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Office of the President
June 10, 2014

Members, Board of Trustees:

ACCEPTANCE OF INTERIM FINANCIAL REPORT
FOR THE NINE MONTHS ENDED MARCH 31, 2014

Recommendation: that the Board of Trustees accept the University of Kentucky consolidated financial report for the nine months ended March 31, 2014.

Background: The consolidated financial report includes the financial activities of the University of Kentucky, its organizational units including UK HealthCare Hospital System and the Department of Intercollegiate Athletics, and its affiliated corporations:

- The University of Kentucky Research Foundation
- The Fund for Advancement of Education and Research in the University of Kentucky
- Medical Center
- 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 March 31, 2014, the University has recognized \$2,066,235,578 of current funds revenue representing 76 percent of the 2013-14 approved budget of \$2,728,069,400. Expenses and transfers total \$1,946,741,144 or 71 percent of the approved budget.

Action taken: Approved Disapproved Other_____



*Consolidated Financial
Statements*

For the nine months ended March 31, 2014

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENT OF NET POSITION
MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 378,453,296	\$ 429,020,184
Notes, loans and accounts receivable, net	264,267,484	235,772,183
Inventories and other assets	31,865,267	28,965,056
Total current assets	<u>674,586,047</u>	<u>693,757,423</u>
Noncurrent Assets		
Restricted cash and cash equivalents	333,992,278	60,659,891
Endowment investments	1,175,538,564	1,057,189,786
Other long-term investments	221,259,956	148,423,143
Notes, loans and accounts receivable, net	51,684,293	41,780,917
Other noncurrent assets	1,153,954	1,008,145
Capital assets, net	1,903,771,359	1,905,217,685
Total noncurrent assets	<u>3,687,400,404</u>	<u>3,214,279,567</u>
Total assets	<u>4,361,986,451</u>	<u>3,908,036,990</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities		
Accounts payable and accrued liabilities	152,824,434	153,056,477
Unearned revenue	67,748,561	67,125,832
Long-term liabilities - current portion	39,695,245	30,094,418
Total current liabilities	<u>260,268,240</u>	<u>250,276,727</u>
Noncurrent Liabilities		
Long-term liabilities	994,562,656	775,135,503
Total noncurrent liabilities	<u>994,562,656</u>	<u>775,135,503</u>
Total liabilities	1,254,830,896	1,025,412,230
Deferred Inflows of Resources		
Total liabilities and deferred inflows of resources	<u>1,255,392,286</u>	<u>-</u>
NET POSITION		
Net investment in capital assets		
Restricted		
Nonexpendable		
Scholarships and fellowships	134,123,522	129,889,860
Research	268,111,948	263,315,037
Instruction	78,510,771	76,608,041
Academic support	83,830,709	83,699,042
Other	8,491,255	8,007,221
Total restricted nonexpendable	<u>573,068,205</u>	<u>561,519,201</u>
Expendable		
Scholarships and fellowships	71,864,021	57,677,479
Research	87,295,146	62,404,148
Instruction	55,739,800	46,348,209
Academic support	52,974,338	38,551,092
Loans	10,579,429	10,579,363
Capital projects	82,275,026	75,017,663
Debt service	2,342,820	7,588,911
Auxiliary	11,331,715	11,729,106
Other	35,449,746	13,520,972
Total restricted expendable	<u>409,852,041</u>	<u>323,416,943</u>
Total restricted	<u>982,920,246</u>	<u>884,936,144</u>
Unrestricted		
Total net position	<u>\$ 3,106,594,165</u>	<u>\$ 2,882,624,760</u>

