



University of Kentucky

2024 FINANCIAL STATEMENTS

University of Kentucky
A Component Unit of the Commonwealth of Kentucky
Financial Statements
Years Ended June 30, 2024 and 2023

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**MESSAGE FROM THE EXECUTIVE VICE
PRESIDENT FOR FINANCE AND
ADMINISTRATION**

The University of Kentucky's budget for Fiscal Year (FY) 2024-25 continues an impressive trajectory of growth over the past decade, enhancing every aspect of our mission — education, research, service and the extension of life-saving care throughout our Commonwealth.

But, more than anything, it's a story of what is possible through the powerful combination of people and partnerships.

They are the foundation of all that we do, as President Eli Capilouto says, to advance Kentucky.

We are at a critical juncture in our mission to advance this state. So many of those we serve — lawmakers and policymakers, UK Board of Trustees members, community partners and students — are urging us to accelerate our progress on behalf of Kentucky. The Commonwealth is seizing incredible economic opportunities while still confronting significant challenges that its university must help solve.

This budget, in so many ways, underscores our commitment to this effort.

The nearly \$8.4 billion budget for FY 2024-25 represents an increase of about \$1.6 billion over last year alone, a rise of more than 23%. This budget is nearly three times more than the university's budget only a decade ago, marking a 178% increase.

The largest driver of this growth has been UK's health care system, which now accounts for more than 60% of the university's consolidated budget, at approximately \$5 billion.

The FY 2024-25 budget reflects revenues from our recent partnership with what is now UK-King's Daughters Medical Center in Ashland and projected revenues from the July 1, 2024



acquisition of UK-St. Claire HealthCare in Morehead. Both are examples of partnering with communities and health care systems that share our mission — to ensure that more Kentuckians can stay close to home to receive advanced, specialty care when they need it most.

Simultaneously, our enrollment has grown from about 30,000 students a decade ago to a projected 36,000 students for fall 2024. This incoming first-year class, expected to arrive in August, will be approximately 6,500 students, roughly the same as last year. However, over the last decade, our first-year classes have increased by some 1,500 students even as our six-year graduation rate has risen by 10 percentage points, projected to exceed 70% this fall for the second year in a row.

This continued growth — combined with increasing rates of success that place us among the top institutions in the country — is only possible because of the work and commitment of thousands of faculty and staff who share a goal of putting students first.

We've strengthened our commitment to hold down costs, decrease debt and increase access to the distinctive education we provide.

The four-year rolling average for tuition and mandatory fee increases for our undergraduate resident students is at 2% — half of what it was a decade ago — and we are investing more than \$175 million of unrestricted institutional funds in scholarships and financial aid this coming year.

In fact, among the fall 2017 cohort, a little more than 50% graduated without any debt — the highest percentage of students graduating without debt in at least nine years. Additionally, the average debt amount for this cohort decreased by more than 2% compared to the 2016 cohort.

We are making the same commitment to invest in our employees — the people who make progress possible for so many on our campus and across the state.

This budget marks the 11th time in the last 12 years, under President Capilouto's leadership, that compensation for UK employees has increased.

Finally, a compelling reminder of the essential nature of partnerships is our direct support from the Commonwealth. State appropriations for FY 2024-25 are expected to increase by nearly \$50 million over last year, or about 16%. This represents the largest single increase in state appropriations on record.

In FY 2024-25, UK will receive nearly \$359 million in state funding, a combination of direct appropriations and allocations from the state's performance funding pool established in 2019. The funding model measures each public institution's performance in aligning with Kentucky's priorities, focusing on efforts such as enrolling and graduating more students, particularly in STEM+H fields (science, technology, engineering, math and health).

New infrastructure authorized by the state legislature for the 2024-26 biennium includes spending \$2 billion of UK resources on a new Albert B. Chandler Hospital bed tower for UK HealthCare; \$285 million, including \$200 million of state bonds, for the new Agricultural Research Building for the Martin-Gatton College of Agriculture, Food and Environment; and \$154.3 million, including \$123.4 million of state bonds, for the continued renovation of university facilities through the asset preservation program.

This funding and these facilities will help us compensate our people, support our students and significantly expand our capacity to treat and heal more patients and provide crucial support for the state's agricultural industry.

They are powerful symbols — tangible expressions of our commitment to accelerating progress in advancing the state. They also reflect the confidence legislators and policymakers have in us and their expectations for our future.

We were created 160 years ago to advance this state. From the small beginnings of a few dozen faculty and staff and fewer than 200 students, we have grown exponentially — not for ourselves or for the sake of growth, but on behalf of the Commonwealth we serve.

This budget — in size, scope and scale — not only reflects our expanding ambitions but also reaffirms our enduring commitment to advance this state in all we do.

Kentucky, as it has always been, is why we are here.

Eric N. Monday

Executive Vice President for Finance and Administration and Co-Executive Vice President for Health Affairs

Independent Auditor's Report

Board of Trustees
University of Kentucky
Lexington, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of the University of Kentucky (University), collectively a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of the University as of June 30, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Kentucky Medical Services Foundation (KMSF) and Insure Blue, which are blended component units of the University, constituting 2.2%, 0.3% and 5.2%, respectively, of the assets, net position, and revenues of the business-type activities of the University, as of June 30, 2024 and 2.5%, 0.3% and 5.1%, respectively, of the assets, net position, and revenues of the business-type activities of the University as of June 30, 2023. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for KMSF and Insure Blue, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of KMSF and Insure Blue, which are included as blended component units, were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment and long-term disability benefit plan information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the governing board, administration, and deans and directors listing, and the message from the executive vice president for finance and administration, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2024 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Louisville, Kentucky
October 4, 2024**

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2024 AND 2023

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Kentucky (the University or UK) and its affiliated corporations for the fiscal years ended June 30, 2024 and 2023. Management has prepared this discussion and suggests that it be read in conjunction with the financial statements and the notes appearing in this report.

About the University of Kentucky

Mission. The University of Kentucky is a public, land-grant university dedicated to improving people's lives through excellence in education, research and creative work, service and health care. As Kentucky's flagship institution, the University plays a critical leadership role by promoting one community from among many people – a place where everyone is welcome.

The University of Kentucky:

- Facilitates learning, informed by scholarship and research;
- Expands knowledge through research, scholarship and creative activity; and
- Serves a global community by disseminating, sharing and applying knowledge.

The University plays a critical leadership role for the Commonwealth of Kentucky (the Commonwealth) by contributing to the economic development and quality of life within Kentucky's borders and beyond. The University nurtures a diverse community characterized by fairness and equal opportunity.

Vision. As Kentucky's indispensable institution, we transform the lives of our students and advance the Commonwealth we serve — and beyond — through our teaching and learning, inclusion and belonging, discovery, research and creativity, promotion of health and deep community engagement.

Background. Under provisions of the federal Morrill Land-Grant Colleges Act (1862), Kentucky State Agricultural and Mechanical College was established in 1865 as part of Kentucky University (now Transylvania University). The College separated from Kentucky University in 1878 and was established on a 52-acre site (the University's current location) donated by the city of Lexington. In 1908, the College was renamed the State University, Lexington, Kentucky. In 1916, it became the University of Kentucky.

According to the Kentucky Revised Statutes (KRS) 164.125(2):

In carrying out its statewide mission, the University of Kentucky shall conduct statewide research and provide statewide services including, but not limited to, agricultural research and extension services, industrial and scientific research, industrial technology extension services to Kentucky employers, and research related to the doctoral, professional and postdoctoral programs offered within the University. The University may establish and operate centers and utilize state appropriations and other resources to carry out the necessary research and service activities throughout the state. The University may enter into joint research and service activities with other universities in order to accomplish its statewide mission.

In 1997, the Kentucky General Assembly reformed the state's public system of colleges and universities. According to the ***Kentucky Postsecondary Education Improvement Act of 1997***: The University of Kentucky was mandated to become a major comprehensive research institution ranked nationally in the top 20 public universities by the year 2020.

Today, the University continues to focus on the core academic mission of the institution and the original tenets of the Morrill Land-Grant Colleges Act (1862). UK remains steadfast in its covenant with the Commonwealth to produce graduates prepared for a 21st century economy; to conduct research that extends the boundaries of scientific discovery; to contribute to our economy and address relevant questions; and to render service and patient care that uplifts our community and region.

The UK Board of Trustees adopted UK's newest strategic plan at its October 2021 retreat. The plan considers the current operating context for higher education and focuses on five strategic principles that support our role as Kentucky's indispensable institution:

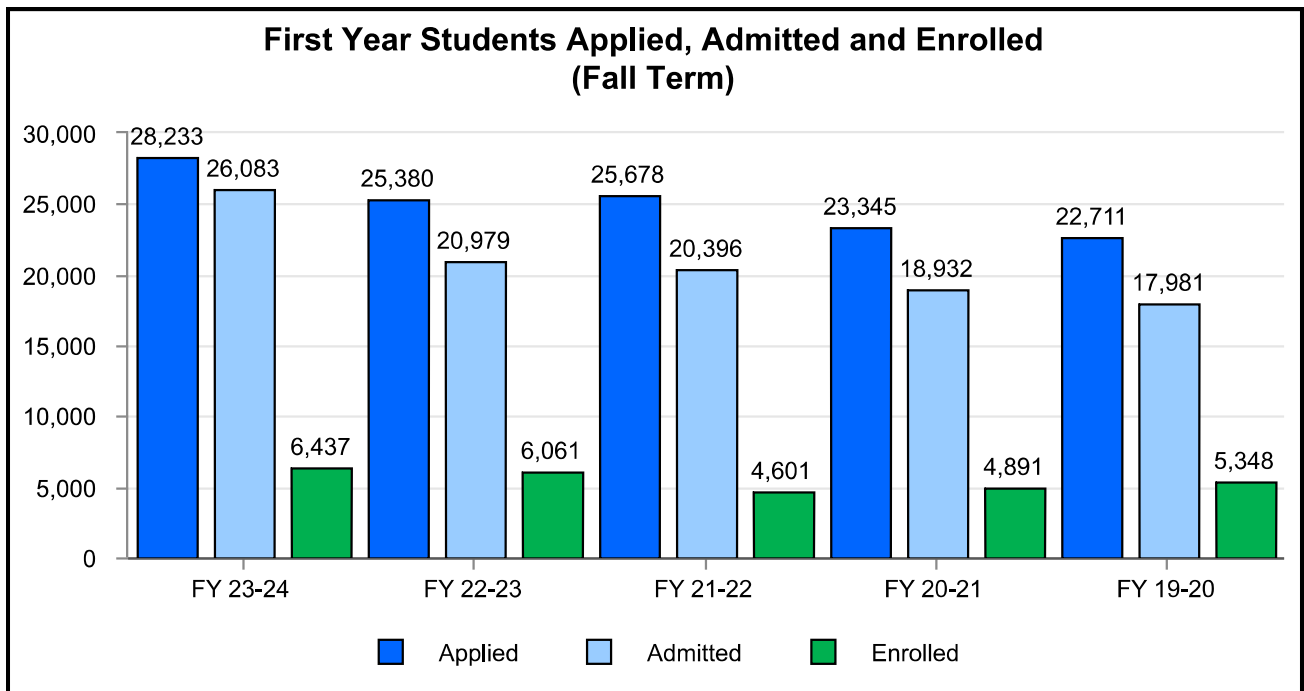
- **Putting Students First** – They are why we are here. Whether it is maintaining a modern curriculum that prepares our students for success, providing appropriate support for graduate students or ensuring that doctoral students start and complete their programs successfully, we must put students first.
- **Taking Care of Our People** – We will only accomplish our mission of advancing Kentucky when our people are compensated – in terms of pay and benefits – and supported in ways that lead the state, too.
- **Inspiring Ingenuity in Everything That We Do** – How do we embed innovation and discovery into every aspect of our institution? The breadth and depth of programming and offerings on one campus makes us distinctive in higher education. How do we incentivize the spark of ingenuity throughout our campus?
- **Ensuring Greater Trust, Transparency and Accountability** – We are Kentucky's institution. And that mantle holds with it heightened responsibilities around accountability and transparency. But we need to do more to instill a sense of trust in each other on issues ranging from shared governance to open accountability for how we perform and what we measure.
- **Many People; One Community** – UK is among the most inclusive communities of belonging in the Commonwealth. Our students will enter a world with deep divisions, but more interdependent than ever before. How do we model a community of belonging and inclusion?

Progress on these objectives is reported on an annual basis and presented to the UK Board of Trustees at the October Board retreat.

The University is identified as a “Research University (very high research activity)” by the Carnegie Commission on Higher Education.

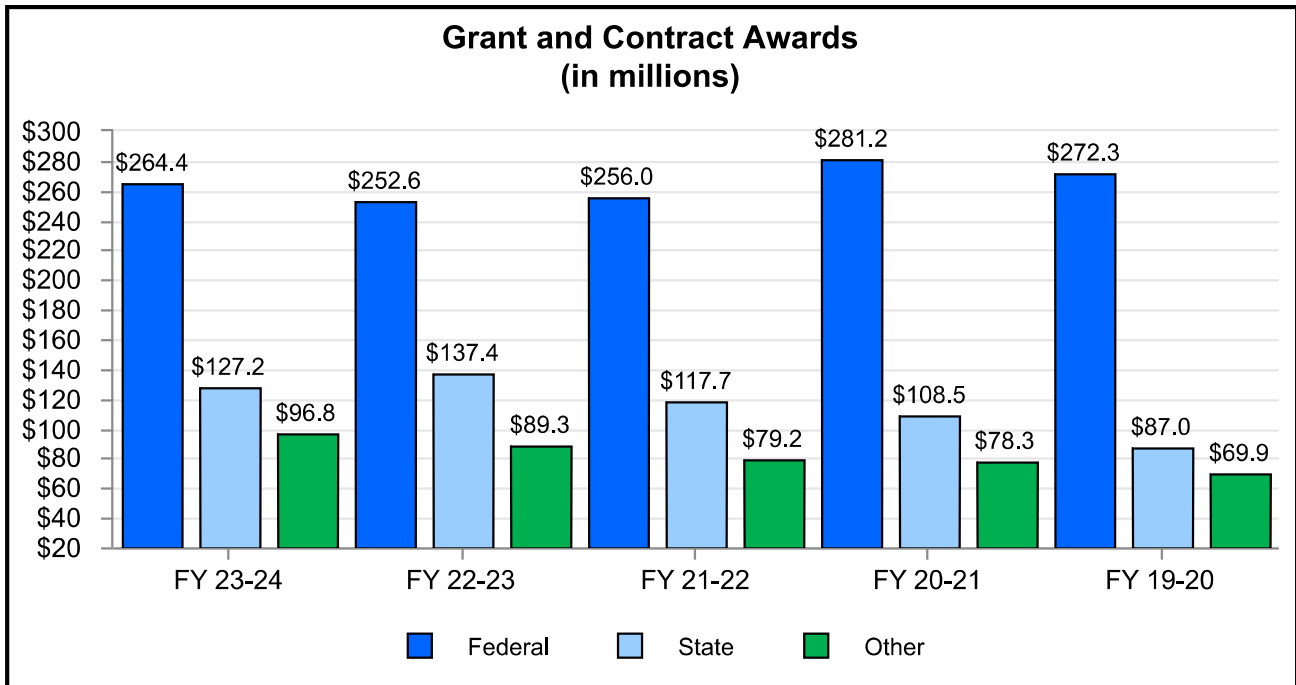
The University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACSCOC). This has been reaffirmed at approximately 10-year intervals since 1915, with the most recent accreditation reaffirmed at the SACSCOC Board of Trustees meeting on December 3, 2023 with no areas of noncompliance or concern out of more than 70 standards evaluated. In addition, several degree programs and individual units are accredited by agencies appropriate to specific professions or fields.

Students. In Fall 2023, the University enrolled a record of nearly 34,000 undergraduate, graduate and professional students. They represent all 120 Kentucky counties, every state in the U.S. and more than 100 countries. More than 6,400 first-year students were enrolled at UK last fall. In Fall 2010, the first-year enrollment was a little more than 4,300. Total enrollment has increased by more than 5,848 students (20.9%) since Fall 2010.



Programs. The University offers more than 200 majors and degree programs in 16 academic and professional degree-granting colleges that are supported by a comprehensive research library system, the Graduate School and the Lewis Honors College. UK is one of only eight public universities nationally with Colleges of Agriculture, Engineering, Medicine and Pharmacy on a single contiguous campus.

Research. The total University research expenses, as reported to the National Science Foundation as part of the Higher Education Research and Development (HERD) Survey, totaled \$504.0 million for fiscal year 2022-23 compared to \$476.5 million in fiscal year 2021-22. The research expenses include both funded and unfunded recoveries of facilities and administrative costs and purchases of capital assets, thus are not correlating to the amounts shown in the Statements of Revenues, Expenses and Changes in Net Position. The reported total University research expenses for fiscal year 2022-23 and associated rankings will be released by the National Science Foundation in late 2024. University of Kentucky Research Foundation (UKRF) awards (grants and contracts) received during fiscal year 2023-24 totaled \$488.4 million, a two percent increase from the prior year amount of \$479.3 million.



Outreach. As Kentucky’s flagship, land-grant university, UK engages citizens and communities across the state in a myriad of ways, including extension offices in all 120 Kentucky counties; continuing education opportunities for teachers, lawyers and health care providers; clinics providing legal, pharmaceutical and health care assistance; statewide arts and cultural contributions; and a multitude of research efforts aimed at Kentucky’s most difficult problems in economic development, health care, infrastructure and education.

Medical Centers. UK HealthCare Hospital System (UK HealthCare or the System), the University’s advanced academic medical center and clinical care network, is uniquely equipped to provide advanced subspecialty care to the people of Kentucky. The academic medical center and health system provide patient care on par - in terms of both volume and complexity - with the nation’s top 25 percent of academic medical centers. For nine years in a row, UK HealthCare has been named the number one hospital in Kentucky by U.S. News and World Report’s Best Hospitals rankings. To be recognized as a Best Hospital, UK HealthCare had to rank high nationally on a stringent data-driven ratings system that gauges performance. The analysis includes multiple clinical specialties, procedures and conditions. Scores are based on a variety of patient outcome and care-related factors such as mortality and patient safety, as well as reputation.

Prior to December 1, 2022, UK HealthCare operated two hospital units under one Joint Commission Accreditation and two licenses in addition to ambulatory services. The major service units include Albert B. Chandler Hospital, Good Samaritan Hospital, Kentucky Children’s Hospital and the Kentucky Clinic.

