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Office of the President
June 16, 2017

Members, Board of Trustees:

ACCEPTANCE OF INTERIM FINANCIAL REPORT
FOR THE NINE MONTHS ENDED MARCH 31, 2017

Recommendation: that the Board of Trustees accept the University of Kentucky consolidated financial report for the nine months ended March 31, 2017.

Background: The consolidated financial report includes the financial activities of the University of Kentucky and its affiliated corporations:

- University of Kentucky Research Foundation
- 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, 2017, the University has recognized \$2,626,221,961 of current funds revenue representing 73 percent of the 2016-17 approved budget of \$3,573,528,900. Expenses and transfers total \$2,452,167,148 or 69 percent of the approved budget.

Action taken: Approved Disapproved Other_____



Consolidated
Financial Statements

For the nine months ended March 31, 2017

**UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENTS OF NET POSITION
MARCH 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 694,718,962	\$ 683,657,452
Notes, loans and accounts receivable, net	382,177,960	374,678,363
Inventories and other assets	43,186,037	38,702,278
Total current assets	<u>1,120,082,959</u>	<u>1,097,038,093</u>
Noncurrent Assets		
Restricted cash and cash equivalents	283,037,822	455,272,370
Endowment investments	1,303,090,924	1,193,400,818
Other long-term investments	297,056,645	266,440,343
Notes, loans and accounts receivable, net	313,097,812	316,299,351
Other noncurrent assets	786,363	474,815
Capital assets, net	<u>2,808,734,333</u>	<u>2,538,057,103</u>
Total noncurrent assets	<u>5,005,803,899</u>	<u>4,769,944,800</u>
Total assets	<u>6,125,886,858</u>	<u>5,866,982,893</u>
Deferred Outflows of Resources	11,218,921	12,561,606
Total assets and deferred outflows of resources	<u>6,137,105,779</u>	<u>5,879,544,499</u>
 LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities		
Accounts payable and accrued liabilities	256,203,930	246,595,640
Unearned revenue	62,159,162	64,822,033
Long-term liabilities - current portion	84,565,986	78,882,560
Total current liabilities	<u>402,929,078</u>	<u>390,300,233</u>
Noncurrent Liabilities		
Unearned revenue	169,247,278	182,594,333
Long-term liabilities	1,198,318,137	1,242,918,797
Total noncurrent liabilities	<u>1,367,565,415</u>	<u>1,425,513,130</u>
Total liabilities	<u>1,770,494,493</u>	<u>1,815,813,363</u>
Deferred Inflows of Resources	424,779,699	369,909,803
Total liabilities and deferred inflows of resources	<u>2,195,274,192</u>	<u>2,185,723,166</u>
 NET POSITION		
Net investment in capital assets	<u>1,547,311,979</u>	<u>1,460,768,309</u>
Restricted		
Nonexpendable		
Scholarships and fellowships	157,088,523	146,454,793
Research	274,832,813	273,013,712
Instruction	83,602,578	82,293,059
Academic support	85,328,095	85,145,785
Other	10,987,051	9,023,179
Total restricted nonexpendable	<u>611,839,060</u>	<u>595,930,528</u>
Expendable		
Scholarships and fellowships	72,748,334	64,615,581
Research	91,918,409	76,521,462
Instruction	52,125,337	48,926,651
Academic support	69,997,903	57,548,855
Loans	11,876,498	11,295,231
Capital projects	50,512,483	68,148,761
Debt service	18,004,437	8,480,386
Auxiliary	15,797,376	17,025,107
Other	50,347,407	15,821,358
Total restricted expendable	<u>433,328,184</u>	<u>368,383,392</u>
Total restricted	<u>1,045,167,244</u>	<u>964,313,920</u>
Unrestricted	<u>1,349,352,364</u>	<u>1,268,739,104</u>
Total net position	<u>\$ 3,941,831,587</u>	<u>\$ 3,693,821,333</u>