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
ALL FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE NINE MONTHS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Student tuition and fees	\$ 373,071,611	\$ 348,256,797
Federal grants and contracts	112,533,766	117,236,962
State and local grants and contracts	44,174,940	71,978,918
Nongovernmental grants and contracts	129,270,411	126,559,048
Recoveries of facilities and administrative costs	33,216,683	34,305,427
Sales and services	32,397,925	33,166,971
Federal appropriations	13,182,550	12,142,234
County appropriations	17,940,886	16,323,573
Hospital services	806,814,088	710,536,155
Auxiliary enterprises:		
Housing and dining	51,442,759	49,015,294
Athletics	66,873,184	62,081,242
Other auxiliaries	25,544,076	25,096,367
Other operating revenues	<u>268,559</u>	<u>314,435</u>
Total operating revenues	<u>1,706,731,438</u>	<u>1,607,013,423</u>
OPERATING EXPENSES		
Educational and general:		
Instruction	212,230,856	203,489,588
Research	176,821,990	178,516,500
Public service	146,039,806	164,975,857
Libraries	15,947,561	15,755,439
Academic support	50,698,473	46,407,916
Student services	27,957,205	25,922,888
Institutional support	44,791,352	41,182,786
Operations and maintenance of plant	56,032,102	45,309,680
Student financial aid	143,732,561	132,409,625
Depreciation	<u>42,572,691</u>	<u>42,515,022</u>
Total educational and general	916,824,597	896,485,301
Clinical operations	89,432,053	91,979,519
Hospital and clinics (including depreciation of \$34,345,659 in 2014 and \$33,409,993 in 2013)	738,166,087	663,229,525
Auxiliary enterprises:		
Housing and dining (including depreciation of \$2,089,957 in 2014 and \$3,070,933 in 2013)	38,275,482	33,951,602
Athletics (including depreciation of \$2,160,973 in 2014 and \$2,969,723 in 2013)	68,720,703	66,426,250
Other auxiliaries	15,347,293	17,426,003
Other operating expenses	<u>878,283</u>	<u>312,026</u>
Total operating expenses	<u>1,867,644,498</u>	<u>1,769,810,226</u>
Net loss from operations	<u>(160,913,060)</u>	<u>(162,796,803)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	227,095,400	227,095,400
Gifts and non-exchange grants	83,303,715	81,970,460
Investment income (loss)	129,032,001	116,508,125
Interest on capital asset-related debt	(18,382,890)	(18,339,819)
Other nonoperating revenues and expenses, net	4,958,841	7,737,506
Net nonoperating revenues (expenses)	<u>426,007,067</u>	<u>414,971,672</u>
Net income before other revenues, expenses, gains or losses	<u>265,094,007</u>	<u>252,174,869</u>
Capital grants and gifts	32,855,677	18,420,498
Additions to permanent endowments	7,054,581	3,628,849
Other, net	<u>(2,591,673)</u>	<u>(4,999,145)</u>
Total other revenues (expenses)	<u>37,318,585</u>	<u>17,050,202</u>
INCREASE IN NET POSITION	<u>302,412,592</u>	<u>269,225,071</u>
NET POSITION, July 1	<u>2,804,181,573</u>	<u>2,613,399,689</u>
NET POSITION, March 31	<u>\$ 3,106,594,165</u>	<u>\$ 2,882,624,760</u>

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
CURRENT FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE NINE MONTHS ENDED MARCH 31, 2014 AND 2013

	2014			2013	
	Budget	Actual	%	Actual	%
OPERATING REVENUES					
Student tuition and fees	\$ 379,993,400	\$ 373,071,611	98%	\$ 348,256,797	103%
Federal grants and contracts	165,662,900	112,513,000	68%	117,236,962	66%
State and local grants and contracts	59,838,600	44,174,940	74%	71,978,918	97%
Nongovernmental grants and contracts	200,649,300	129,270,411	64%	126,559,048	69%
Recoveries of facilities and administrative costs	41,500,000	33,216,683	80%	34,305,427	76%
Sales and services	41,696,400	32,397,925	78%	33,166,971	76%
Federal appropriations	17,057,000	13,182,550	77%	12,142,234	66%
County appropriations	22,100,000	17,940,886	81%	16,323,573	85%
Hospital services	971,622,400	806,814,088	83%	710,536,155	73%
Auxiliary enterprises:					
Housing and dining	52,397,100	51,442,759	98%	49,015,294	96%
Athletics	73,133,800	66,873,184	91%	62,081,242	92%
Other auxiliaries	37,303,500	25,544,076	68%	25,096,367	70%
Total operating revenues	<u>2,062,954,400</u>	<u>1,706,442,113</u>	<u>83%</u>	<u>1,606,698,988</u>	<u>79%</u>
OPERATING EXPENSES					
Educational and general:					
Instruction	326,689,600	212,230,856	65%	203,489,588	70%
Research	282,548,300	176,821,635	63%	178,535,587	66%
Public service	246,418,000	146,039,806	59%	164,975,857	78%
Libraries	14,967,700	15,947,561	107%	15,755,439	115%
Academic support	112,899,700	50,698,473	45%	46,407,916	40%
Student services	40,596,800	27,848,398	69%	25,695,311	62%
Institutional support	141,414,200	44,789,501	32%	41,175,522	30%
Operations and maintenance of plant	70,859,600	45,265,673	64%	40,334,783	58%
Student financial aid	136,677,500	143,732,561	105%	132,409,625	106%
Total educational and general	<u>1,373,071,400</u>	<u>863,374,464</u>	<u>63%</u>	<u>848,779,628</u>	<u>66%</u>
Clinical operations	106,878,300	89,432,053	84%	91,979,519	80%
Hospital and clinics	928,685,100	702,381,504	76%	624,062,152	67%
Auxiliary enterprises:					
Housing and dining	43,646,200	35,926,922	82%	30,753,930	75%
Athletics	88,940,300	66,559,730	75%	63,300,196	79%
Other auxiliaries	33,343,000	15,282,680	46%	17,359,782	55%
Total operating expenses	<u>2,574,564,300</u>	<u>1,772,957,353</u>	<u>69%</u>	<u>1,676,235,207</u>	<u>68%</u>
Net loss from operations	<u>(511,609,900)</u>	<u>(66,515,240)</u>	<u>13%</u>	<u>(69,536,219)</u>	<u>15%</u>