On December 1, 2022, Ashland-based Royal Blue Health LLC (RBH or King’s Daughters health system), the largest employer in northeastern Kentucky, officially became part of UK HealthCare — a move that is creating greater access to high-quality care for more Kentuckians. RBH has more than 5,000 employees at two acute-care hospitals; more than 50 ambulatory centers and practice locations; a long-term care facility; medical transport company and six urgent care centers. The ownership of RBH creates new opportunities to serve patients from the greater Ashland/tri-state community that reaches across northeastern Kentucky, southern Ohio and West Virginia.

The System has a total of 1,625 licensed beds. On a monthly basis in fiscal year 2024, UK HealthCare hospitals averaged 5,423 discharges, 7,794 surgeries, 17,072 emergency department visits and 230,003 outpatient clinic visits.

Under a management contract with the Kentucky Cabinet for Health and Family Services, the System also operates and manages Eastern State Hospital, a 300,000 square-foot facility located on the University's Coldstream Research Campus. The psychiatric facility provides a modern setting for both acute and long-term inpatient psychiatric treatment for adults living within Fayette County and the 50 surrounding counties. In July 2024, Eastern State Hospital will open a new emergency unit dedicated to the treatment of patients experiencing a mental health crisis. The unit is known as EmPATH (Emergency Psychiatric Assessment, Treatment and Healing).

In Fall 2023, UK HealthCare's Markey Cancer Center (Markey) earned a "Comprehensive" Cancer Center designation, the highest level of recognition awarded by the National Cancer Institute (NCI). Markey is the first and only center in Kentucky to achieve this designation, and the next closest Comprehensive Cancer Center is 200 miles from Lexington. Currently, 72 NCI-designated Cancer Centers exist, and 57 of those are Comprehensive Cancer Centers. UK Healthcare is one of an elite group of medical centers in the United States that have NCI designation, a federally funded Center on Aging and a highly prized Clinical and Translational Science Award grant.

In July 2024, Morehead, Kentucky based St. Claire HealthCare will officially become part of the University of Kentucky. UK-St. Claire HealthCare is one of the largest employers in the greater Morehead region with more than 1,300 employees including more than 50 physicians and nearly 50 advanced practice professionals representing more than 20 medical specialties. St. Claire HealthCare includes a hospital with 139 licensed beds as well as seven primary care locations located within five counties, a multi-specialty medical pavilion, two urgent care centers, a pediatrics clinic, a retail pharmacy, a counseling center, a medical equipment and supply store and an outpatient center. This partnership furthers UK's mission to treat and heal even more Kentuckians. Working more closely together, we can expand access to specialty and subspecialty care within the large service areas in northeastern Kentucky, enabling the region's people to stay closer to home for treatments.

UK HealthCare's dramatic growth within the last decade is in large part the result of a commitment to support the state's overall system of care by working together with local community providers to bring specialty care closer to the patient. These relationships take on different dimensions in each locality (management agreements, affiliate networks, outreach, etc.) and support keeping less acute care in the local community and smoothing the process for more complex, serious cases to be treated in the System's Lexington facilities. The goal is better care at all points of the continuum.

Libraries. As the premier research library in the Commonwealth, UK Libraries empowers lifelong learners to discover, create and connect by providing ever-expanding access to quality information and collaborating with academic and creative communities worldwide to advance knowledge, enhance scholarship and preserve the history and culture of the Commonwealth.

Financial Highlights

The University's overall financial position remains fiscally sound with assets of \$11.90 billion, deferred outflows of resources of \$39.5 million, liabilities of \$2.82 billion and deferred inflows of resources of \$521.4 million as of June 30, 2024. Net position, which represents the University's residual interest in assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was \$8.60 billion (72% of total assets).

- Total assets increased \$1.32 billion (13%) primarily due to increases in notes, loans, leases and accounts receivable, net; capital assets, net; cash and cash equivalents; endowment investments; and other long-term investments.
- Deferred outflows of resources increased \$2.2 million (6%) primarily due to an increase in long-term disability assumption changes and contributions offset by decreases in pensions and retiree health due to net differences between projected and actual earnings in each of these plans.

- Total liabilities increased \$223.9 million (9%) primarily due to increases in long-term liabilities, accounts payable and accrued liabilities, and net OPEB long-term disability liability offset by decreases in net OPEB retiree health liability, unearned revenue, and net pension liability.
- Deferred inflows of resources decreased \$15.3 million (3%) primarily due to a \$10.4 million decrease in the OPEB retiree health related to amortization of plan liabilities and decreases in the net difference between projected and actual earnings and a \$13.4 million decrease in service concessions arrangements with Aramark, Barnes and Noble and Greystar offset by an increase in the OPEB long-term disability plan of \$4.0 million.
- Total net position increased \$1.12 billion (15%). Restricted net position increased \$506.5 million primarily due to increased funding for capital projects, gains on endowment investments due to a positive return on the endowment pool offset by decreases in private gifts. Unrestricted net position increased \$452.5 million primarily due to the net increase in the System's operating revenues in excess of operating expenses. Net investment in capital assets increased \$157.7 million primarily due to an increase in capital asset additions offset by depreciation and amortization expense compared to the prior year.
- Operating revenues were \$6.09 billion and operating expenses were \$6.19 billion, resulting in a net loss from operations of \$95.9 million. Nonoperating and other revenues, net of nonoperating expenses, were \$1.21 billion, including \$319.7 million in state appropriations.

Using the Financial Statements

The University presents its financial reports in a “business-type activity” format, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities - an amendment of GASB Statement No. 34*. GASB requires that statements be presented on a comprehensive, entity-wide basis. In addition to this MD&A section, the financial report includes:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Statements of Fiduciary Net Position
- Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements
- Required Supplementary Information

Reporting Entity

The University is a component unit of the Commonwealth. The financial statements of the University include the operations of the University and the following entities:

- University of Kentucky Alumni Association, Inc.
- University of Kentucky Gluck Equine Research Foundation, Inc.
- University of Kentucky Humanities Foundation, Inc.
- University of Kentucky Mining Engineering Foundation, Inc.
- University of Kentucky Real Estate Foundation, Inc.
- University of Kentucky Research Foundation and its for-profit subsidiary, Kentucky Technology, Inc.
- Beyond Blue Corporation and its non-profit subsidiaries Royal Blue Health LLC and Insure Blue
- Central Kentucky Management Services, Inc.
- Kentucky Medical Services Foundation, Inc.

Statement of Net Position

The Statement of Net Position is the University’s balance sheet. It reflects the total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (equity) of the University as of June 30, 2024, with comparative information as of June 30, 2023. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as noncurrent. Net position (the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources) is an important indicator of the University’s current financial condition, while the

change in net position is an indicator of whether the overall financial position has improved or eroded during the year. Generally assets, liabilities, deferred inflows of resources and deferred outflows of resources are reported using current values. A major exception is capital assets, net, which are stated at historical cost less accumulated depreciation.

A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2024, 2023 and 2022 are as follows:

Condensed Statements of Net Position (in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 3,241,920	\$ 2,925,713	\$ 2,032,953
Capital, lease, and subscription assets, net	4,400,108	4,091,975	3,574,867
Other noncurrent assets	4,258,045	3,559,248	2,827,957
Deferred outflows of resources	<u>39,453</u>	<u>37,257</u>	<u>19,436</u>
Total assets and deferred outflows of resources	<u>11,939,526</u>	<u>10,614,193</u>	<u>8,455,213</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	977,679	816,684	621,640
Noncurrent liabilities	1,844,326	1,781,374	1,438,419
Deferred inflows of resources	<u>521,433</u>	<u>536,764</u>	<u>606,924</u>
Total liabilities and deferred inflows of resources	<u>3,343,438</u>	<u>3,134,822</u>	<u>2,666,983</u>
NET POSITION			
Net investment in capital assets	2,331,016	2,173,352	1,975,798
Restricted			
Nonexpendable	782,062	727,323	702,268
Expendable	1,461,852	1,010,046	731,376
Unrestricted	<u>4,021,158</u>	<u>3,568,650</u>	<u>2,378,788</u>
Total net position	<u>\$ 8,596,088</u>	<u>\$ 7,479,371</u>	<u>\$ 5,788,230</u>

Assets. As of June 30, 2024, total assets amounted to \$11.90 billion. The largest asset class was capital assets, net, that totaled \$4.30 billion or 36% of total assets. Notes, loans, leases and accounts receivable, net totaled \$2.18 billion or 18% of total assets. Cash and cash equivalents totaled \$2.08 billion, or 17% of total assets and endowment investments totaled \$2.04 billion, or 17% of total assets. During the year, total assets increased \$1.32 billion primarily due to increases in notes, loans, leases and accounts receivable, net of \$432.8 million, capital assets, net of \$306.6 million, cash and cash equivalents of \$296.5 million, endowment investments of \$150.6 million, other long-term investments of \$134.2 million and lease assets, net of \$6.2 million offset by decreases in current investments of \$4.8 million and subscription assets, net of \$4.7 million.

Deferred Outflows of Resources. The University's deferred outflows of resources totaled \$39.5 million, an increase of \$2.2 million, due primarily to increases related to long-term disability assumption changes of \$8.6 million offset by decreases in pensions of \$3.2 million and retiree health of \$2.4 million due primarily to the net difference between projected and actual earnings on investments. It also includes a decrease of \$846 thousand related to the unamortized difference between the reacquisition price and the net carrying amount of refunded debt.

Liabilities. As of June 30, 2024, total liabilities amounted to \$2.82 billion. Bonds, notes and capital debt obligations issued for educational buildings, UK HealthCare facilities, King's Daughters health system facilities, athletic facilities, student center and equipment totaled \$1.50 billion or 53% of total liabilities. During the year, total liabilities increased \$223.9 million due to increases in accounts payable and accrued liabilities of \$134.1 million, long-term liabilities of \$133.3 million, and net OPEB long-term disability liability of \$3.6

million offset by decreases in net OPEB liability - retiree health of \$24.8 million, unearned revenue of \$18.9 million and RBH pension liability of \$3.4 million.

Deferred Inflows of Resources. The University's deferred inflows of resources totaled \$521.4 million that represent service concession arrangements with Greystar of \$354.2 million, Aramark of \$78.1 million and Barnes and Noble of \$1.9 million. Deferred inflows of resources also include OPEB long-term disability and retiree health of \$58.3 million and trusts and annuities of \$18.1 million that represent the beneficial interest that the University will receive in future years. During the year, deferred inflows of resources decreased \$15.3 million primarily due to a decrease in OPEB retiree health of \$10.4 million due to amortization of plan liabilities and decreases in the net difference between projected and actual earnings in the OPEB Plans investments. Aramark and Greystar service concession arrangements decreased \$7.6 million and \$5.5 million, respectively, due to the amortization of earned revenue. These decreases were offset by increases in OPEB long-term disability of \$4.0 million due to the difference between actual and expected experience, Pension of \$2.5 million due to the difference between projected and actual earnings on Pension Plan investments, lessor agreements of \$1.4 million related to RBH and trusts and annuities of \$1.3 million primarily due to market increases and new trust additions.

Net Position. The University's net position of \$8.60 billion as of June 30, 2024 is reported on the Statements of Net Position in three net position categories: net investment in capital assets, \$2.33 billion (27%); restricted nonexpendable, \$782.1 million (9%) and restricted expendable, \$1.46 billion (17%); and unrestricted, \$4.02 billion (47%).

Restricted net position is subject to externally imposed restrictions governing its use. Although unrestricted net position is not subject to externally imposed stipulations, most of the unrestricted net position has been internally designated for support of academic and research programs and initiatives, capital projects and working capital requirements.

Total net position increased \$1.12 billion during the year ended June 30, 2024. Restricted net position increased \$506.5 million primarily as a result of increased funding for capital projects and investment income due to a favorable return on the endowment pool offset by decreases in new gifts and pledges. Unrestricted net position increased \$452.5 million primarily due to revenues exceeding expenses in UK HealthCare. Net investment in capital assets increased \$157.7 million primarily due to additions in capital and lease assets, net of capital and lease related debt offset by decreases in subscription assets as well as depreciation and amortization expense.

2023 Versus 2022. During the year ended June 30, 2023:

- On December 1, 2022, the University's affiliate corporation Beyond Blue Corporation (BBC) acquired RBH through member substitution. The entity is reported as part of BBC and the impact as of the date of acquisition resulted in an increase in assets of \$1.08 billion, deferred outflows of resources of \$1.0 million, liabilities of \$387.2 million, deferred inflows of resources of \$1.1 million and net position of \$695.5 million. Consequently, on January 1, 2023, BBC acquired Insure Blue (IB), formerly Integrated Health Insurance, Ltd., that provides health care, physician professional and comprehensive general liability coverage and excess coverage to the King's Daughters health system. This resulted in an increase in assets of \$46.4 million, liabilities of \$46.3 million and net position of \$120 thousand.
- Total assets increased \$2.14 billion primarily due to notes, loans, leases and accounts receivable, net of \$578.7 million, cash and cash equivalents of \$514.1 million, capital assets, net of \$462.6 million, other long-term investments of \$398.2 million, endowment investments of \$134.0 million, subscription assets of \$31.7 million and lease assets of \$22.8 million offset by a decrease in current investments of \$43.8 million.
- Deferred outflows of resources increased \$17.8 million due primarily to an increase of \$13.5 million in pensions due to the acquisition of RBH, and \$5.3 million increase in long-term disability and retiree health due to increases in the net difference between projected and actual earnings in the Plans investments and contributions offset by a decrease of \$1.0 million related to the unamortized difference between the reacquisition price and the net carrying amount of refunded debt.

- Total liabilities increased \$538.0 million primarily due to long-term liabilities of \$357.9 million, accounts payable and accrued liabilities of \$143.6 million, net OPEB retiree health liability of \$27.6 million and RBH pension liability of \$9.9 million offset by a decrease in unearned revenue of \$5.1 million.
- Deferred inflows of resources decreased \$70.2 million primarily due to a decrease in OPEB of \$61.9 million due to amortization of plan liabilities and decreases in the net difference between projected and actual earnings in OPEB Plans investments. Aramark and Greystar service concession arrangements decreased \$7.6 million and \$5.4 million, respectively, due to the amortization of earned revenue. Premiums from refunded bonds increased \$2.4 million and trust and annuities increased \$587 thousand.
- Total net position increased \$1.69 billion. Unrestricted net position increased \$1.19 billion, primarily due to the acquisition of RBH and IB and an increase in UK HealthCare net patient revenue. Restricted net position increased \$303.7 million primarily as a result of increased funding for capital projects, gains on endowment investments due to a favorable return on the endowment pool and new gifts and pledges. Net investment in capital assets increased \$197.6 million due the acquisition of RBH and additions of capital assets, lease assets, subscription assets and principal payments of capital debt offset by depreciation and amortization expense.

Statement of Revenues, Expenses and Changes in Net Position

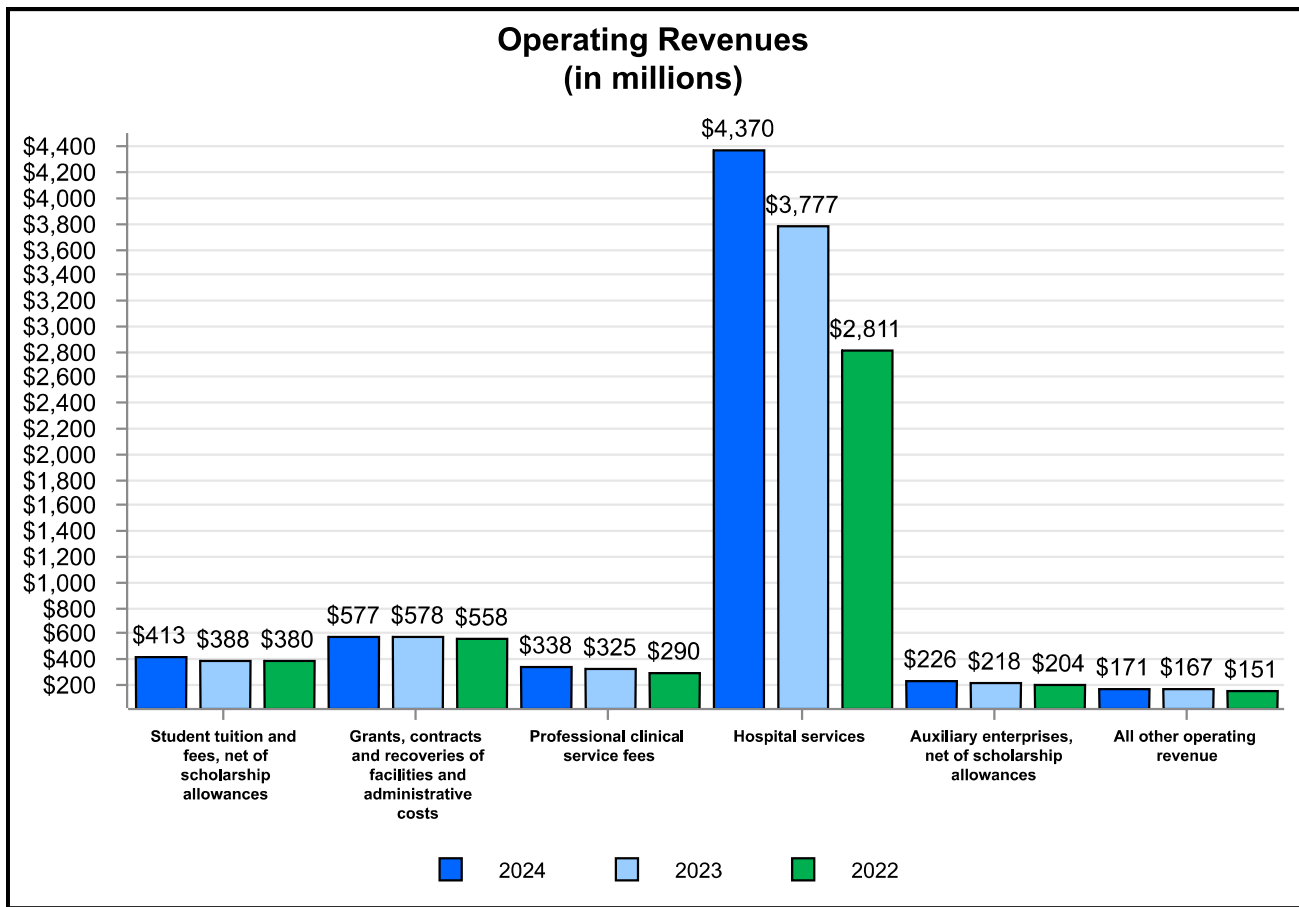
The Statement of Revenues, Expenses and Changes in Net Position is the University's income statement. It details how net position has changed during the year ended June 30, 2024, with comparative information for the year ended June 30, 2023. This statement is prepared on the accrual basis of accounting 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. Items that increase or decrease net position appear on the Statement of Revenues, Expenses and Changes in Net Position as revenues, expenses, gains or losses.