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
ALL FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE NINE MONTHS ENDED MARCH 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Student tuition and fees	\$ 472,580,800	\$ 440,287,162
Federal grants and contracts	123,904,446	120,821,605
State and local grants and contracts	72,047,205	69,381,118
Nongovernmental grants and contracts	182,785,338	160,537,857
Recoveries of facilities and administrative costs	38,404,202	36,193,634
Sales and services	40,405,874	38,247,336
Federal appropriations	12,555,055	14,159,627
County appropriations	22,476,144	20,853,044
Hospital services	1,137,812,429	1,075,151,810
Auxiliary enterprises:		
Housing and dining	28,553,014	32,701,695
Athletics	90,749,272	89,477,278
Other auxiliaries	41,615,332	40,097,305
Other operating revenues	<u>339,264</u>	<u>347,357</u>
Total operating revenues	<u>2,264,228,375</u>	<u>2,138,256,828</u>
OPERATING EXPENSES		
Educational and general:		
Instruction	242,436,179	236,772,183
Research	186,635,603	185,411,370
Public service	134,317,567	130,841,394
Libraries	17,934,994	17,155,605
Academic support	57,743,418	58,404,835
Student services	29,535,804	31,297,955
Institutional support	52,602,880	48,737,427
Operations and maintenance of plant	55,961,641	63,252,612
Student financial aid	187,652,869	173,118,778
Depreciation	<u>43,916,947</u>	<u>44,200,503</u>
Total educational and general	1,008,737,902	989,192,662
Clinical operations	180,235,220	154,875,167
Hospital services (including depreciation of \$35,280,306 in 2017 and \$33,412,590 in 2016)	1,032,610,135	952,436,895
Auxiliary enterprises:		
Housing and dining (including depreciation of \$7,144,775 in 2017 and \$5,900,380 in 2016)	21,169,841	23,867,971
Athletics (including depreciation of \$9,910,847 in 2017 and \$5,408,003 in 2016)	98,802,230	90,986,863
Other auxiliaries (including depreciation of \$517,117 in 2017 and \$1,198,930 in 2016)	22,889,407	18,384,595
Other operating expenses	<u>379,504</u>	<u>324,964</u>
Total operating expenses	<u>2,364,824,239</u>	<u>2,230,069,117</u>
Net loss from operations	<u>(100,595,864)</u>	<u>(91,812,289)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	213,623,000	223,689,000
Gifts and non-exchange grants	96,548,927	96,317,678
Investment income (loss)	89,657,160	(31,518,918)
Interest on capital asset-related debt	(30,910,410)	(27,804,257)
Other nonoperating revenues and expenses, net	6,701,132	15,051,414
Net nonoperating revenues (expenses)	<u>375,619,809</u>	<u>275,734,917</u>
Net income before other revenues, expenses, gains or losses	<u>275,023,945</u>	<u>183,922,628</u>
Capital grants and gifts	27,583,632	158,261,734
Additions to permanent endowments	8,161,064	7,422,673
Other, net	2,010,358	(9,041,057)
Total other revenues (expenses)	<u>37,755,054</u>	<u>156,643,350</u>
INCREASE IN NET POSITION	312,778,999	340,565,978
NET POSITION, July 1	<u>3,629,052,588</u>	<u>3,353,255,355</u>
NET POSITION, March 31	<u>\$ 3,941,831,587</u>	<u>\$ 3,693,821,333</u>

UNIVERSITY OF KENTUCKY
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CURRENT FUNDS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE NINE MONTHS ENDED MARCH 31, 2017 AND 2016

	2017			2016	
	Budget	Actual	%	Actual	%
OPERATING REVENUES					
Student tuition and fees	\$ 487,237,500	\$ 472,580,800	97%	\$ 440,287,162	99%
Federal grants and contracts	176,922,800	123,895,883	70%	120,821,605	65%
State and local grants and contracts	96,571,500	72,047,205	75%	69,381,118	63%
Nongovernmental grants and contracts	204,363,100	182,785,338	89%	160,537,857	82%
Recoveries of facilities and administrative costs	45,000,000	38,404,202	85%	36,193,634	82%
Sales and services	47,496,600	40,405,874	85%	38,247,336	88%
Federal appropriations	18,503,700	12,555,055	68%	14,159,627	77%
County appropriations	24,734,200	22,476,144	91%	20,853,044	90%
Hospital services	1,542,806,000	1,137,812,429	74%	1,075,151,810	78%
Auxiliary enterprises:					
Housing and dining	28,125,500	28,553,014	102%	32,701,695	118%
Athletics	102,539,500	90,749,272	89%	89,477,278	93%
Other auxiliaries	47,572,600	41,615,332	87%	40,097,305	90%
Total operating revenues	<u>2,821,873,000</u>	<u>2,263,880,548</u>	<u>80%</u>	<u>2,137,909,471</u>	<u>82%</u>
OPERATING EXPENSES					
Educational and general:					
Instruction	366,585,100	242,436,179	66%	236,772,183	63%
Research	326,115,400	186,635,556	57%	185,332,424	54%
Public service	190,309,000	134,317,567	71%	130,841,394	67%
Libraries	16,766,900	17,934,994	107%	17,155,605	112%
Academic support	119,380,800	57,743,418	48%	58,404,835	61%
Student services	48,474,600	29,366,232	61%	31,159,384	66%
Institutional support	172,059,800	52,602,413	31%	48,737,427	30%
Operations and maintenance of plant	83,213,300	48,091,545	58%	47,139,716	62%
Student financial aid	201,178,000	187,652,869	93%	173,118,778	92%
Total educational and general	<u>1,524,082,900</u>	<u>956,780,773</u>	<u>63%</u>	<u>928,661,746</u>	<u>62%</u>
Clinical operations	221,536,400	180,235,220	81%	154,875,167	74%
Hospital services	1,453,956,900	980,989,981	67%	910,775,188	71%
Auxiliary enterprises:					
Housing and dining	14,570,700	13,686,333	94%	15,941,753	94%
Athletics	117,099,000	86,002,016	73%	81,923,679	77%
Other auxiliaries	35,372,600	21,417,892	61%	16,972,583	50%
Total operating expenses	<u>3,366,618,500</u>	<u>2,239,112,215</u>	<u>67%</u>	<u>2,109,150,116</u>	<u>67%</u>
Net income (loss) from operations	<u>(544,745,500)</u>	<u>24,768,333</u>	<u>N/A</u>	<u>28,759,355</u>	<u>N/A</u>