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CURRENT FUNDS
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FOR THE NINE MONTHS ENDED MARCH 31, 2014 AND 2013

	2014			2013	
	Budget	Actual	%	Actual	%
Net loss from operations	<u>(511,609,900)</u>	<u>(66,515,240)</u>	13%	<u>(69,536,219)</u>	15%
NONOPERATING REVENUES (EXPENSES)					
State appropriations	283,869,300	227,095,400	80%	227,095,400	80%
Gifts and non-exchange grants	67,723,400	82,331,065	122%	80,745,068	146%
Investment income	38,920,800	16,179,470	42%	16,612,368	58%
Other nonoperating revenues and expenses, net	<u>5,843,000</u>	<u>4,958,383</u>	85%	<u>7,771,686</u>	133%
Net nonoperating revenues (expenses)	<u>396,356,500</u>	<u>330,564,318</u>	83%	<u>332,224,522</u>	89%
Net income before other revenues, expenses, gains or losses	<u>(115,253,400)</u>	<u>264,049,078</u>	-229%	<u>262,688,303</u>	-345%
Capital grants and gifts	15,009,200	29,229,147	195%	15,745,516	217%
Other, net	-	22,907	-	38,656	387%
Total other revenues (expenses)	<u>15,009,200</u>	<u>29,252,054</u>	195%	<u>15,784,172</u>	
NON-GASB ACTIVITY					
Appropriated fund balance	248,659,300	-	-	-	-
Capital purchases and transfers	(82,521,800)	(126,601,281)	153%	(66,836,769)	77%
Debt service transfers	(70,983,300)	(49,085,472)	69%	(55,381,407)	70%
Noncapital transfers	<u>5,090,000</u>	<u>1,880,055</u>	37%	<u>1,106,445</u>	29%
Total non-GASB current funds activity	<u>100,244,200</u>	<u>(173,806,698)</u>	-173%	<u>(121,111,731)</u>	-176%
INCREASE IN NET POSITION	-	119,494,434		157,360,744	
NET POSITION, July 1		<u>485,659,019</u>		<u>392,255,776</u>	
NET POSITION, March 31		<u>\$ 605,153,453</u>		<u>\$ 549,616,520</u>	
RECONCILIATION TO ANNUAL BUDGET					
Operating revenues	\$ 2,062,954,400	\$ 1,706,442,113	83%	\$ 1,606,698,988	79%
Nonoperating revenues	<u>665,115,000</u>	<u>359,793,465</u>	54%	<u>349,115,139</u>	57%
Total revenues	<u>2,728,069,400</u>	<u>2,066,235,578</u>	76%	<u>1,955,814,127</u>	74%
Operating expenses	2,574,564,300	1,772,957,353	69%	1,676,235,207	68%
Nonoperating expenses and transfers	<u>153,505,100</u>	<u>173,783,791</u>	113%	<u>122,218,176</u>	74%
Total expenses and transfers	<u>2,728,069,400</u>	<u>1,946,741,144</u>	71%	<u>1,798,453,383</u>	68%
INCREASE IN NET POSITION	<u>\$ -</u>	<u>\$ 119,494,434</u>		<u>\$ 157,360,744</u>	