Financial activities are reported as either operating or nonoperating. GASB Statement No. 35 requires state appropriations, gifts and investment income to be classified as nonoperating revenues. Accordingly, the University may report a net loss from operations prior to the addition of nonoperating revenues (expenses). The utilization of long-lived capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Tuition revenue is reduced by external scholarships and institutional aid and is reported net of the scholarship allowance.

A summarized comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2024, 2023 and 2022 are as follows:

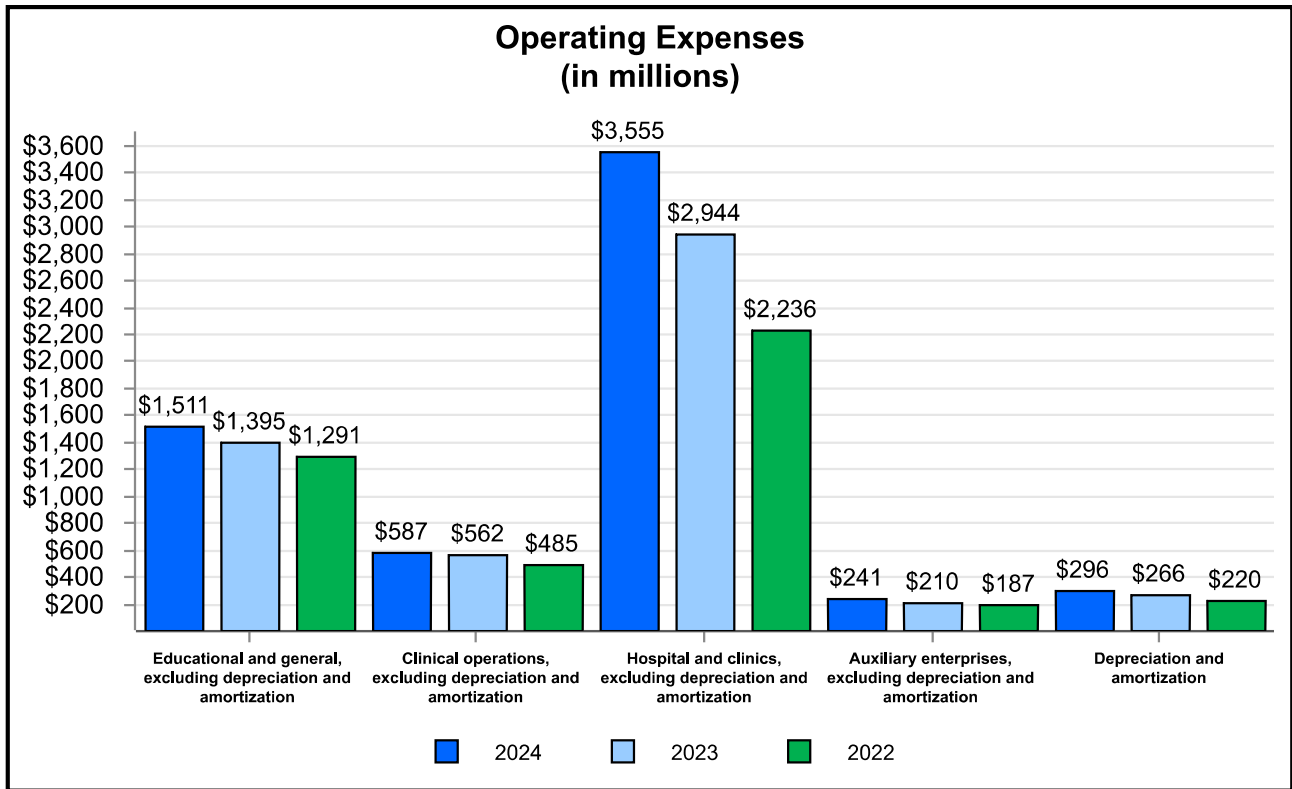
Condensed Statements of Revenues, Expenses and Changes in Net Position (in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
OPERATING REVENUES			
Student tuition and fees, net of scholarship allowances	\$ 413,235	\$ 387,631	\$ 380,023
Grants and contracts	480,455	484,722	468,306
Recoveries of facilities and administrative costs	96,259	93,470	89,891
Sales and services	88,402	84,810	78,393
Federal and county appropriations	53,373	54,791	44,404
Professional clinical service fees	338,034	325,108	289,691
Hospital services	4,370,161	3,776,635	2,811,332
Auxiliary enterprises, net of scholarship allowances	226,142	218,451	204,104
Other operating revenues	<u>28,757</u>	<u>27,008</u>	<u>27,986</u>
Total operating revenues	<u>6,094,818</u>	<u>5,452,626</u>	<u>4,394,130</u>
OPERATING EXPENSES			
Educational and general, excluding depreciation and amortization	1,510,690	1,395,412	1,291,499
Clinical operations, excluding depreciation and amortization	587,085	562,157	485,202
Hospital and clinics, excluding depreciation and amortization	3,554,835	2,944,381	2,235,603
Auxiliary enterprises, excluding depreciation and amortization	240,722	210,115	186,716
Depreciation and amortization	296,364	266,140	219,526
Other operating expenses	<u>1,059</u>	<u>1,417</u>	<u>2,725</u>
Total operating expenses	<u>6,190,755</u>	<u>5,379,622</u>	<u>4,421,271</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>(95,937)</u>	<u>73,004</u>	<u>(27,141)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	319,669	319,235	271,317
COVID-19 funding	—	4,005	69,097
Gift and non-exchange grants	146,750	237,260	125,806
Investment income (loss)	338,392	222,035	(121,772)
Interest on capital, lease and subscription asset-related debt	(54,839)	(49,067)	(40,928)
Capital grants and gifts	382,656	123,469	64,215
Additions to permanent endowments	53,135	21,704	20,404
Other, net	26,891	43,914	(64,228)
Special item - acquisition of Royal Blue Health and Insure Blue	—	695,582	—
Total nonoperating revenues	<u>1,212,654</u>	<u>1,618,137</u>	<u>323,911</u>
INCREASE IN NET POSITION	1,116,717	1,691,141	296,770
NET POSITION, beginning of year	<u>7,479,371</u>	<u>5,788,230</u>	<u>5,491,460</u>
NET POSITION, end of year	<u>\$ 8,596,088</u>	<u>\$ 7,479,371</u>	<u>\$ 5,788,230</u>



Total operating revenues were \$6.09 billion for the year ended June 30, 2024, an increase of \$642.2 million (12%). The primary components of operating revenues were student tuition and fees, net of scholarship allowances, of \$413.2 million; grants and contracts and recoveries of facilities and administrative costs of \$576.7 million; professional clinical service fees of \$338.0 million; hospital services of \$4.37 billion and auxiliary enterprises of \$226.1 million.

The most significant increase was in hospital services revenue of \$593.5 million attributable primarily to net patient revenues generated from RBH of \$387.5 million due to twelve months of activity this year compared to seven months in the previous year. Also, UK HealthCare net patient revenues increased \$181.5 million primarily due to increases of \$654.7 million from gross service fees and \$162.0 million in non-patient income from sales at outpatient pharmacies offset by a decrease of \$623.3 million due to an increase in contractual and bad debt allowances. Other significant increases in operating revenues related to net tuition and fees of \$25.6 million, professional clinical service fees of \$12.9 million and auxiliary enterprises of \$7.7 million.



Operating expenses totaled \$6.19 billion, an increase of \$811.1 million (15%). Of this amount, \$1.51 billion, excluding depreciation and amortization, was expended for educational and general programs, including instruction, research and public service. Clinical operations expenses, excluding depreciation and amortization, were \$587.1 million; hospital and clinics expenses, excluding depreciation and amortization, amounted to \$3.55 billion and auxiliary enterprises expenses, excluding depreciation and amortization, were \$240.7 million. Depreciation and amortization expenses for the year amounted to \$296.4 million.

Hospital and clinics expenses, excluding depreciation and amortization, increased \$610.5 million primarily due to additional staffing and supplies, in part related to increases of RBH of \$394.2 million due to reporting twelve months of expenses this year compared to seven months in the previous year. Educational and general expenses, excluding depreciation and amortization, increased \$115.3 million primarily due to increases in instruction of \$28.5 million, research of \$22.8 million, institutional support of \$16.0 million, academic support of \$20.3 million, public service of \$11.8 million, student services of \$5.0 million, operations and maintenance of plant of \$4.8 million, student financial aid of \$3.6 million, and libraries of \$2.5 million. Auxiliary enterprises expenses, excluding depreciation and amortization, increased \$30.6 million primarily due to increases in athletics expenses of \$26.6 million, housing and dining of \$2.4 million and other auxiliaries of \$1.7 million. Clinical operations expenses, excluding depreciation and amortization, increased \$24.9 million. Depreciation and amortization expense increased \$30.2 million primarily due to new buildings, renovations and equipment.

The net loss from operations for the year was \$95.9 million. Nonoperating and other revenues, net of expenses, totaled \$1.21 billion and included state appropriations of \$319.7 million, an increase of \$434 thousand. Gifts and non-exchange grants totaled \$146.7 million, a decrease of \$90.5 million. Investment income totaled \$338.4 million, an increase of \$116.4 million from prior year due to investment gains and interest and dividend earnings due to higher interest rates and increased investments; capital grants and gifts totaled \$382.7 million, an increase of \$259.2 million; additions to permanent endowments totaled \$53.1 million, an increase of \$31.4 million; and other, net revenues totaled \$26.9 million, a decrease of \$17.0 million. There was also a decrease of \$695.6 million due to the acquisition of RBH and IB in the prior year.

2023 Versus 2022. Total operating revenues were \$5.45 billion for the year ended June 30, 2023, including student tuition and fees, net of scholarship allowances, of \$387.6 million (7%); grants and contracts and recoveries of facilities and administrative costs of \$578.2 million (11%); professional clinical service fees of \$325.1 million (6%); and hospital services of \$3.78 billion (69%). Operating revenues for fiscal year 2023 increased \$1.06 billion (24%) over fiscal year 2022, primarily due to increases in hospital services revenue of \$965.3 million with \$631.8 million of this amount related to net patient revenues of RBH .

Operating expenses totaled \$5.38 billion in fiscal year 2023. Of this amount, \$1.40 billion (26%), excluding depreciation, was expended for educational and general programs, including instruction, research and public service. Clinical operations expenses, excluding depreciation, totaled \$562.2 million (10%); hospital and clinics expenses, excluding depreciation, were \$2.94 billion (55%); and auxiliary enterprises expenses, excluding depreciation, were \$210.1 million (4%). Depreciation expense amounted to \$266.1 million (5%). Operating expenses for fiscal year 2023 increased \$958.4 million (22%) compared to fiscal year 2022 primarily due to an increase in hospital and clinics expenses, excluding depreciation, of \$708.8 million (32%); educational and general expenses, excluding depreciation, of \$103.9 million (8%); clinical operations expenses, excluding depreciation, of \$77.0 million (16%); depreciation expense of \$46.6 million (21%); and auxiliary enterprises expenses, excluding depreciation, of \$23.4 million (13%).

The net income from operations for the 2023 fiscal year totaled \$73.0 million. Nonoperating and other revenues, net of expenses, totaled \$1.62 billion, resulting in an increase in net position of \$1.69 billion for the year with \$695.6 million of this amount related to the acquisition of RBH and IB. Nonoperating revenues (expenses) included state appropriations of \$319.2 million and \$271.3 million for the years ended June 30, 2023 and 2022, respectively.

Statement of Cash Flows

The Statement of Cash Flows details how cash has increased or decreased during the fiscal year ended June 30, 2024, with comparative financial information for the fiscal year ended June 30, 2023. The sources and uses of cash are arranged in the following categories:

- Operating activities
- Noncapital financing activities
- Capital and related financing activities
- Investing activities

Cash flows associated with the University's expendable net position appear in the operating and noncapital financing categories. Capital financing activities include payments for capital assets, proceeds from capital debt, capital debt repayments and principal and interest paid or received on leases and subscriptions. Purchases of investments and proceeds from sales and maturities of investments are reflected in investing activities.

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and cash payments made by the University during the year that will allow financial statement readers to assess the University's ability to generate future net cash flows, to meet obligations as they become due and to assess the possible need for external financing.

A comparative summary of the University's statement of cash flows for the years ended June 30, 2024, 2023 and 2022 are as follows:

Condensed Statements of Cash Flows (in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
CASH PROVIDED (USED) BY:			
Operating activities	\$ 122,122	\$ 38,557	\$ (149,766)
Noncapital financing activities	527,350	511,393	405,814
Capital and related financing activities	(409,600)	(220,266)	(234,405)
Investing activities	<u>56,646</u>	<u>184,411</u>	<u>(59,577)</u>
Net increase (decrease) in cash and cash equivalents	296,518	514,095	(37,934)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,778,881</u>	<u>1,264,786</u>	<u>1,302,720</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,075,399</u></u>	<u><u>\$ 1,778,881</u></u>	<u><u>\$ 1,264,786</u></u>

The University's cash and cash equivalents increased \$296.5 million in fiscal year 2024. Total cash provided by operating activities was \$122.1 million, an increase of \$83.6 million. Total cash provided by noncapital financing activities was as \$527.3 million, an increase of \$16.0 million. Total cash provided by investing activities was \$56.6 million, a decrease of \$127.8 million. Total cash used by capital and related financing activities was \$409.6 million, an increase of \$189.3 million reflecting both capital funding sources (debt proceeds) and uses (purchases of capital assets and debt service).

Major sources of cash provided by operating activities were hospital services of \$4.21 billion; grants and contracts and recoveries of facilities and administrative costs of \$576.1 million; student tuition and fees of \$413.8 million; and professional clinical service fees of \$324.0 million. Major uses of cash for operating activities were payments to employees for salaries, wages and benefits of \$3.34 billion and to vendors and contractors of \$2.41 billion.

Noncapital financing activities include state appropriations from the Commonwealth of \$319.7 million and gifts and grants other than capital purposes of \$195.2 million.

Capital and related financing activities include \$548.3 million that was expended for construction and purchases of capital assets and \$171.5 million that was expended for principal and interest payments on capital debt, lease, and subscription obligations offset by proceeds from capital debt of \$186.3 million and capital grants and gifts of \$92.3 million.

Investing activities include proceeds from sales and maturities of investments of \$987.7 million, interest and dividends on investments of \$150.2 million offset by cash of \$1.08 billion used for purchases of investments.

2023 Versus 2022. Cash balances were higher when comparing fiscal year 2023 to fiscal year 2022. The \$514.1 million increase in cash and cash equivalents was created from more cash provided by operating activities, noncapital financing activities and investing activities and less cash used by capital and related financing activities.

Capital, Lease and Subscription Assets and Debt Administration

Capital, Lease and Subscription Assets.

Capital assets, net of accumulated depreciation, totaled \$4.30 billion at June 30, 2024, an increase of \$306.2 million. Capital assets as of June 30, 2024, 2023 and 2022, and significant changes in capital assets during the year are as follows (in millions):

	Balance June 30, 2022	Net Additions (Deletions) FY 2022-23	Balance June 30, 2023	Net Additions (Deletions) FY 2023-24	Balance June 30, 2024
Land and land improvements	\$ 353	\$ 60	\$ 413	\$ 67	\$ 480
Buildings, fixed equipment and infrastructure	4,465	414	4,879	218	5,097
Equipment, vehicles and capitalized software	1,047	121	1,168	68	1,236
Library materials and art	174	—	174	—	174
Certificate of need	12	—	12	—	12
Construction in progress	132	64	196	179	375
Accumulated depreciation	(2,654)	(196)	(2,850)	(226)	(3,076)
Total	<u>\$ 3,529</u>	<u>\$ 463</u>	<u>\$ 3,992</u>	<u>\$ 306</u>	<u>\$ 4,298</u>

At June 30, 2024, the University had commitments in construction in progress for capital projects totaling approximately \$2.10 billion in scope. Major projects include the construction of the new UK HealthCare Ambulatory Cancer Surgery Center, Cancer Center Parking Garage, College of Medicine Education Building, renovation and expansion of patient care facilities, and campus modernization and asset preservation projects. The estimated cost to complete the projects in progress is approximately \$1.78 billion. Additionally, RBH had capital expenditure commitments of approximately \$118.6 million related to construction contracts.

Lease assets, net of accumulated amortization, totaled \$74.9 million at June 30, 2024, an increase of \$6.2 million. Lease assets as of June 30, 2024, 2023 and 2022, are as follows (in millions):

	Balance June 30, 2022	Net Additions (Deletions) FY 2022-23	Balance June 30, 2023	Net Additions (Deletions) FY 2023-24	Balance June 30, 2024
Buildings	\$ 28	\$ 29	\$ 57	\$ 6	\$ 63
Equipment	25	17	42	19	61
Vehicles	1	(1)	—	—	—
Accumulated amortization	(8)	(22)	(30)	(19)	(49)
Total	<u>\$ 46</u>	<u>\$ 23</u>	<u>\$ 69</u>	<u>\$ 6</u>	<u>\$ 75</u>

Subscription assets, net of accumulated amortization, totaled \$27.0 million at June 30, 2024, a decrease of (\$4.7) million. Subscription assets as of June 30, 2024, 2023 and 2022, are as follows (in millions):

	Balance July 1, 2022	Net Additions (Deletions) FY 2022-23	Balance June 30, 2023	Net Additions (Deletions) FY 2023-24	Balance June 30, 2024
Subscription assets	\$ 16	\$ 25	\$ 41	\$ 6	\$ 47
Accumulated amortization	—	(9)	(9)	(11)	(20)
Total	\$ 16	\$ 16	\$ 32	\$ (5)	\$ 27

Debt.

