Committee has determined that acquisition of these items is consistent with the University’s Debt Policy. Pam May moved for approval. Erwin Roberts seconded, and the motion for approval unanimously carried.

FCR 6, 2011-12 Budget Revisions

Jim Stuckert recommended that the Finance Committee approve revisions to the 2011-12 budget. The budget revisions outlined below will increase the University of Kentucky’s total budget by \$23,418,400 – from 2,677,574,100 to \$2,700,992,500. Jo Curris moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

Next Meeting

Tuesday, March 27, 2012, 18th Floor Patterson Office Tower Board Room

Respectfully submitted,

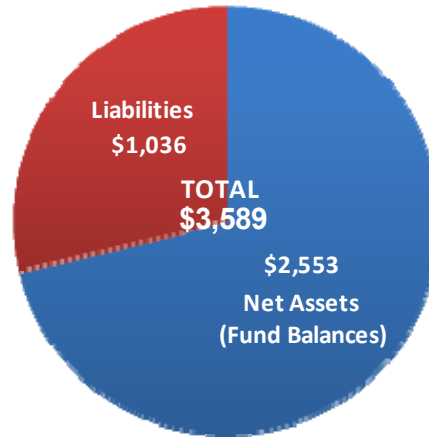
Barbara Royalty-Tatum

Barbara Royalty-Tatum

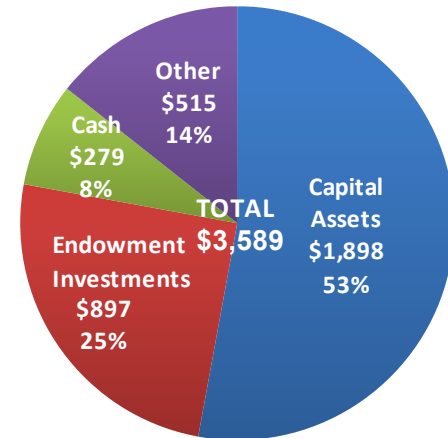
1. The Financial Reporting Entity Consists of UK and Related Corporations

| |
|--------------------------------------|
| UK Research Foundation |
| UK Athletic Association |
| The Fund |
| Gluck Equine Research Foundation |
| Mining Engineering Foundation |
| Humanities Foundation |
| Center on Aging Foundation |
| Central Kentucky Management Services |

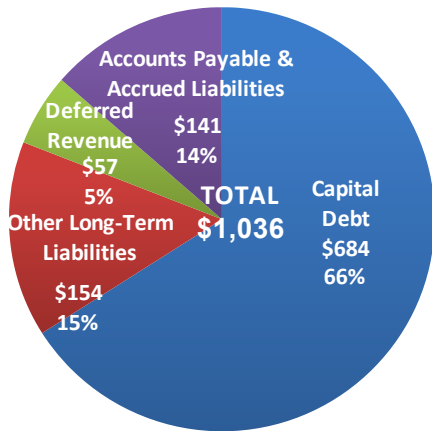
2. Financial Condition at 12/31/11



3. Composition of Assets



4. Composition of Liabilities



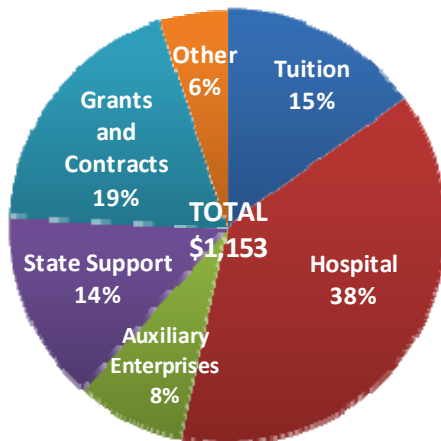
5. Fund Balances

| | | |
|---|----------------|-------------|
| Invested in capital assets | \$1,262 | 49% |
| Property, plant and equipment, less accumulated depreciation and debt | | |
| Nonexpendable restricted | 552 | 22% |
| Principal of permanent endowment | | |
| Expendable restricted | 219 | 9% |
| Restricted donations, appreciation on endowment assets, quasi endowments | | |
| Unrestricted | 520 | 20% |
| Not legally restricted, but subject to contractual agreements and Board/management designations | | |
| Total Net Assets | \$2,553 | 100% |

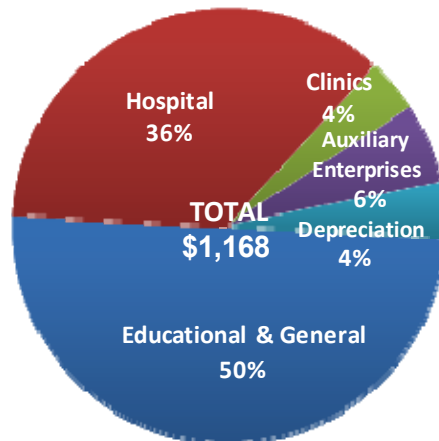
6. Unrestricted Net Assets Detail (in thousands)

| | |
|--------------------------------------|------------------|
| Hospital: | |
| General | \$ 42,254 |
| Unexpended plant | 6,151 |
| Renewal and replacement plant | (493) |
| Quasi endowment | 198,889 |
| TOTAL HOSPITAL | 246,801 |
| Other plant funds | 34,116 |
| Quasi endowment, auxiliary and loan | 23,753 |
| Other affiliated corporations | 82,766 |
| Unrestricted educational and general | 132,777 |
| TOTAL | \$520,213 |

7. Major Sources of Revenue



8. Major Categories of Expenses



9. Annual Budget Fiscal Year 11-12

| | |
|---|----------------|
| Operating revenues | \$2,025 |
| Nonoperating revenues and appropriated fund balance | 676 |
| Total budgeted revenue | \$2,701 |
| Operating expenses | \$2,480 |
| Nonoperating expenses and transfers | 221 |
| Total budgeted expenses | \$2,701 |

UNIVERSITY OF KENTUCKY
SUMMARY OF ENDOWMENT POOL ACTIVITY
JULY 1, 2011 TO DECEMBER 31, 2011

| | |
|---|---------------------------|
| Beginning Market Value - July 1, 2011 | \$ 945,461,752 |
| Addition to OPEB Quasi | 9,275,848 |
| Other Additions to Principal | 2,658,423 |
| Current Income Earned | 4,989,612 |
| Distributions for Spending | (12,743,468) |
| Management Fee | (573,299) |
| Market Gains / Losses | <u>(57,238,442)</u> |
| Ending Market Value - December 31, 2011 | <u>\$ 891,830,426</u> |

RECONCILIATION TO FINANCIAL STATEMENT ENDOWMENT INVESTMENTS:

| | |
|--|---------------------------|
| Endowment Pool Assets (Northern Trust) | \$ 891,830,426 |
| Charitable Trusts (State Street Global Advisors) | 6,218,350 |
| Charitable Gift Annuities (State Street Global Advisors) | 1,293,067 |
| Other endowment assets | 301,627 |
| Less accrued interest in endowment fund | <u>(2,500,000)</u> |
| Endowment Investments per Financial Statement | <u>\$ 897,143,470</u> |