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CURRENT FUNDS
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FOR THE NINE MONTHS ENDED MARCH 31, 2017 AND 2016

	2017			2016	
	Budget	Actual	%	Actual	%
Net income (loss) from operations	<u>(544,745,500)</u>	<u>24,768,333</u>	N/A	<u>28,759,355</u>	<u>N/A</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	267,028,800	213,623,000	80%	223,689,000	80%
Gifts and non-exchange grants	92,900,300	95,798,939	103%	93,355,745	96%
Investment income	26,727,800	21,199,519	79%	20,232,972	79%
Other nonoperating revenues and expenses, net	10,441,900	6,640,457	64%	15,003,684	152%
Net nonoperating revenues (expenses)	<u>397,098,800</u>	<u>337,261,915</u>	<u>85%</u>	<u>352,281,401</u>	<u>85%</u>
Net income before other revenues, expenses, gains or losses	<u>(147,646,700)</u>	<u>362,030,248</u>	<u>N/A</u>	<u>381,040,756</u>	<u>N/A</u>
Capital grants and gifts	17,082,900	24,947,871	146%	21,883,713	139%
Other, net	-	131,627	-	111,191	-
Total other revenues (expenses)	<u>17,082,900</u>	<u>25,079,498</u>	<u>147%</u>	<u>21,994,904</u>	<u>140%</u>
NON-GASB ACTIVITY					
Appropriated fund balance	320,615,500	-	-	-	-
Capital purchases and transfers	(110,993,500)	(142,647,707)	129%	(142,672,248)	96%
Debt service transfers	(85,594,300)	(73,256,736)	86%	(68,404,921)	90%
Noncapital transfers	6,536,100	2,849,510	44%	1,160,980	20%
Total non-GASB current funds activity	<u>130,563,800</u>	<u>(213,054,933)</u>	<u>N/A</u>	<u>(209,916,189)</u>	<u>N/A</u>
INCREASE IN NET POSITION	-	174,054,813		193,119,471	
NET POSITION, July 1		<u>777,325,681</u>		<u>700,130,462</u>	
NET POSITION, March 31		<u>\$ 951,380,494</u>		<u>\$ 893,249,933</u>	
RECONCILIATION TO ANNUAL BUDGET					
Operating revenues	\$ 2,821,873,000	\$ 2,263,880,548	80%	\$ 2,137,909,471	82%
Nonoperating revenues	751,655,900	362,341,413	48%	374,276,305	49%
Total revenues	<u>3,573,528,900</u>	<u>2,626,221,961</u>	<u>73%</u>	<u>2,512,185,776</u>	<u>74%</u>
Operating expenses	3,366,618,500	2,239,112,215	67%	2,109,150,116	67%
Nonoperating expenses and transfers	206,910,400	213,054,933	103%	209,916,189	93%
Total expenses and transfers	<u>3,573,528,900</u>	<u>2,452,167,148</u>	<u>69%</u>	<u>2,319,066,305</u>	<u>69%</u>
INCREASE IN NET POSITION	<u>\$ -</u>	<u>\$ 174,054,813</u>		<u>\$ 193,119,471</u>	