At June 30, 2024, capital obligations amounting to \$1.50 billion, summarized by trust indenture and type, are as follows (in millions):

	2024	2023	2022
General Receipts bonds	\$ 1,148	\$ 1,011	\$ 975
Revenue bonds	222	230	—
Capital financed obligations	41	44	47
Capital debt obligations	60	65	63
Notes payable	26	24	23
Total	\$ 1,497	\$ 1,374	\$ 1,108

Debt increased \$122.5 million during the year primarily due to the issuance of \$186.3 million of General Receipts Bonds 2024 Series B and C offset by principal payments on bonds of \$57.6 million and net decreases in capital financed obligations, capital debt obligations and notes payable of \$6.2 million.

Lease obligations totaled \$77.3 million, \$70.3 million and \$43.4 million as of June 30, 2024, 2023, and 2022 respectively.

Subscription liabilities, first reported in fiscal year 2023 due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, totaled \$21.6 million and \$28.2 million as of June 30, 2024 and 2023, respectively.

Economic and Other Factors That Will Affect the Future

Senior leaders believe the university is well-positioned to maintain its fiscally sound condition and will continue to provide excellent services to students, patients, the community and the citizens of the Commonwealth. This outlook, along with ongoing efforts toward revenue diversification, cost containment, and efficiency and effectiveness initiatives will enable the University to obtain the resources necessary to meet its strategic objectives. The University remains steadfast in our commitment with the Commonwealth to Advance Kentucky. We produce graduates prepared for a 21st century economy; conduct research that extends the boundaries of scientific discovery; contribute to our economy; and render service and patient care that uplifts the University's community and region. The following are known facts and circumstances that may influence future financial results:

Higher Education

State Funding. For the 2024-26 biennium, the Commonwealth of Kentucky's Consensus Forecasting Group anticipates moderate growth in the state's General Fund revenue of 2.9% per year. In addition, the enacted state budget for 2024-26 spends significant dollars from the state's Budget Reserve Trust Fund primarily on infrastructure and specific projects. As a result, the 2024 Kentucky General Assembly will invest significant funds in postsecondary education during the upcoming biennium.

Per enacted legislation, state appropriations to the University will increase by \$38.9 million to \$358.6 million for fiscal year 2024-25, the largest state appropriations amount on record for the University. For comparison, the University budgeted its previous largest state appropriations amount 17 years ago at \$335.0 million. This historic amount of state funding will be a combination of direct appropriations and an allocation from the state's performance funding pool. Fiscal year 2024-25 will be the eighth year the Kentucky General Assembly has used the Kentucky Postsecondary Education Performance Funding Model to allocate state funds to the public universities and the Kentucky Community and Technical College System. UK continues to perform extremely well. As a result, UK will receive \$34.7 million, or 42.4% of the available state funds for the public universities.

The 2024 Kentucky General Assembly also authorized significant capital investments for the University. The authorizations include spending \$2.00 billion of UK resources, including \$800.0 million of debt, for the expansion of Chandler Hospital; spending \$285.0 million, including \$200.0 million of state bonds, for an Agriculture Research Facility for the Martin-Gatton College of Agriculture, Food and Environment; and spending \$154.0 million, including \$124.0 million of state bonds, for the continued renovation and preservation of academic facilities.

Enrollment Growth and Student Success. The University anticipates a first-year class for the 2024 fall semester of approximately 6,500 students and an overall enrollment of approximately 35,000. Even with the growth in enrollment, UK has experienced a historic growth in retention and graduation rates over the past decade. Retention has increased more than four percent to nearly 87% for the 2022 cohort of students. And, the six-year graduation rate in that same period increased more than nine percent to 70% – comparable to the top institutions in the country. The University has achieved this success not by reducing student enrollment, but by growing to a record number of students and serving Kentuckians first, all while making the University more affordable and accessible.

UK HealthCare

For the ninth consecutive year, UK HealthCare is ranked the No. 1 hospital in Kentucky in the 2024-25 Best Hospitals rankings and ratings from U.S. News & World Report. Annual inpatient discharges from UK's hospitals approached 45,800 for fiscal year 2024, about 3,700 discharges above budget. Ambulatory visits topped 1.4 million in fiscal year 2024, almost 70,000 visits above budget. Markey Cancer Center, Kentucky's only NCI-designated comprehensive cancer center, was included in the U.S. News Top 50 national ranking for cancer care for the eighth consecutive year. Two other specialties ranked in the U.S. News Top 50: ear, nose and throat (No. 37) and OB/GYN (No. 21). In addition, UK Chandler Hospital was named the Best Regional Hospital for Equitable Access – a new category from U.S. News that recognizes success in caring for patients in historically underserved communities.

In December 2022, the King's Daughters health system, located in Ashland, Kentucky, was integrated into the University significantly expanding patient access to UK HealthCare. Since the acquisition, King's Daughters health system has undertaken capital improvement projects, including the construction of a new emergency department.

In 2022, the UK Board of Trustees (the Board) approved construction of an outpatient cancer and advanced ambulatory building and parking garage on the west side of South Limestone to support Markey's mission to increase access for Kentucky's most complex patients. An ambulatory surgery center and comprehensive spine center are also planned for the building. Land acquisition and site preparation for construction is underway. UK HealthCare expects to occupy the garage by the 2025-26 fiscal year end and the building in late 2027.

On July 1, 2024, St. Claire HealthCare, located in Morehead, Kentucky, will be acquired by the University in a move that will expand academic programs and access to quality care for all Kentuckians. St. Claire is a regional Medical Center with 139 licensed beds, seven primary care facilities, homecare services, and retail pharmacy and medical supply operation. They employ approximately 55 physicians, 45 advanced practice provider, and 1,200 full-time employees.

UK HealthCare is poised to open the state's first emergency psychiatric unit operated on the Emergency Psychiatry Assessment Treatment and Healing (EmPATH) model on July 30, 2024.

Working under a financial plan endorsed by the Board in 2023, UK HealthCare continues to develop projects that represent \$2.40 billion in capital investments through fiscal year 2028. Among those investments are the expansion of Chandler Hospital, new operating suites and new procedure rooms; recruiting and retaining a workforce that aligns with volume growth rates while reducing agency workforce; establishing pipelines to building workforce; and the design/plan of four additional ambulatory sites based on UK employee residence, demographic growth and accessibility in underserved areas of Fayette County. The first of those four ambulatory locations opened in May 2024.

The Board also endorsed UK HealthCare moving forward with design planning of a medical office building to be located on the approximately 41 acres of property in the Hamburg development along U.S. Interstate I-75. In December 2023, UK presented a Request for Proposal for qualified individuals, firms and teams having extensive experience in development financing, maintenance and facility management and implementation of medical and university facilities to partner via a public-private partnership model for the medical office building referred to as Hamburg East. As of the end of fiscal year 2024, the competitive bid process and due diligence with preferred offerors was underway.

UK Research

With thoughtful planning, multi-disciplinary collaboration and execution, UK Research has achieved extraordinary growth in external funding. UK researchers were awarded \$488.4 million in annual grants and contracts for fiscal year 2023-24, a 1.9% increase from the \$479.3 million in the prior fiscal year. As of June 30, 2024, grant and contracts of approximately \$336.9 million have been awarded to the University but not expended. University researchers also made history in fiscal year 2023-24 with a record 1,920 research awards to 830 principal investigators from a record 633 sponsors. The current environment and the University's eight research priority areas emphasize research where the needs of Kentuckians and the Commonwealth are most pressing. UK Research is using strategic investment funds to seed innovative collaborative research and help investigators secure federal funding.

Summary

Our mission to **advance Kentucky** – for nearly 160 years – has never changed. Now, more than ever, the Commonwealth depends on the University to uplift its citizens and communities. UK's Strategic Plan – UK-PURPOSE – defines the five principles and key objectives that serve as a north star for guiding institutional decisions. With compassion and grit, the University has adopted new technology, business models and revamped campus operations. The University's wide array of programs allows us to excel in multidisciplinary studies and foster an environment of cooperative engagement across all colleges, programs and research endeavors.

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENTS OF NET POSITION (in thousands)
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 1,680,925	\$ 1,525,985
Notes, loans, leases and accounts receivable, net	1,425,501	1,262,170
Investments	15,018	19,792
Inventories and other assets	120,476	117,766
Total current assets	<u>3,241,920</u>	<u>2,925,713</u>
Noncurrent Assets		
Restricted cash and cash equivalents	394,474	252,896
Endowment investments	2,038,771	1,888,185
Other long-term investments	1,055,604	921,392
Notes, loans, leases and accounts receivable, net	751,165	481,701
Other noncurrent assets	18,031	15,074
Capital assets, net	4,298,232	3,991,593
Lease assets, net	74,915	68,685
Subscription assets, net	26,961	31,697
Total noncurrent assets	<u>8,658,153</u>	<u>7,651,223</u>
Total assets	<u>11,900,073</u>	<u>10,576,936</u>
Deferred Outflows of Resources		
	39,453	37,257
Total assets and deferred outflows of resources	<u>11,939,526</u>	<u>10,614,193</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities		
Accounts payable and accrued liabilities	667,883	533,714
Unearned revenue	152,259	151,745
Long-term liabilities - current portion	157,537	131,225
Total current liabilities	<u>977,679</u>	<u>816,684</u>
Noncurrent Liabilities		
Unearned revenue	172,495	191,937
Long-term liabilities	1,639,899	1,532,956
Net pension liability	6,551	9,927
Net other postemployment benefit liability - retiree health	17,670	42,481
Net other postemployment benefit liability - long-term disability	7,711	4,073
Total noncurrent liabilities	<u>1,844,326</u>	<u>1,781,374</u>
Total liabilities	<u>2,822,005</u>	<u>2,598,058</u>
Deferred Inflows of Resources		
	521,433	536,764
Total liabilities and deferred inflows of resources	<u>3,343,438</u>	<u>3,134,822</u>
NET POSITION		
Net investment in capital assets		
Restricted		
Nonexpendable		
Scholarships and fellowships	240,733	228,275
Research	337,626	303,147
Instruction	94,973	91,068
Academic support	88,751	88,025
Other	19,979	16,808
Total restricted nonexpendable	<u>782,062</u>	<u>727,323</u>
Expendable		
Scholarships and fellowships	167,351	146,610
Research	180,795	148,158
Instruction	86,369	77,281
Academic support	159,693	149,637
Loans	13,405	12,134
Capital projects	647,161	248,657
Debt service	3,929	2,675
Auxiliary	34,906	49,988
Other	168,243	174,906
Total restricted expendable	<u>1,461,852</u>	<u>1,010,046</u>
Total restricted	<u>2,243,914</u>	<u>1,737,369</u>
Unrestricted		
	4,021,158	3,568,650
Total net position	<u>\$ 8,596,088</u>	<u>\$ 7,479,371</u>

See notes to financial statements

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands)
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Student tuition and fees	\$ 637,420	\$ 593,970
Less: Scholarship allowances	(224,185)	(206,339)
Net student tuition and fees	413,235	387,631
Federal grants and contracts	298,067	293,362
State and local grants and contracts	147,240	159,498
Nongovernmental grants and contracts	35,148	31,862
Recoveries of facilities and administrative costs	96,259	93,470
Sales and services	88,402	84,810
Federal appropriations	16,340	20,060
County appropriations	37,033	34,731
Professional clinical service fees	338,034	325,108
Hospital services	4,370,161	3,776,635
Auxiliary enterprises:		
Housing and dining	37,937	38,050
Less: Scholarship allowances	(1,158)	(1,317)
Net housing and dining	36,779	36,733
Athletics	133,494	127,931
Other auxiliaries	55,869	53,787
Other operating revenues	28,757	27,008
Total operating revenues	6,094,818	5,452,626
OPERATING EXPENSES		
Educational and general:		
Instruction	361,558	333,060
Research	400,181	377,361
Public service	280,298	268,495
Libraries	25,456	22,956
Academic support	133,068	112,800
Student services	58,280	53,249
Institutional support	76,407	60,444
Operations and maintenance of plant	115,981	111,156
Student financial aid	59,461	55,891
Depreciation and amortization	96,579	89,480
Total educational and general	1,607,269	1,484,892
Clinical operations (including depreciation and amortization of \$9,351 in 2024 and \$8,837 in 2023)	596,436	570,994
Hospital and clinics (including depreciation and amortization of \$154,073 in 2024 and \$131,805 in 2023)	3,708,908	3,076,186
Auxiliary enterprises:		
Housing and dining (including depreciation and amortization of \$10,887 in 2024 and \$10,888 in 2023)	32,430	30,076
Athletics (including depreciation and amortization of \$16,742 in 2024 and \$16,284 in 2023)	201,608	174,584
Other auxiliaries (including depreciation and amortization of \$8,732 in 2024 and \$8,846 in 2023)	43,045	41,473
Other operating expenses	1,059	1,417
Total operating expenses	6,190,755	5,379,622
Net income (loss) from operations	(95,937)	73,004
NONOPERATING REVENUES (EXPENSES)		
State appropriations	319,669	319,235
COVID-19 funding	—	4,005
Gifts and non-exchange grants	146,750	237,260
Investment income	338,392	222,035
Interest on capital asset, lease and subscription-related debt	(54,839)	(49,067)
Other nonoperating revenues and expenses, net	12,411	3,011
Net nonoperating revenues	762,383	736,479
Net income before other revenues, expenses, gains or losses and special item	666,446	809,483
Capital grants and gifts	382,656	123,469
Additions to permanent endowments	53,135	21,704
Other, net	14,480	40,903
Special item - acquisition of Royal Blue Health and Insure Blue	—	695,582
Total other revenues	450,271	881,658
INCREASE IN NET POSITION	1,116,717	1,691,141
NET POSITION, beginning of year	7,479,371	5,788,230
NET POSITION, end of year	\$ 8,596,088	\$ 7,479,371

See notes to financial statements

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENTS OF CASH FLOWS (in thousands)
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 413,836	\$ 387,256
Grants and contracts	479,998	479,783
Recoveries of facilities and administrative costs	96,138	92,124
Sales and services	92,272	92,034
Federal appropriations	16,039	20,108
County appropriations	36,565	34,908
Payments to vendors and contractors	(2,413,744)	(2,093,965)
Payments on short-term leases	(2,195)	(171)
Student financial aid	(59,418)	(55,944)
Salaries, wages and benefits	(3,342,649)	(2,968,678)
Professional clinical service fees	324,047	278,955
Hospital services	4,214,303	3,587,341
Auxiliary enterprises receipts	236,413	159,964
Loans issued to students	(13,681)	(15,687)
Collection of loans to students	15,293	18,276
Self insurance receipts	92,506	84,763
Self insurance payments	(93,190)	(86,693)
Other receipts	29,589	24,183
Net cash provided by operating activities	122,122	38,557
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	319,669	319,235
COVID-19 funding	—	4,005
Gifts and grants received for other than capital purposes:		
Gifts received for endowment purposes	53,135	21,704
Gifts received for other purposes	142,057	165,345
Agency and loan program receipts	315,262	351,371
Agency and loan program payments	(314,024)	(353,091)
Other financing receipts	11,251	2,824
Net cash provided by noncapital financing activities	527,350	511,393
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants and gifts	92,340	38,098
Purchases of capital assets	(548,286)	(225,212)
Proceeds from capital debt	186,350	167,123
Payments to refunding bond agents	—	(75,489)
Proceeds from sales of capital assets	1,031	426
Principal paid on capital debt	(70,262)	(70,956)
Interest paid on capital debt	(50,196)	(45,722)
Principal payments received on leases receivable	343	657
Interest payments received on leases receivable	48	(47)
Principal paid on leases payable	(33,483)	(21,104)
Interest paid on leases payable	(2,286)	(1,955)
Principal paid on subscriptions payable	(14,591)	(12,679)
Interest paid on subscriptions payable	(661)	(243)
Other financing receipts	30,053	26,837
Net cash used by capital and related financing activities	(409,600)	(220,266)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	987,695	837,345
Interest and dividends on investments	150,177	89,952
Purchases of investments	(1,081,226)	(787,861)
Cash acquired from acquisition of Royal Blue Health and Insure Blue	—	44,975
Net cash provided by investing activities	56,646	184,411
NET INCREASE IN CASH AND CASH EQUIVALENTS	296,518	514,095
CASH AND CASH EQUIVALENTS, beginning of year	1,778,881	1,264,786
CASH AND CASH EQUIVALENTS, end of year	\$ 2,075,399	\$ 1,778,881

See notes to financial statements

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENTS OF CASH FLOWS (in thousands)
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Reconciliation of net income (loss) from operations		
to net cash provided by operating activities:		
Net income (loss) from operations	\$ (95,937)	\$ 73,004
Adjustments to reconcile net income (loss) from operations		
to net cash provided by operating activities:		
Depreciation and amortization expense	296,364	266,140
Change in assets and liabilities:		
Notes, loans, leases and accounts receivable, net	(137,128)	(207,573)
Inventories and other assets	(3,683)	(12,029)
Deferred outflows of resources	(3,042)	(17,807)
Accounts payable and accrued liabilities	115,903	30,937
Unearned revenue	(18,918)	(4,664)
Long-term liabilities	(1,895)	(22,679)
Pension liabilities	(3,376)	16,467
Net OPEB liabilities	(21,173)	31,681
Deferred inflows of resources	(4,993)	(114,920)
Net cash provided by operating activities	\$ 122,122	\$ 38,557
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Lease obligations incurred	\$ 40,450	\$ 26,928
Subscription obligations incurred	\$ 8,030	\$ 12,019
Gifts of capital assets	\$ 934	\$ 2,187
Trade in of land, equipment and vehicles	\$ 1,163	\$ 12,324
Gifts of other assets held for sale	\$ 484	\$ 1,730
Capital asset change in accounts payable and long-term liabilities	\$ 25,178	\$ 14,169
Amortized bond discount and premium	\$ 4,931	\$ 5,457
Amortized difference between reacquisition price and net carrying		
amount of refunded debt	\$ 846	\$ 805
Investment unrealized gains	\$ 169,826	\$ 130,287
In connection with the acquisition of Royal Blue Health and Insure Blue		
noncash assets, deferred outflows of resources, liabilities and		
deferred inflows of resources assumed were as follows:		
Patient and other accounts receivable	\$ —	\$ 98,310
Other current assets	\$ —	\$ 145,964
Other long-term investments	\$ —	\$ 405,776
Capital assets	\$ —	\$ 395,876
Other assets	\$ —	\$ 38,263
Deferred outflows of resources	\$ —	\$ 1,015
Current liabilities	\$ —	\$ (108,533)
Long-term debt	\$ —	\$ (239,875)
Other long-term liabilities	\$ —	\$ (85,100)
Deferred inflows of resources	\$ —	\$ (1,089)

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENTS OF FIDUCIARY NET POSITION (in thousands)
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 13,876	\$ 10,374
Accrued interest receivable	134	139
Investments	<u>334,154</u>	<u>309,923</u>
Total assets	<u>348,164</u>	<u>320,436</u>
LIABILITIES		
Accounts payable and accrued liabilities	<u>—</u>	<u>—</u>
Total liabilities	<u>—</u>	<u>—</u>
NET POSITION		
Net position restricted for postemployment benefits	<u>\$ 348,164</u>	<u>\$ 320,436</u>

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION (in thousands)
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Revenues		
Investment income:		
Interest and dividend income	\$ 6,088	\$ 3,979
Net appreciation in fair value of investments	<u>24,681</u>	<u>15,697</u>
Net investment gain	<u>30,769</u>	<u>19,676</u>
Contributions:		
University of Kentucky	14,919	11,401
Beneficiaries	<u>4,640</u>	<u>4,353</u>
Total contributions	<u>19,559</u>	<u>15,754</u>
Total gains	<u>50,328</u>	<u>35,430</u>
Expenses		
Administrative expenses	2,833	2,128
Payments to retirees and beneficiaries	<u>19,767</u>	<u>15,576</u>
Total expenses	<u>22,600</u>	<u>17,704</u>
Special item - acquisition of Royal Blue Health fiduciary assets	<u>—</u>	<u>55,171</u>
INCREASE IN NET POSITION	<u>27,728</u>	<u>72,897</u>
NET POSITION restricted for postemployment benefits, beginning of year	<u>320,436</u>	<u>247,539</u>
NET POSITION restricted for postemployment benefits, end of year	<u>\$ 348,164</u>	<u>\$ 320,436</u>

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The University of Kentucky (the University) is a component unit of the Commonwealth of Kentucky (the Commonwealth) and is included in the basic financial statements of the Commonwealth. The financial statements of the University include the operations of the University and its affiliated non-profit corporations (entities for which the University is financially accountable as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No.14 and No. 34*; and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and which meet the definition of an affiliated corporation under Kentucky Revised Statutes (KRS) section 164A.550). The affiliates are presented as blended component units since University management has operational responsibility for each affiliated corporation and are as follows:

- University of Kentucky Research Foundation (UKRF) and its for-profit subsidiary, Kentucky Technology, Inc. (KTI). KTI has a calendar-year based fiscal year from January 1 through December 31. Therefore, the financial statements of KTI as of and for the years ended December 31, 2023 and December 31, 2022 are included in UKRF's financial statements as of June 30, 2024 and June 30, 2023, respectively.
- University of Kentucky Gluck Equine Research Foundation, Inc. (UKGERF)
- University of Kentucky Humanities Foundation, Inc. (UKHF)
- University of Kentucky Mining Engineering Foundation, Inc. (UKMEF)
- Central Kentucky Management Services, Inc. (CKMS)
- Beyond Blue Corporation (BBC) and its non-profit subsidiary Royal Blue Health, LLC (RBH or King's Daughters health system) and Insure Blue (IB)

The financial statements of the University also include non-profit entities for which the University is financially accountable as defined by GASB, but which are not affiliated corporations under KRS and are as follows:

- Kentucky Medical Services Foundation, Inc. (KMSF)
- University of Kentucky Alumni Association, Inc. (UKAA)
- University of Kentucky Real Estate Foundation, Inc. (UKREF)

KMSF and UKREF are included within the University reporting entity as blended component units as they provide services entirely to the University. UKAA is included within the University reporting entity as a blended component unit as it has a dual reporting/funding model which integrates UKAA with the University.

The financial statements of the University also include the operations of organizational units of the University and are as follows:

- Kentucky Tobacco Research and Development Center
- WUKY Radio
- UK HealthCare Hospital System (the System) which includes the following:
 - BBC, an affiliated corporation that includes its non-profit subsidiaries RBH acquired December 1, 2022, and IB acquired January 1, 2023.
 - Kentucky Healthcare Enterprise, Inc., a wholly owned for-profit subsidiary.
 - Surgery Blue, LLC, a wholly owned for-profit subsidiary and its for-profit subsidiary, Surgery Center of Lexington, LLC (SCL) (51% ownership). SCL has a calendar-year based fiscal year from January 1 through December 31. Therefore, the financial statements of SCL as of

- and for the years ended December 31, 2023 and December 31, 2022 are included in the University's financial statements as of June 30, 2024 and June 30, 2023, respectively.
- Separate financial statements were not issued in fiscal years 2024 or 2023 for BBC or Surgery Blue, LLC. Nevertheless, these affiliated corporations are included in the University's financial statements.

The separate financial statements for the above entities can be found at: www.uky.edu/ufs/financial-statements.

The King's Daughters Medical Center Retirement Plan (Pension Plan or the Plan) is a single-employer defined benefit plan included in the University's financial statements as a pension trust fiduciary fund. The board of RBH performs the governing duties of the Pension Plan, as the Pension Plan does not have a separate board. The fiduciary fund statements are presented as of December 31, 2023 and 2022, the Plan's fiscal year-end.

The other post-employment benefit plans (OPEB Plans or Plans) are single-employer defined OPEB benefit plans included in the financial statements as OPEB trust fiduciary funds. The University Board of Trustees (the Board) performs the governing duties of the Plans, as the Plans do not have a separate Board. The fiduciary fund statements are presented as of June 30, 2024 and 2023, the Plans' fiscal year-end.

The Pension and OPEB Plans are presented as fiduciary component units in the University's financial statements. The Plans are legal separate entities and the University appoints a voting majority of the Plans' governing body, provides specific financial benefits to the Plans and the Plans impose financial burden on 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 GASB. The GASB establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and financial reporting purposes into the following net position categories:

- Net investment in capital assets: Capital, lease, and subscription assets, net of accumulated depreciation/amortization, outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets, lease liabilities, subscription liabilities, deferred outflows of resources and deferred inflows of resources.
- Restricted:
 - Nonexpendable* - Net position subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the principal of the University's permanent endowment funds.
 - Expendable* - Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.
- Unrestricted: Net position whose use by the University is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board 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 University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows. The fiduciary funds financial statement presentation is intended to report the assets held in trust for the beneficiaries of the Pension Plan and OPEB Plans and focuses on the fiduciary net position and the changes in fiduciary net position.

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. The University reports as a Business-Type Activity (BTA) as defined by GASB Statement No. 35. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

Cash and Investments. The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The University also considers the investments held in the investment pool with the Commonwealth to be cash equivalents.

Noncurrent cash and cash equivalents include plant funds allocated for capital projects, debt service reserves, grant funds with restricted purposes and endowment fund cash pending transfer to the custodian for investment. Cash and cash equivalents held by bond trustees and the University's endowment fund managers are included in investments.

Investments in marketable debt, equity securities and negotiable certificates of deposit are carried at fair value, as determined by the major securities markets. Alternative investments are stated at net asset value. Life insurance policies, non-negotiable certificates of deposit and guaranteed investment contracts are stated at cost. See note 2 for more information on the fair value determination. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income (loss) in the Statements of Revenues, Expenses and Changes in Net Position.

Notes, Loans, Leases and Accounts Receivable. This classification consists of receivables related to tuition and fee charges to students; charges for auxiliary enterprise services provided to students, faculty and staff; and loans to students. Also included are patient accounts receivable; amounts due from various lessees; amounts due from the Commonwealth for capital projects; amounts due from sponsors for reimbursement of expenses made pursuant to grants and contracts; amounts due under multimedia rights contract and service concession arrangements; and pledges that are verifiable, measurable and expected to be collected. These amounts are recorded net of estimated uncollectible amounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories. Inventories are stated at the lower of average cost or market value.

Pooled Endowment Funds. All endowments are managed in a consolidated investment pool, which consists of more than 2,650 named funds. All contributing endowments participate in the income and appreciation of the pool on a per unit basis commensurate with their contribution to the pool. New endowments purchase units in the pool at the current unit value, which is calculated each month based on the fair value of the pool investments divided by the number of pool units outstanding. The market value method of accounting for pooled endowment funds is employed to ensure proper distribution of market price changes, realized gains (losses) on sales, accrued income earned and distribution of investment earnings for expenditure by participating funds.

In accordance with the Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Commonwealth in July 2010, the University employs a total return method for establishing investment objectives and spending policies designed to achieve financial equilibrium for endowment funds over the long-term. The University makes expenditure decisions in accordance with UPMIFA and donor gift agreements. UPMIFA prescribes guidelines for expenditure of a donor-restricted endowment fund (in the absence of overriding, explicit donor stipulations) and focuses on the entirety of a donor-restricted endowment fund, that is, both the original gift amount(s) and net appreciation. In accordance with the standard of prudence prescribed by UPMIFA and consistent with industry standards, the University has adopted a spending policy with the long-term objective to maintain the purchasing power of each endowment and provide a predictable and sustainable level of income to support current operations.

The adopted spending policy is a “hybrid” policy, which includes both the market value of the endowment and the current level of inflation in determining spending each year. Annual spending is calculated by taking a weighted average comprising 60% of the prior year’s spending, adjusted for inflation, and 40% of the amount that results when the target annual spending rate of four percent is applied to the average market value of the endowment over the preceding 36 months. The spending amount determined by the formula is constrained so that the calculated rate is at least 3.5%, and not more than five percent, of the current endowment market value.

The University also utilizes an endowment management fee to support internal management and fundraising costs related to the endowment. Effective July 1, 2018, the management fee can be temporarily increased by up to 0.5%, for a maximum annual assessment of one percent, to support additional expenses related to the capital campaign. The University’s annual endowment management fee was 0.95% and 0.90% for the years ended June 30, 2024 and 2023, respectively.

To protect endowment funds from permanent impairment of value, spending and management fee withdrawals are suspended on endowments with a market value less than the contributed value by more than 20%. Additionally, endowments with a market value less than the contributed value by more than 10% undergo a formal review to determine the appropriate level of spending in accordance with various factors set forth in UPMIFA. All donor restrictions and stipulations prevail in decisions regarding preservation and spending of endowment funds.

The components of the University’s spending policy distribution and management fee for the years ended June 30, 2024 and 2023 are as follows (in thousands):

	2024	2023
Gross spending policy distribution	\$ 69,771	\$ 66,308
Reinvested spending policy distribution	(36,487)	(33,146)
Net spending policy distribution	<u>\$ 33,284</u>	<u>\$ 33,162</u>
Management fee	<u>\$ 16,456</u>	<u>\$ 14,370</u>

Capital Assets. Capital assets are stated at cost at the date of acquisition or, in the case of gifts, at acquisition value at the date of the gift.

Equipment with a unit cost of \$5 thousand or more (\$2 thousand or more for KMSF, \$2,500 or more for KTI, and \$1 thousand for UKAA) and having an estimated useful life of greater than one year is capitalized. Institutional software costing more than \$400 thousand is capitalized. Renovations to buildings, infrastructure and land improvements of \$100 thousand or more that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 75 years for student housing buildings under the Greystar service concession agreement, 40 years for other buildings, 10 - 25 years for land improvements, building improvements and infrastructure, 10 years for library books and capitalized software, and 3 - 20 years for equipment and vehicles.

The University capitalizes, but does not depreciate, works of art, historical treasures and certain library materials that are held for exhibition, education, research and public service.

Lease Assets. Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payment made at/or before the commencement of the lease term, less any incentives received from the lessor at/or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets. Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at/or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at/or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying information technology asset.

Capital, Lease and Subscription Assets Impairment. The University evaluates capital, lease and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease or subscription asset has occurred. If a capital, lease or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the accumulated depreciation or amortization will be accelerated. The amount of the impairment loss will be recorded as the net book value divided proportionately over its remaining years of useful life. Asset impairments of \$4.8 million and \$2.0 million were recognized during the years ended June 30, 2024 and 2023, respectively.

Deferred Outflows of Resources. A deferred outflow of resources is a loss in net position by the University that is applicable to a future reporting period. Deferred outflows of resources are reported in the Statements of Net Position, but are not recognized in the financial statements as expense until in the related period.

Unearned Revenue. Unearned revenue consists primarily of amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement. Unearned revenue also includes amounts received from multimedia rights pursuant to the contract agreement and amounts received in advance of an event, such as athletic ticket sales relating to future fiscal years, unearned hospital reimbursement revenue and unearned summer school revenue. Unearned revenue is recognized in the period to which the grant, event or semester relates.

Compensated Absences. The amount of vacation leave earned but not taken by employees at June 30, 2024 and 2023 is recorded as a liability by the University. Temporary disability leave payable upon termination under the University's payout policy is also recorded as a liability. Compensated absence liabilities are computed using the pay rates in effect at the Statement of Net Position date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes computed using rates in effect at that date.

Interest Rate Agreements. RBH's asset/liability strategy is to have a mixture of fixed- and variable-rate debt to take advantage of market fluctuations. As part of this strategy, RBH entered into the 2016 interest rate swap agreement (2016 agreement) for its 2016 B bonds. The intention of the swap is to reduce exposure to interest rate fluctuations. The University evaluated the 2016 agreement for effectiveness as of June 30, 2024 and 2023 under the synthetic instrument method and determined it to be an ineffective hedge, thus it is reported as an investment derivative instrument. RBH has also entered into the 2006 interest rate swap agreement (2006 agreement) that was determined to be an ineffective hedge as the related bonds (hedgeable item) have been retired, thus it is reported as an investment derivative instrument. The agreements with the counterparties are scheduled to end on February 1, 2036 and September 1, 2036, respectively.

As of June 30, 2024 and 2023, the 2016 agreement had a fair value of \$3.3 million and \$4.4 million, respectively and the 2006 agreement had a fair value of \$359 thousand and \$707 thousand, respectively, calculated using the par value method, i.e., the fixed and variable rates on the swaps were compared with the current fixed rates that could be achieved in the marketplace should the swaps be unwound. The fair value of the agreements of \$3.7 million and \$5.1 million was recognized in long-term liabilities in the Statements of Net Position for 2024 and 2023, respectively, and was classified within level 2 of the valuation hierarchy. The change in fair value of the interest rate agreements was \$1.4 million and \$1.3 million for the years June 30, 2024 and 2023, respectively, was recorded in investment income in the Statements of Revenues, Expenses and Changes in Net Position.

Deferred Inflows of Resources. A deferred inflow of resources is a gain in net position by the University that is applicable to a future reporting period. Deferred inflows of resources are reported in the Statements of Net Position but are not recognized in the financial statements as revenue until in the related period.

Scholarship Allowances. Student tuition and fees are presented net of scholarship allowances applied to student accounts. Stipends and other payments made directly to students are presented as student financial aid expenses. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students or third parties on behalf of the students. Certain governmental grants, such as Pell grants and other similar federal and state programs, are recorded as nonoperating revenues; other governmental and nongovernmental grants are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.

Hospital and Clinical Services Revenues. Hospital and clinical services revenues are reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including contractual allowances and estimated retroactive adjustments under reimbursement programs with third-party payers, less a provision for doubtful accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient non-acute services and defined medical education costs are paid based on a cost reimbursement methodology. The System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The System is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary.

Revenue from the Medicare and Medicaid programs accounted for approximately 41% and 26%, respectively, of the System's net patient services revenues before the provision for doubtful accounts for the year ended June 30, 2024 and approximately 31% and 42%, respectively, for the year ended June 30, 2023. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Since the COVID-19 pandemic, more Kentuckians applied for and received presumptive Medicaid. These changes have an impact on Medicaid payments. The calculation methodology for supplemental payments was adjusted during fiscal year 2020 and is now referred to as Directed Payments. These payments replaced the Medicaid Managed Care Organization's portion of Intensity Operating Allowance and Physician Supplemental Payments. The Directed Payments are the difference between the System's average commercial rate and the rates Medicaid Managed Care Organizations pay for health care services. The payments are applicable to both inpatient and outpatient hospital services. A per day and per visit gap has been calculated and is applied to Medicaid Managed Care volume. The program is based upon data two years in arrears. The payments are based upon two components: access and quality. For fiscal year 2024, access was 90% of the program and quality was 10%. The Commonwealth withholds the quality component as well as an additional 5% for reconciliation, which occurs 14 months following the end of the first quarter, i.e., November 2024 for July through September 2023. A receivable for these dollars has been applied to the third party liability account for fiscal year 2024 and 2023. Directed Payments of \$812.7 million and \$814.6 million were recognized in net patient service revenue in fiscal years 2024 and 2023, respectively. The Department of Medicaid Services will be refunding the 5% withheld in the near future thus relieving this receivable.

The System also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Charity Care. The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges forgone for the services and supplies furnished under the System's charity care policy aggregated to approximately \$62.1 million and \$82.0 million for the years ended June 30, 2024 and 2023, respectively. The costs of charity care provided under the System's charity care policy were \$18.0 million and \$24.4 million for the years ended June 30, 2024 and 2023, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Management Contract Revenue. The System entered into a contract with the Kentucky Cabinet for Health and Family Services to manage Eastern State Hospital (ESH) and Central Kentucky Recovery Center (CKRC). Under the contract the System is reimbursed 100% of the related operating expenses up to a limit of \$59.0 million and \$41.9 million for ESH for the years ended June 30, 2024 and 2023, respectively; and \$2.2 million for CKRC for both of the years ended June 30, 2024 and 2023. The System also receives an eight percent management fee. The initial contract term was August 13, 2013 to June 30, 2014 with the option to renew the contract for additional one-year terms. The contract was renewed for the period of July 1, 2024 to June 30, 2025.

Income Taxes. The University is an agency and instrumentality of the Commonwealth, pursuant to KRS sections 164.100 through 164.280. Accordingly, the University is excluded from federal income taxes as an organization described in section 115 of the Internal Revenue Code (IRC) of 1986, as amended. Each of the University's affiliated non-profit organizations has received a determination from the Internal Revenue Service granting exemption from federal income taxation pursuant to the provisions of IRC section 501(c)(3). KMSF, UKAA and UKREF are not-for-profit corporations as described in section 501(c)(3) of the IRC.

Restricted Asset Spending Policy. The University's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on 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 University defines operating activities, as reported in the Statements 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 goods and services received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, gifts and investment income, are recorded as nonoperating revenues in accordance with GASB Statement No. 35.

The University has classified operating expenses based upon their functional classifications. Operating expenses by natural classification are presented in note 24. During fiscal years 2024 and 2023, departmental research in non-sponsored accounts of approximately \$125.6 million and \$116.6 million, respectively, was recorded as research expense in the Statements of Revenues, Expenses and Changes in Net Position.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The accompanying financial statements include estimates for items such as bad debt and contractual allowances, estimated third-party payer settlements, self-insurance reserves, accrued expenses and other liability accounts. The University has elected to self-insure certain costs related to medical malpractice, health insurance, workers' compensation and unemployment claims. See note 20.

Pensions and Other Postemployment Benefit (OPEB) Plans. The University has a single-employer defined OPEB benefit, Health Insurance Benefits for Retirees plan and long-term disability plan (LTD). The University also has a single-employer defined benefit retirement plan (Pension Plan) for RBH. For purposes of measuring the net Plan liability (asset), deferred outflows of resources, deferred inflows of resources and Plan expenses, information about the fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions for the pension plan) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Recent Accounting Pronouncements. The GASB has issued the following statements applicable to the University, which have not yet been implemented.

- GASB Statement No. 101, *Compensated Absences*, issued June 2022. The provisions of this statement are effective for fiscal years beginning after December 15, 2023 (fiscal year 2025). It provides guidance for measuring liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, it requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The University has yet to determine the impact GASB Statement No. 101 will have on its financial statements.
- GASB Statement No. 102, *Certain Risk Disclosures*, issued December 2023. The provisions of this statement are effective for fiscal years beginning after June 15, 2024 (fiscal year 2025). It expands existing risk disclosure requirements to require additional disclosures for vulnerabilities that are prevalent among state and local governments, including universities. A governmental entity may be vulnerable to risks from certain concentrations or constraints that limit its ability to acquire resources or control spending. The University has yet to determine the impact GASB Statement No. 102 will have on its financial statements.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024. The provisions of this statement are effective for fiscal years beginning after June 15, 2025 (fiscal year 2026). This statement supersedes sections of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to establish new or modify existing requirements related to financial statement components including, but not limited to, management's discussion and analysis; unusual or infrequent items; and the presentation of proprietary fund statement of revenues, expenses, and changes in fund net position. The University has yet to determine the impact GASB Statement No. 103 will have on its financial statements.

Revisions and reclassifications. In fiscal year 2024, it was determined that General Receipts 2022 Bonds Series A, whose balance at June 30, 2022 was \$27.5 million, were reclassified from general receipts bonds within note 8 to direct placements. The General Receipts 2022 Bonds Series D additions during fiscal year 2023 were also reclassified from general receipts bonds to direct placements. There was no change to total long-term liabilities.

In fiscal year 2024, it was determined that certain student loans receivable are noncurrent in nature due to the loan terms. As a result, \$15.7 million in student loans receivable reported in fiscal year 2023 in current notes, loans, leases and accounts receivable, net in the Statements of Net Assets have been reclassified to noncurrent. There was no change in total student loans receivable. This change is also reflected in fiscal year 2023 current and noncurrent balances in note 3.

2. DEPOSITS AND INVESTMENTS

The University's deposits and investments can be grouped into five significant categories as follows:

- Overnight investments include money market funds, certificates of deposit, and deposits with local banks and the Commonwealth.
- Bond revenue fund and bond project fund investments held by the Treasurer of the Commonwealth as required by the University's bond trust indentures and invested in high quality global fixed income funds managed by the Commonwealth.
- Short-term and intermediate-term investments:
 - managed by the University, including individual securities purchased and held by the University and
 - managed by external managers in low duration strategies.
- Debt service reserve fund investments required by the University's bond trust indentures and held by the bond trustees.
- Endowment investments:
 - administered by the University and managed using external investment managers and
 - held in external trusts administered by external trustees.

Deposit and Investment Policies. The Board is responsible for establishing deposit and investment policies. The policies are developed to ensure compliance with state laws and regulations and to maintain sound financial management practices. The day-to-day management of the deposits and investments has been delegated to the Treasurer of the University.

The Treasurer of the University manages overnight, short-term and intermediate-term investments based on the Operating Fund Investment Policy, as approved by the Investment Committee of the University's Board of Trustees and maintained by the Operating Fund Investment Committee. The University's policy for the investment of bond revenue and debt service reserve funds is governed by each respective bond's trust indenture. The Investment Committee of the Board establishes and maintains the University's Endowment Investment Policy.

The fair value of deposits and investments by Statement of Net Position classification at June 30, 2024 and 2023 are as follows (in thousands):

<u>Statement of Net Position classification</u>	<u>2024</u>	<u>2023</u>
Deposits		
Current cash and cash equivalents	\$ 1,680,925	\$ 1,525,985
Restricted cash and cash equivalents	394,474	252,896
Total deposits	<u>2,075,399</u>	<u>1,778,881</u>
Investments		
Current investments	15,018	19,792
Endowment investments	2,038,771	1,888,185
Other long-term investments	1,055,604	921,392
Total investments	<u>3,109,393</u>	<u>2,829,369</u>
Total deposits and investments	<u>\$ 5,184,792</u>	<u>\$ 4,608,250</u>

Fair Value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. The framework for measuring fair value established by Generally Accepted Accounting Principles provides a fair value hierarchy as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The University categorizes its fair value measurements within the fair value hierarchy. Certain investments are measured at fair value using net asset value (NAV) per share (or its equivalent) practical expedient, amortized cost, or historical cost and therefore have not been classified in the fair value hierarchy. These investments have been included in the following table to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Net Position.

The University has the following valuation measurements, by type, at June 30, 2024 (in thousands):

	Fair Value Measurement Using						Amortized or historical cost
	Total value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total measured at fair value	Net asset value (NAV)	
<u>Non-endowed deposits and investments</u>							
Cash and cash equivalents	\$ 537,794	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 537,794
Cash surrender value of life insurance policies	11,296	—	—	—	—	—	11,296
Certificates of deposit	37,461	—	37,461	—	37,461	—	—
Diversifying strategies ^{1,3}	49,731	49,726	—	—	49,726	5	—
Deposits with the Commonwealth of Kentucky ²	24,556	—	—	—	—	—	24,556
Global equity - international	69,138	9,529	1,527	—	11,056	58,082	—
Global equity - private ³	228	—	—	—	—	8	220
Global equity - U.S.	139,483	31,367	5,613	—	36,980	102,499	4
Global fixed income - public fixed income ⁴	2,210,305	81,187	747,363	801	829,351	146,806	1,234,148
Global fixed income - private credit ⁵	1	—	—	—	—	1	—
Guaranteed investment contracts	13,098	—	—	—	—	—	13,098
Other	3	—	—	—	—	—	3
Real assets - private ³	19,990	—	—	1	1	19,989	—
Real assets - public	32,937	517	1,650	—	2,167	30,770	—
Total non-endowed deposits and investments	3,146,021	172,326	793,614	802	966,742	358,160	1,821,119
<u>Endowed deposits and investments</u>							
Cash and cash equivalents	5,393	—	—	—	—	—	5,393
Diversifying strategies ^{1,3}	253,385	—	—	—	—	253,385	—
External trusts	15,830	—	—	15,830	15,830	—	—
Global equity - international	324,393	212,296	354	2	212,652	111,741	—
Global equity - private ³	418,767	—	—	—	—	418,767	—
Global equity - U.S.	517,697	58,130	1,316	—	59,446	458,251	—
Global fixed income - public fixed income	180,297	96,760	68,029	—	164,789	15,508	—
Global fixed income - private credit ⁵	69,181	—	—	—	—	69,181	—
Other	1	—	1	—	1	—	—
Real assets - private ³	227,065	—	—	30,067	30,067	196,998	—
Real assets - public	26,762	433	46	—	479	26,283	—
Total endowed deposits and investments	2,038,771	367,619	69,746	45,899	483,264	1,550,114	5,393
Total deposits and investments	\$ 5,184,792	\$ 539,945	\$ 863,360	\$ 46,701	\$ 1,450,006	\$ 1,908,274	\$ 1,826,512

- 1) Diversifying strategies include investments in various diversified, unconstrained strategies including hedge funds and global tactical asset allocation strategies.
- 2) Non-endowed deposits with the Commonwealth include deposits held by the state for capital construction, tobacco research and state appropriations. The University does not earn investment income on these funds; all investment income accrues to the Commonwealth.
- 3) Diversifying strategies, global equity - private, global fixed income - private credit and real assets - private include alternative investments whose fair market value is measured using its net asset value as of March 31, 2024 of \$33.9 million, \$418.8 million, \$64.9 million and \$197.0 million, respectively. Diversifying strategies and global fixed income - private credit include alternative investments whose fair market value is measured using its net asset value as of May 31, 2024 of \$2.3 million and \$2.4 million, respectively. Real assets - private includes alternative investments whose fair market value is measured using level 3 unobservable inputs as of March 31, 2024 of \$30.1 million.
- 4) Non-endowed global fixed income - public fixed income includes deposits and investments in the Commonwealth's limited pool and intermediate pool funds. As of June 30, 2024, \$1.23 billion was held in the Commonwealth's limited-term investment pool and \$296.2 million was held in the intermediate-term pool. The limited-term pool fund's fair value is measured at amortized cost and the intermediate-term pool fund's fair value is measured using level 2 observable inputs. Both investment pools provide same day liquidity with no limitations, fees or restrictions on withdrawals.

The University has the following valuation measurements, by type, at June 30, 2023 (in thousands):

	Total value	Fair Value Measurement Using			Total measured at fair value	Net asset value (NAV)	Amortized or historical cost
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)			
Non-endowed deposits and investments							
Cash and cash equivalents	\$ 509,044	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 509,044
Cash surrender value of life insurance policies	9,990	—	—	—	—	—	9,990
Certificates of deposit	29,342	—	28,843	—	28,843	—	499
Diversifying strategies ^{1,3}	44,869	44,864	—	—	44,864	5	—
Deposits with the Commonwealth of Kentucky ²	14,250	—	—	—	—	—	14,250
Global equity - international	62,332	9,384	943	—	10,327	52,005	—
Global equity - private ³	261	—	—	—	—	8	253
Global equity - U.S.	113,708	31,813	3,878	—	35,691	78,013	4
Global fixed income - public fixed income ⁴	1,875,749	67,092	604,212	—	671,304	103,872	1,100,573
Global fixed income - private credit ³	1	—	—	—	—	1	—
Guaranteed investment contracts	12,681	—	—	—	—	—	12,681
Other	3	—	—	—	—	—	3
Real assets - private ³	14,323	—	—	1	1	14,322	—
Real assets - public	33,512	1,803	—	—	1,803	31,709	—
Total non-endowed deposits and investments	2,720,065	154,956	637,876	1	792,833	279,935	1,647,297
Endowed deposits and investments							
Cash and cash equivalents	5,131	—	—	—	—	—	5,131
Diversifying strategies ^{1,3}	238,173	—	—	—	—	238,173	—
External trusts	14,265	—	—	14,265	14,265	—	—
Global equity - international	311,229	203,336	227	2	203,565	107,664	—
Global equity - private ³	383,690	—	—	—	—	383,690	—
Global equity - U.S.	452,123	49,109	1,074	—	50,183	401,940	—
Global fixed income - public fixed income	150,489	70,453	64,396	—	134,849	15,640	—
Global fixed income - private credit ³	70,990	—	—	—	—	70,990	—
Other	1	—	1	—	1	—	—
Real assets - private ³	230,677	—	—	36,986	36,986	193,691	—
Real assets - public	31,417	6,346	57	—	6,403	25,014	—
Total endowed deposits and investments	1,888,185	329,244	65,755	51,253	446,252	1,436,802	5,131
Total deposits and investments	\$ 4,608,250	\$ 484,200	\$ 703,631	\$ 51,254	\$ 1,239,085	\$ 1,716,737	\$ 1,652,428

- 1) Diversifying strategies include investments in various diversified, unconstrained strategies including hedge funds and global tactical asset allocation strategies.
- 2) Non-endowed deposits with the Commonwealth include deposits held by the state for capital construction, tobacco research and state appropriations. The University does not earn investment income on these funds; all investment income accrues to the Commonwealth.
- 3) Real assets - private includes alternative investments whose fair market value is measured using its net asset value as of December 31, 2022 of \$393 thousand. Diversifying strategies, global equity - private, global fixed income - private credit and real assets - private include alternative investments whose fair market value is measured using its net asset value as of March 31, 2023 of \$30.9 million, \$383.7 million, \$43.5 million and \$193.3 million, respectively. Real assets - private includes alternative investments whose fair market value is measured using level 3 unobservable inputs as of March 31, 2023 of \$37.0 million.
- 4) Non-endowed global fixed income - public fixed income includes deposits and investments in the Commonwealth's limited pool and intermediate pool funds. As of June 30, 2023, \$1.10 billion was held in the Commonwealth's limited-term investment pool and \$174.3 million was held in the intermediate-term pool. The limited-term pool fund's fair value is measured at amortized cost and the intermediate-term pool fund's fair value is measured using level 2 observable inputs. Both investment pools provide same day liquidity with no limitations, fees or restrictions on withdrawals.

Where quoted market prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in level 2 of the valuation hierarchy. In certain cases, where level 1 or level 2 inputs are not available, securities are classified within level 3 of the hierarchy.

Level 3 valuation for global equity investments are valued using either discounted cash flow or market comparable companies technique. External trusts are based on level 3 valuations provided by the external trustee.

Investments valued using NAV per share (or its equivalent) as of June 30, 2024 and 2023 are as follows (in thousands):

	2024							Unfunded commitments
	Net asset value (NAV)	Redemption Frequency/Notice Period					End of term/ 5 to 10 years	
		Daily, weekly/ 1 - 7 days	Semi-monthly, monthly/ 15 - 30 days	Quarterly/ 45 - 90 days	Semi-annually/ 60 - 180 days	Annually/ 360 days		
Diversifying strategies	\$ 253,390	\$ 16,493	\$ 60,951	\$ 112,975	\$ 6,686	\$ 19,722	\$ 36,563	\$ 5,334
Global equity - international	169,823	58,080	99,007	12,736	—	—	—	—
Global equity - private	418,775	—	—	—	—	—	418,775	259,654
Global equity - U.S.	560,750	515,216	45,534	—	—	—	—	—
Global fixed income - public fixed income	162,314	146,806	15,508	—	—	—	—	—
Global fixed income - private credit	69,182	—	—	—	—	—	69,182	2,085
Real assets - private	216,987	—	—	19,985	—	—	197,002	75,190
Real assets - public	57,053	30,769	16,086	10,198	—	—	—	—
Total measured at net asset value	<u>\$ 1,908,274</u>	<u>\$ 767,364</u>	<u>\$ 237,086</u>	<u>\$ 155,894</u>	<u>\$ 6,686</u>	<u>\$ 19,722</u>	<u>\$ 721,522</u>	<u>\$ 342,263</u>

	2023							Unfunded commitments
	Net asset value (NAV)	Redemption Frequency/Notice Period					End of term/ 5 to 10 years	
		Daily, weekly/ 1 - 7 days	Semi-monthly, monthly/ 15 - 30 days	Quarterly/ 45 - 90 days	Semi-annually/ 60 - 180 days	Annually/ 360 days		
Diversifying strategies	\$ 238,178	\$ 17,443	\$ 45,327	\$ 98,345	\$ 19,185	\$ 18,811	\$ 39,067	\$ 2,283
Global equity - international	159,669	52,004	89,162	12,843	—	5,660	—	—
Global equity - private	383,698	—	—	—	—	—	383,698	242,254
Global equity - U.S.	479,953	442,837	37,116	—	—	—	—	—
Global fixed income - public fixed income	119,512	103,872	15,640	—	—	—	—	—
Global fixed income - private credit	70,991	—	—	—	—	—	70,991	3,671
Real assets - private	208,013	—	—	14,318	—	—	193,695	67,527
Real assets - public	56,723	31,709	14,521	10,493	—	—	—	—
Total measured at net asset value	<u>\$ 1,716,737</u>	<u>\$ 647,865</u>	<u>\$ 201,766</u>	<u>\$ 135,999</u>	<u>\$ 19,185</u>	<u>\$ 24,471</u>	<u>\$ 687,451</u>	<u>\$ 315,735</u>

Deposit and Investment Risks. The University's deposits and investments are exposed to various risks, including credit, interest rate and foreign currency risk, as discussed in more detail below. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could affect the investment amounts in the Statements of Net Position.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the University to experience a loss of principal.

As a means of limiting its exposure to losses arising from credit risk, the University's investment policies limit the exposure of its various investment types as follows:

- Overnight investments (deposits and money market funds) policies minimize credit risk in several ways. The University deposits, in Federal Deposit Insurance Corporation (FDIC) insured financial institutions, are covered up to \$250 thousand at each FDIC insured institution. State law requires that deposits in excess of this coverage be fully collateralized, therefore depository institutions issue a pledge of specific U.S. Treasury and/or U.S. agency securities, held in the name of the University by the Federal Reserve Bank, to cover all amounts over the \$250 thousand coverage. Money market funds held by the University are invested in U.S. Treasury and agency securities. KMSF's financial institution maintains a letter of credit for amounts on deposit over and above FDIC insured balances through the Federal Home Loan Bank of Cincinnati.
- Bond revenue fund and bond project fund investments held in the Commonwealth's investment pools can invest in U.S. Treasury and agency securities; commercial paper, asset-backed securities or qualified mutual funds rated in the highest category by a nationally recognized statistical rating organization; certificates of deposit, bankers acceptances, state or local government securities and corporate, Yankee and Eurodollar securities rated in one of the three highest categories by a nationally recognized statistical rating organization; and state and local property tax certificates of delinquency secured by interests in real property.
- Short-term and intermediate-term investments managed by the University and those held in the Commonwealth's investment pools are subject to the same credit quality restrictions as denoted above for bond revenue fund investments. The low duration strategies managed by external managers must adhere to certain investment guidelines. For one of the portfolios, the investment guidelines require that a minimum of 85% of the portfolio holdings are investment grade and a minimum A- portfolio average quality is maintained, with no single credit industry exceeding 15% of the portfolio. For the other portfolio, the investment guidelines require a minimum issue quality of B and a minimum commercial paper quality of A3/P3. Issuer quality below BBB is limited to 10% and a minimum A- portfolio average quality is maintained. The low duration strategies have been classified as global fixed income - public fixed income in the note 2 tables.
- Investment securities held in debt service reserve funds may be invested and reinvested solely in bonds or interest-bearing notes of the United States government.
- Endowment managers are permitted to use derivative instruments to limit credit risk.

At June 30, 2024 and 2023, the credit quality of the University's fixed income investments is summarized below (in thousands):

	2024							Total
	S&P/Moody's Credit Ratings							
	AAA/Aaa	AA/Aa	A	BBB/Baa	Below BBB/Baa	Not rated	Rating not applicable	
<u>Non-endowed deposits and investments</u>								
Cash and cash equivalents	\$ 395,679	\$ —	\$ —	\$ —	\$ —	\$ 142,115	\$ —	\$ 537,794
Certificates of deposit	—	—	—	—	—	37,461	—	37,461
Global fixed income - public fixed income	129,250	85,570	82,549	88,724	—	1,731,951	92,261	2,210,305
Global fixed income - private credit	—	—	—	—	—	1	—	1
Guaranteed investment contracts	—	571	—	—	—	12,527	—	13,098
Total non-endowed fixed income investments	<u>524,929</u>	<u>86,141</u>	<u>82,549</u>	<u>88,724</u>	<u>—</u>	<u>1,924,055</u>	<u>92,261</u>	<u>2,798,659</u>
<u>Endowed deposits and investments</u>								
Cash and cash equivalents	5,187	—	—	—	—	206	—	5,393
Global fixed income - public fixed income	94,318	679	9,651	5,382	1,578	25,445	43,244	180,297
Global fixed income - private credit	—	—	—	—	—	69,181	—	69,181
Global fixed income - public credit	—	—	—	—	—	—	—	—
Total endowed fixed income investments	<u>99,505</u>	<u>679</u>	<u>9,651</u>	<u>5,382</u>	<u>1,578</u>	<u>94,832</u>	<u>43,244</u>	<u>254,871</u>
Total fixed income investments	<u>\$ 624,434</u>	<u>\$ 86,820</u>	<u>\$ 92,200</u>	<u>\$ 94,106</u>	<u>\$ 1,578</u>	<u>\$ 2,018,887</u>	<u>\$ 135,505</u>	<u>\$ 3,053,530</u>

	2023							Total
	S&P/Moody's Credit Ratings							
	AAA/Aaa	AA/Aa	A	BBB/Baa	Below BBB/Baa	Not rated	Rating not applicable	
<u>Non-endowed deposits and investments</u>								
Cash and cash equivalents	\$ 413,831	\$ —	\$ —	\$ —	\$ —	\$ 95,213	\$ —	\$ 509,044
Certificates of deposit	—	—	—	—	—	29,342	—	29,342
Global fixed income - public fixed income	120,719	51,140	113,255	61,552	2,461	1,448,549	78,073	1,875,749
Global fixed income - private credit	—	—	—	—	—	1	—	1
Guaranteed investment contracts	—	364	—	—	—	12,317	—	12,681
Total non-endowed fixed income investments	<u>534,550</u>	<u>51,504</u>	<u>113,255</u>	<u>61,552</u>	<u>2,461</u>	<u>1,585,422</u>	<u>78,073</u>	<u>2,426,817</u>
<u>Endowed deposits and investments</u>								
Cash and cash equivalents	4,691	—	—	—	—	440	—	5,131
Global fixed income - public fixed income	59,821	223	8,223	6,223	1,445	29,389	45,165	150,489
Global fixed income - private credit	—	—	—	—	—	70,990	—	70,990
Total endowed fixed income investments	<u>64,512</u>	<u>223</u>	<u>8,223</u>	<u>6,223</u>	<u>1,445</u>	<u>100,819</u>	<u>45,165</u>	<u>226,610</u>
Total fixed income investments	<u>\$ 599,062</u>	<u>\$ 51,727</u>	<u>\$ 121,478</u>	<u>\$ 67,775</u>	<u>\$ 3,906</u>	<u>\$ 1,686,241</u>	<u>\$ 123,238</u>	<u>\$ 2,653,427</u>

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. As a means of limiting its exposure to losses arising from custodial credit risk, the University's investment policies limit the exposure of its various investment types as follows:

- Overnight investments (deposits and money market funds) are not exposed to custodial credit risk. Deposits and money market funds are held in the University's name by various financial institutions.
- Bond revenue fund and bond project fund investments held in the Commonwealth's investment pools are held in the Commonwealth's name by the Commonwealth's custodian.

- Short-term and intermediate-term investments held by the Commonwealth for the benefit of the University are invested in the Commonwealth's investment pools and are held in the name of the Commonwealth by the Commonwealth's custodian. Short-term and intermediate-term investments managed by the University are held in the University's name in a safekeeping account. The low duration strategy investments managed by external managers are held in the University's name by the University's custodian.
- Investment securities held in debt service reserve funds are held by the respective bond trustee in a specific trust account for the benefit of the University and its bondholders.
- Endowment investments in external trusts are held in the name of the trust. Other endowment investments are held in the University's name by the University's custodian.

Non-endowed global fixed income - public fixed income investments whose fair market value was \$1.53 billion and \$1.27 billion as of June 30, 2024 and 2023, respectively, were exposed to custodial credit risk. These bond revenue fund investments were held by the Commonwealth, uninsured and not registered in the name of the University.

As of June 30, 2024 and 2023, there were \$7.8 million each year of cash and cash equivalents held by component units of the University by various financial institutions that were exposed to custodial credit risk. These balances were uninsured or uncollateralized.

Concentrations of Credit Risk. University investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer.

As a means of limiting its exposure to concentrations of credit risk, the University's investment policies limit concentrations in various investment types as follows:

- Overnight investments (deposits and money market funds) are not limited to a maximum amount that may be invested in one issuer. However, the University's cash 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.
- Bond revenue fund and bond project fund investments held in the Commonwealth's investment pools are limited as follows: U.S. dollar denominated corporate and Yankee securities issued by foreign and domestic issuers shall not exceed 35% of an individual pool and \$25.0 million per issuer, inclusive of commercial paper, bankers acceptances and certificates of deposit per individual pool; and U.S. dollar denominated sovereign debt shall not exceed five percent of any individual portfolio and \$25.0 million per issuer.
- Short-term and intermediate-term investments managed by the University and those held in the Commonwealth's investment pools are subject to the same credit concentration restrictions as denoted above for the bond revenue fund investments. Investments in the low duration strategies managed by external managers are also subject to certain credit concentration restrictions. For one portfolio, no single credit industry shall exceed 15% of the portfolio at purchase. Additionally, no single issuer, with the exception of government and agency issuers, shall exceed three percent of the portfolio at purchase and high yield issuers may not exceed one percent of the portfolio at purchase. For the other portfolio, concentrations are limited to the following:
 - issue or issuer at five percent excluding sovereign debt of Organization for Economic Cooperation and Development governments and U.S. agencies. Specific mortgage pools and trusts are considered separate issuers and each tranche within a collateralized mortgage obligation is considered a separate issue;
 - issuer quality below BBB at 10%;
 - non-U.S. dollar denominated at 30% excluding money market securities and money market futures;
 - emerging markets at five percent and
 - foreign currency exposure at five percent.

- There is no specific limit on the maximum amount of investment securities held in debt service reserve funds that may be invested in one issuer. However, such investments are limited to bonds or interest bearing notes of the U.S. government.
- The University's endowment core-plus fixed income manager is limited to a maximum investment in any one issuer of no more than five percent of total investments excluding sovereign debt of governments belonging in the Organization for Economic Co-operation and Development governments and U.S. agencies.

At June 30, 2024 and 2023, respectively, the University had no investments in any one issuer that represented five percent or more of total investments, other than U.S. Treasury and/or U.S. agency securities.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting its exposure to fair value losses arising from increasing interest rates, the University's investment policies limit the maturity of its various investment types as follows:

- Overnight investments (deposits and money market funds) have limited exposure to interest rate risk due to the short-term nature of the investment. The University requires that all deposits and money market funds be available for use on the next business day.
- Bond revenue fund and bond project fund investments held in the Commonwealth's limited-term investment pool are limited to a weighted average maturity that does not exceed 60 days, adjusted for interest rate resets and demand features. Investments in the Commonwealth's intermediate-term investment pool must maintain a duration of less than three years.
- Short/intermediate-term investments managed by the University are limited to a maximum duration of five years, intermediate/long-term investments managed by the University are limited to a maximum duration of 10 years, and those held in the Commonwealth's investment pools are subject to the same maturity and duration limits as denoted above for bond revenue fund investments. The portfolio duration of one of the low duration strategy investments managed by an external manager must be within a range of +/- 0.5 years of the Barclays Capital U.S. Government/Credit 1-5 Year Bond Index while the other portfolio is limited to a maximum duration of one year.
- Investment securities held in debt service reserve funds are required to have a maturity no later than two years from the date of the investment.
- Endowment managers are permitted to use derivative instruments to limit interest rate risk. Additionally, the University's actively managed core-plus fixed income portfolio manager is limited to a duration that is within two years of the duration of the Barclays U.S. Aggregate Bond Index. Unconstrained fixed income strategies have been implemented to further mitigate interest rate risk.

For June 30, 2024 and 2023, the maturity distribution of the University's fixed income investments is summarized below (in thousands):

	2024						Total
	Maturities in Years						
	Less than 1	1-5	5-10	Greater than 10	Managed based on duration	Alternative strategy ¹	
<u>Non-endowed deposits and investments</u>							
Cash and cash equivalents	\$ 537,794	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 537,794
Certificates of deposit	27,433	10,028	—	—	—	—	37,461
Global fixed income - public fixed income	26,207	82,775	4,471	20	2,096,832	—	2,210,305
Global fixed income - private credit ¹	—	—	—	—	—	1	1
Guaranteed investment contracts	12,527	571	—	—	—	—	13,098
Total non-endowed fixed income investments	<u>603,961</u>	<u>93,374</u>	<u>4,471</u>	<u>20</u>	<u>2,096,832</u>	<u>1</u>	<u>2,798,659</u>
<u>Endowed deposits and investments</u>							
Cash and cash equivalents	5,393	—	—	—	—	—	5,393
Global fixed income - public fixed income	—	—	—	—	180,297	—	180,297
Global fixed income - private credit ¹	—	—	—	—	—	69,181	69,181
Total endowed fixed income investments	<u>5,393</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>180,297</u>	<u>69,181</u>	<u>254,871</u>
Total fixed income investments	<u>\$ 609,354</u>	<u>\$ 93,374</u>	<u>\$ 4,471</u>	<u>\$ 20</u>	<u>\$ 2,277,129</u>	<u>\$ 69,182</u>	<u>\$ 3,053,530</u>

- 1) Global fixed income - private credit includes alternative investments that are not managed within traditional maturity or duration constraints.

	2023						Total
	Maturities in Years						
	Less than 1	1-5	5-10	Greater than 10	Managed based on duration	Alternative strategy ¹	
<u>Non-endowed deposits and investments</u>							
Cash and cash equivalents	\$ 509,044	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 509,044
Certificates of deposit	23,405	5,937	—	—	—	—	29,342
Global fixed income - public fixed income	38,736	70,235	3,588	23	1,763,167	—	1,875,749
Global fixed income - private credit ¹	—	—	—	—	—	1	1
Guaranteed investment contracts	—	12,681	—	—	—	—	12,681
Total non-endowed fixed income investments	<u>571,185</u>	<u>88,853</u>	<u>3,588</u>	<u>23</u>	<u>1,763,167</u>	<u>1</u>	<u>2,426,817</u>
<u>Endowed deposits and investments</u>							
Cash and cash equivalents	5,131	—	—	—	—	—	5,131
Global fixed income - public fixed income	—	—	—	—	150,489	—	150,489
Global fixed income - private credit ¹	—	—	—	—	—	70,990	70,990
Total endowed fixed income investments	<u>5,131</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>150,489</u>	<u>70,990</u>	<u>226,610</u>
Total fixed income investments	<u>\$ 576,316</u>	<u>\$ 88,853</u>	<u>\$ 3,588</u>	<u>\$ 23</u>	<u>\$ 1,913,656</u>	<u>\$ 70,991</u>	<u>\$ 2,653,427</u>

- 1) Global fixed income - private credit includes alternative investments that are not managed within traditional maturity or duration constraints.

At June 30, 2024 and 2023, the University had the following investments managed based on duration (in thousands):

	2024		2023	
	Fair Value	Modified Duration (Years)	Fair Value	Modified Duration (Years)
<u>Non-endowed deposits and investments</u>				
Global fixed income - public fixed income				
415(m) matching plan	\$ 6,606	6.6	\$ 5,881	7.0
UKAA	331	6.5	228	6.7
Commonwealth of Kentucky intermediate pool	296,248	1.0	174,291	1.0
Commonwealth of Kentucky limited pool	1,234,148	0.1	1,100,572	0.1
Externally managed low duration strategy funds	364,878	1.2	314,615	1.0
KMSF	4,973	4.3	4,530	4.3
KTI	396	4.2	434	4.7
Royal Blue Health	163,247	4.4	145,663	4.7
Insure Blue	26,005	2.3	16,953	3.0
Total non-endowment investments	<u>2,096,832</u>		<u>1,763,167</u>	
<u>Endowed deposits and investments</u>				
Global fixed income - public fixed income	180,297	6.1	150,489	6.6
Total endowment investment	<u>180,297</u>		<u>150,489</u>	
Total managed based on duration	<u>\$ 2,277,129</u>		<u>\$ 1,913,656</u>	

Foreign Currency Risk. Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit.

The University's exposure to foreign currency risk derives from certain operating and endowment investments. One of the University's low duration strategies allows for non-U.S. dollar denominated securities limited to 30% excluding money market securities and money market futures. Within the same portfolio, foreign currency exposure is limited to five percent with any currency hedging requirements met through either hedged cash bond exposure or a combination of forward and derivative positions coupled with a long currency position in the same currency. The value of these investments included in the following table was \$8.5 million and \$30.8 million as of June 30, 2024 and 2023, respectively, and the fair market value of the hedges related to those investments was \$71 thousand and \$1.6 million as of June 30, 2024 and 2023, respectively. The University's endowment investment policy allows fixed income managers to invest a portion of their portfolios in non-U.S. securities. Additionally, the investment policy allows various pooled fund managers to invest in accordance with the guidelines established in each individual fund's prospectus, which allows for investment in non-U.S. securities. Endowment managers are permitted to use derivative instruments to limit foreign currency risk.

As of June 30, 2024 and 2023, the following endowment and operating investments were subject to foreign currency risk (in thousands):

	Fair Value	
	2024	2023
Global equity - international	\$ 1	\$ 2
Global equity - private	5,270	3,742
Global fixed income - public fixed income	8,535	30,843
Real assets - private	301	1,396
Total	<u>\$ 14,107</u>	<u>\$ 35,983</u>

3. NOTES, LOANS, LEASES AND ACCOUNTS RECEIVABLE, NET

Notes, loans, leases and accounts receivable as of June 30, 2024 is as follows (in thousands):

	Gross Receivable	Allowance	Net Receivable
Accrued interest receivable	\$ 3,704	\$ —	\$ 3,704
Commonwealth funded capital projects	378,821	—	378,821
Dentistry patient accounts (net of contractual allowances)	3,575	(78)	3,497
Hospital patient accounts (net of contractual allowances)	678,581	(149,773)	528,808
Hospital third-party payer settlements	637,281	—	637,281
KMSF patient accounts (net of contractual allowances)	57,817	(22,451)	35,366
Leases receivable	1,269	—	1,269
Medical Group third-party payer settlements	62,376	—	62,376
Multimedia rights receivable	208,608	—	208,608
Pledges receivable (less discounts of \$24,019)	178,328	(27,982)	150,346
Reimbursement receivable - federal appropriations	2,762	—	2,762
Reimbursement receivable - grants and contracts	72,014	(330)	71,684
Service concession arrangements	38,443	—	38,443
Student accounts	38,640	(20,359)	18,281
Student loans	14,893	(1,828)	13,065
Other	22,364	(9)	22,355
	<u>\$ 2,399,476</u>	<u>\$ (222,810)</u>	<u>\$ 2,176,666</u>
Total			<u>\$ 2,176,666</u>
Current portion			\$ 1,425,501
Noncurrent portion			<u>751,165</u>
Total			<u>\$ 2,176,666</u>

Notes, loans, leases and accounts receivable as of June 30, 2023 is as follows (in thousands):

	Gross Receivable	Allowance	Net Receivable
Accrued interest receivable	\$ 2,121	\$ —	\$ 2,121
Commonwealth funded capital projects	88,962	—	88,962
Dentistry patient accounts (net of contractual allowances)	2,680	(62)	2,618
Hospital patient accounts (net of contractual allowances)	652,333	(112,430)	539,903
Hospital third-party payer settlements	482,603	—	482,603
KMSF patient accounts (net of contractual allowances)	57,095	(23,950)	33,145
Leases receivable	1,296	—	1,296
Medical Group third-party settlements	49,518	—	49,518
Multimedia rights receivable	225,914	—	225,914
Pledges receivable (less discounts of \$25,217)	171,158	(26,454)	144,704
Reimbursement receivable - federal appropriations	2,452	—	2,452
Reimbursement receivable - grants and contracts	60,361	(370)	59,991
Service concession arrangements	43,976	—	43,976
Student accounts	36,753	(18,147)	18,606
Student loans	16,547	(1,868)	14,679
Other	33,392	(9)	33,383
	<u>\$ 1,927,161</u>	<u>\$ (183,290)</u>	<u>\$ 1,743,871</u>
Current portion			\$ 1,262,170
Noncurrent portion			<u>481,701</u>
Total			<u>\$ 1,743,871</u>

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the University is required to record operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are actually received. For the years ended June 30, 2024 and 2023, the University recorded the discounted value of operating and capital pledges using a rate of two percent.

Deferred gifts through insurance, known bequests and irrevocable trusts in which the University has a remainder interest is estimated to be approximately \$377.8 million and \$373.7 million at June 30, 2024 and 2023, respectively. The University records these amounts as revenue when the cash is received.

The University leases a portion of its property to various third parties, the terms of which expire 2028 through 2080. Payments are constant based on the individual contract terms and conditions. Leases receivable and deferred inflows of resources are reported at the present values using the University's implicit interest rate unless otherwise noted in the contract terms. Leases receivable are reported in notes, loans, leases and accounts receivable, net. The amortization of the discount for lessor contracts is recorded as accrued interest receivable in notes, loans, leases and accounts receivable, net current in the Statements of Net Position and recorded as interest income in the Statements of Revenues, Expenses and Changes in Net Position.

Revenue recognized under lease contracts during the years ended June 30, 2024 and 2023 was \$336 thousand and \$118 thousand, respectively, which includes both lease revenue and interest income.

4. CAPITAL, LEASE AND SUBSCRIPTION ASSETS, NET

Capital assets as of June 30, 2024 and capital asset activity for the year ended June 30, 2024 are summarized below (in thousands):

	June 30, 2023	Additions	Deletions	June 30, 2024
Land	\$ 144,654	\$ 46,964	\$ —	\$ 191,618
Land improvements - nonexhaustible	95,293	6,001	—	101,294
Land improvements - exhaustible	172,310	14,592	—	186,902
Buildings	4,528,350	205,503	2,730	4,731,123
Fixed equipment - communications	192,693	10,880	19	203,554
Infrastructure	160,401	2,281	—	162,682
Equipment	848,108	95,907	30,470	913,545
Vehicles	24,807	4,399	1,232	27,974
Library materials	149,760	482	979	149,263
Nondepreciable library materials	8,220	87	—	8,307
Capitalized software	293,366	1,299	—	294,665
Art	16,208	453	—	16,661
Certificate of need	11,725	—	—	11,725
Intangible assets	100	—	—	100
Construction in progress	195,287	330,723	150,789	375,221
Total	<u>6,841,282</u>	<u>719,571</u>	<u>186,219</u>	<u>7,374,634</u>
<u>Accumulated Depreciation</u>				
Land improvements - exhaustible	118,069	11,019	—	129,088
Buildings	1,593,485	137,971	2,724	1,728,732
Fixed equipment - communications	139,804	10,722	19	150,507
Infrastructure	75,841	6,624	—	82,465
Equipment	556,759	75,612	28,067	604,304
Vehicles	19,711	2,270	1,189	20,792
Library materials	147,962	489	—	148,451
Capitalized software	197,958	14,005	—	211,963
Intangible assets	100	—	—	100
Total	<u>2,849,689</u>	<u>258,712</u>	<u>31,999</u>	<u>3,076,402</u>
Capital assets, net	<u>\$ 3,991,593</u>	<u>\$ 460,859</u>	<u>\$ 154,220</u>	<u>\$ 4,298,232</u>

Capital assets as of June 30, 2023 and capital asset activity for the year ended June 30, 2023 are summarized below (in thousands):

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
Land	\$ 105,975	\$ 38,763	\$ 84	\$ 144,654
Land improvements - nonexhaustible	92,792	2,501	—	95,293
Land improvements - exhaustible	153,886	18,424	—	172,310
Buildings	4,128,039	405,342	5,031	4,528,350
Fixed equipment - communications	187,395	5,298	—	192,693
Infrastructure	151,685	8,716	—	160,401
Equipment	729,770	150,958	32,620	848,108
Vehicles	23,693	2,788	1,674	24,807
Library materials	149,785	801	826	149,760
Nondepreciable library materials	8,090	130	—	8,220
Capitalized software	291,899	1,467	—	293,366
Art	16,071	137	—	16,208
Certificate of need	11,609	116	—	11,725
Intangible Assets	100	—	—	100
Construction in progress	131,438	173,745	109,896	195,287
Total	<u>6,182,227</u>	<u>809,186</u>	<u>150,131</u>	<u>6,841,282</u>
<u>Accumulated Depreciation</u>				
Land improvements - exhaustible	108,536	9,617	84	118,069
Buildings	1,473,195	125,321	5,031	1,593,485
Fixed equipment - communications	129,537	10,267	—	139,804
Infrastructure	69,871	5,970	—	75,841
Equipment	522,566	64,484	30,291	556,759
Vehicles	19,027	1,735	1,051	19,711
Library materials	147,249	713	—	147,962
Capitalized software	183,191	14,767	—	197,958
Intangible Assets	80	20	—	100
Total	<u>2,653,252</u>	<u>232,894</u>	<u>36,457</u>	<u>2,849,689</u>
Capital assets, net	<u>\$ 3,528,975</u>	<u>\$ 576,292</u>	<u>\$ 113,674</u>	<u>\$ 3,991,593</u>

At June 30, 2024 and 2023, the University had commitments for capital projects currently underway in which the total budgeted costs were \$2.10 billion and \$1.51 billion, respectively. Of these amounts, \$1.78 billion and \$1.37 billion remained to be incurred, not including RBH, for fiscal years 2024 and 2023, respectively. Such construction was principally financed by cash reserves, gifts and grants, and proceeds from the University's general receipts bonds. Additionally, RBH had capital expenditure commitments of approximately \$118.6 million and \$21.6 million related to construction contracts for fiscal years 2024 and 2023, respectively.

On December 1, 2022, the University obtained \$395.9 million of capital assets, net from the acquisition of RBH.

Lease assets as of June 30, 2024 and 2023, and lease asset activity for the years ended June 30, 2024 and 2023, are summarized below (in thousands):

	2024			
	June 30, 2023	Additions	Deletions	June 30, 2024
Buildings	\$ 57,260	\$ 19,699	\$ 13,470	\$ 63,489
Equipment	41,206	20,853	1,904	60,155
Vehicles	—	—	—	—
Total	<u>98,466</u>	<u>40,552</u>	<u>15,374</u>	<u>123,644</u>
<u>Accumulated Amortization</u>				
Buildings	13,881	12,253	4,246	21,888
Equipment	15,900	12,844	1,903	26,841
Total	<u>29,781</u>	<u>25,097</u>	<u>6,149</u>	<u>48,729</u>
Lease assets, net	<u>\$ 68,685</u>	<u>\$ 15,455</u>	<u>\$ 9,225</u>	<u>\$ 74,915</u>

	2023			
	June 30, 2022	Additions	Deletions	June 30, 2023
Buildings	\$ 28,538	\$ 32,157	\$ 3,435	\$ 57,260
Equipment	24,351	16,976	121	41,206
Vehicles	697	—	697	—
Total	<u>53,586</u>	<u>49,133</u>	<u>4,253</u>	<u>98,466</u>
<u>Accumulated Amortization</u>				
Buildings	5,313	10,471	1,903	13,881
Equipment	2,381	13,640	121	15,900
Total	<u>7,694</u>	<u>24,111</u>	<u>2,024</u>	<u>29,781</u>
Lease assets, net	<u>\$ 45,892</u>	<u>\$ 25,022</u>	<u>\$ 2,229</u>	<u>\$ 68,685</u>

Subscription assets as of June 30, 2024 and subscription asset activity for the year ended June 30, 2024 are summarized below (in thousands):

	June 30, 2023	Additions	Deletions	June 30, 2024
Subscription assets	\$ 40,832	\$ 8,068	\$ 1,840	\$ 47,060
Accumulated amortization	<u>9,135</u>	<u>12,555</u>	<u>1,591</u>	<u>20,099</u>
Subscription assets, net	<u>\$ 31,697</u>	<u>\$ (4,487)</u>	<u>\$ 249</u>	<u>\$ 26,961</u>

Subscription assets as of June 30, 2023 and subscription asset activity for the year ended June 30, 2023 are summarized below (in thousands):

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
Subscription assets	\$ 16,134	\$ 24,698	\$ —	\$ 40,832
Accumulated amortization	<u>—</u>	<u>9,135</u>	<u>—</u>	<u>9,135</u>
Subscription assets, net	<u>\$ 16,134</u>	<u>\$ 15,563</u>	<u>\$ —</u>	<u>\$ 31,697</u>

5. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources as of June 30, 2024 and 2023 are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
OPEB long-term disability	\$ 14,384	\$ 5,742
OPEB retiree health	12,998	15,379
Pension plan	10,289	13,508
Refunding bonds	<u>1,782</u>	<u>2,628</u>
Total	<u>\$ 39,453</u>	<u>\$ 37,257</u>

Deferred outflows of resources from the pension plan are more fully described in note 17. Deferred outflows of resources from OPEB plans are more fully described in notes 18 and 19.

Deferred outflows of resources from refunding bonds represents the difference between the reacquisition price and net carrying amount of refunded debt with the reacquisition price being the amount sent to the escrow agent. This consists of refunding bonds issued between 2014 and 2019. Amortization of the deferred outflows of resources from these refunding bonds was \$846 thousand and \$1.0 million for fiscal years 2024 and 2023, respectively.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2024 and 2023 are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Payable to vendors and contractors	\$ 339,063	\$ 279,698
Accrued expenses, including vacation and sick leave	224,005	215,943
Accrued interest payable	17,640	15,623
Employee withholdings and deposits payable to third parties	<u>87,175</u>	<u>22,450</u>
Total	<u>\$ 667,883</u>	<u>\$ 533,714</u>

7. UNEARNED REVENUE

Unearned revenues as of June 30, 2024 and 2023 and unearned revenue activity for the years ended June 30, 2024 and 2023 are summarized below (in thousands):

	2024					
	June 30, 2023	Additions	Reductions	June 30, 2024	Current Portion	Noncurrent Portion
Unearned summer school revenue	\$ 13,111	\$ 13,972	\$ 13,111	\$ 13,972	\$ 13,972	\$ —
Unearned hospital revenue	52,978	255,170	271,050	37,098	37,098	—
Unearned grants and contracts revenue	47,272	120,526	115,685	52,113	50,238	1,875
Unearned multimedia rights revenue	208,732	15,742	34,908	189,566	19,250	170,316
Athletic ticket sales and contracts	15,538	37,294	34,856	17,976	17,855	121
Other	6,051	40,570	32,592	14,029	13,846	183
Total	<u>\$ 343,682</u>	<u>\$ 483,274</u>	<u>\$ 502,202</u>	<u>\$ 324,754</u>	<u>\$ 152,259</u>	<u>\$ 172,495</u>

	2023					
	June 30, 2022	Additions	Reductions	June 30, 2023	Current Portion	Noncurrent Portion
Unearned summer school revenue	\$ 13,640	\$ 13,111	\$ 13,640	\$ 13,111	\$ 13,111	\$ —
Unearned hospital revenue	37,394	36,613	21,029	52,978	52,978	—
Unearned grants and contracts revenue	42,902	103,795	99,425	47,272	45,259	2,013
Unearned multimedia rights revenue	233,268	18,830	43,366	208,732	19,243	189,489
Athletic ticket sales and contracts	15,117	32,770	32,349	15,538	15,367	171
Other	6,416	26,411	26,776	6,051	5,787	264
Total	<u>\$ 348,737</u>	<u>\$ 231,530</u>	<u>\$ 236,585</u>	<u>\$ 343,682</u>	<u>\$ 151,745</u>	<u>\$ 191,937</u>

A multimedia rights partnership was formed in July 2014 between the University and JMI Sports providing athletics and campus multimedia marketing rights in a 15 year, \$210.0 million agreement. Under the contract, the University will receive a guaranteed rights fee in each of the 15 years of the partnership, that started at \$9.1 million in fiscal year 2015-16 and will increase to \$16.0 million in fiscal year 2029-30. The agreement also included a \$29.4 million signing bonus that was paid over the first two years of the contract. This agreement was modified in April 2016 to increase the signing bonus to \$29.9 million, which was paid over the first three years of the contract. A three-year contract extension of \$51.0 million along with modification to add Rupp Arena media rights of \$67.5 million was signed in July 2018, which increased the total amount to be received to \$329.0 million. A modification in November 2020 extended the contract for an additional year. A modification in June 2022 to provide relief to JMI from the impact of COVID-19 pandemic restriction allowed JMI to reduce the fiscal year 2021-22 guaranteed rights fee payment by \$3.0 million and pay this amount back in equal amounts each year for ten years with interest. A modification in June 2023 allowed JMI to reduce the guaranteed rights fee amount over the life of the contract by \$5.5 million and instead contribute funds for the construction of space in Rupp Arena for a state-of-the-art studio and control rooms to be used by the University. The modifications to the original contract resulted in a total guaranteed rights fee of \$349.6 million to be received through the end of the contract in fiscal year 2033-34.

8. LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2024 and long-term liability activity for the year ended June 30, 2024 are summarized below (in thousands):

	June 30, 2023	Additions	Reductions	June 30, 2024	Current Portion	Noncurrent Portion
<u>Bonds, notes and capital debt</u>						
General receipts bonds	\$ 909,880	\$ 186,250	\$ 47,130	\$ 1,049,000	\$ 65,665	\$ 983,335
Revenue bonds	139,530	—	5,545	133,985	5,830	128,155
Capital financed obligations	43,900	—	3,265	40,635	2,980	37,655
Capital debt obligations	64,915	1,169	6,341	59,743	6,425	53,318
Notes payable	8,692	4,408	2,151	10,949	5,239	5,710
Total	<u>1,166,917</u>	<u>191,827</u>	<u>64,432</u>	<u>1,294,312</u>	<u>86,139</u>	<u>1,208,173</u>
<u>Bonds, notes and capital debt from direct borrowings and direct placements</u>						
General receipts bonds	101,205	—	1,980	99,225	2,040	97,185
Revenue bonds	90,785	—	2,899	87,886	3,109	84,777
Notes payable	15,104	720	710	15,114	974	14,140
Total	<u>207,094</u>	<u>720</u>	<u>5,589</u>	<u>202,225</u>	<u>6,123</u>	<u>196,102</u>
Total bonds, notes and capital debt	<u>1,374,011</u>	<u>192,547</u>	<u>70,021</u>	<u>1,496,537</u>	<u>92,262</u>	<u>1,404,275</u>
<u>Other liabilities</u>						
Annuities payable	2,624	286	460	2,450	318	2,132
Automobile and property self insurance	21	441	319	143	143	—
Compensated absences	5,094	—	529	4,565	823	3,742
Federal loan programs	10,554	718	1,915	9,357	—	9,357
Health insurance	15,728	78,435	76,529	17,634	17,634	—
Insurance executory costs	16,681	—	253	16,428	253	16,175
Medical malpractice	36,095	21,182	27,342	29,935	4,069	25,866
Lease obligations	70,303	40,450	33,427	77,326	23,847	53,479
Subscription obligations	28,153	8,030	14,591	21,592	11,022	10,570
Interest rate swap agreements	5,124	—	1,440	3,684	—	3,684
Unamortized bond premium	36,099	13,857	4,939	45,017	—	45,017
Unemployment compensation	219	703	711	211	211	—
Workers' compensation	15,553	6,419	7,697	14,275	5,801	8,474
Other	47,922	35,995	25,635	58,282	1,154	57,128
Total other liabilities	<u>290,170</u>	<u>206,516</u>	<u>195,787</u>	<u>300,899</u>	<u>65,275</u>	<u>235,624</u>
Total	<u>\$ 1,664,181</u>	<u>\$ 399,063</u>	<u>\$ 265,808</u>	<u>\$ 1,797,436</u>	<u>\$ 157,537</u>	<u>\$ 1,639,899</u>

Long-term liabilities as of June 30, 2023 and long-term liability activity for the year ended June 30, 2023 are summarized below (in thousands):

	June 30, 2022	Additions	Reductions	June 30, 2023	Current Portion	Noncurrent Portion
<u>Bonds, notes and capital debt</u>						
General receipts bonds	\$ 947,115	\$ 90,675	\$ 127,910	\$ 909,880	\$ 47,130	\$ 862,750
Revenue bonds	—	145,245	5,715	139,530	5,545	133,985
Capital financed obligations	47,040	—	3,140	43,900	3,265	40,635
Capital debt obligations	63,113	7,452	5,650	64,915	6,270	58,645
Notes payable	7,738	2,701	1,747	8,692	2,051	6,641
Total	<u>1,065,006</u>	<u>246,073</u>	<u>144,162</u>	<u>1,166,917</u>	<u>64,261</u>	<u>1,102,656</u>
<u>Bonds, notes and capital debt from direct borrowings and direct placements</u>						
General receipts bonds	27,520	75,610	1,925	101,205	1,980	99,225
Revenue bonds	—	92,767	1,982	90,785	2,899	87,886
Notes payable	15,702	—	598	15,104	625	14,479
Total	<u>43,222</u>	<u>168,377</u>	<u>4,505</u>	<u>207,094</u>	<u>5,504</u>	<u>201,590</u>
Total bonds, notes and capital debt	<u>1,108,228</u>	<u>414,450</u>	<u>148,667</u>	<u>1,374,011</u>	<u>69,765</u>	<u>1,304,246</u>
<u>Other liabilities</u>						
Annuities payable	2,760	126	262	2,624	371	2,253
Automobile and property self insurance	56	133	168	21	21	—
Compensated absences	4,758	336	—	5,094	845	4,249
Federal loan programs	13,094	758	3,298	10,554	—	10,554
Health insurance	13,881	69,743	67,896	15,728	15,728	—
Insurance executory costs	16,934	—	253	16,681	253	16,428
Medical malpractice	28,052	31,415	23,372	36,095	5,333	30,762
Lease obligations	43,377	48,030	21,104	70,303	20,460	49,843
Subscription obligations	16,134	24,698	12,679	28,153	11,514	16,639
Interest rate swap agreements	—	8,628	3,504	5,124	—	5,124
Unamortized bond premium	37,429	6,895	8,225	36,099	—	36,099
Unemployment compensation	339	590	710	219	219	—
Workers' compensation	15,963	3,801	4,211	15,553	5,626	9,927
Other	21,436	32,243	5,757	47,922	1,090	46,832
Total other liabilities	<u>214,213</u>	<u>227,396</u>	<u>151,439</u>	<u>290,170</u>	<u>61,460</u>	<u>228,710</u>
Total	<u>\$ 1,322,441</u>	<u>\$ 641,846</u>	<u>\$ 300,106</u>	<u>\$ 1,664,181</u>	<u>\$ 131,225</u>	<u>\$ 1,532,956</u>

In fiscal year 2024, it was determined that General Receipts 2022 Bonds Series A, whose balance at June 30, 2022 was \$27.5 million, were reclassified from general receipts bonds to direct placements. The General Receipts 2022 Bonds Series D additions during fiscal year 2023 were also reclassified from general receipts bonds to direct placements. There was no change to total long-term liabilities.

Annuities payable consists of the present value of future payments due under charitable remainder annuity trusts, charitable remainder unitrusts, lead trusts, irrevocable trusts and charitable gift annuities, discounted at 3.6% to 9.7% and 3.6% to 8.8% for fiscal years 2024 and 2023, respectively.

Bond discounts and premiums are amortized over the life of the bond using the effective interest method.

Bonds payable consists of general receipts bonds in the original amount of \$1.59 billion dated November 24, 2009 through April 1, 2024, which bear interest at 1.0% to 4.4%. The bonds are payable in annual installments through October 1, 2047. The University is required to make semi-annual deposits of varying amounts to the debt service funds held by the trustees. The bonds are secured by the net revenues of the University and the assets restricted under the bond indenture agreements. Other capital debt obligations are due in periodic installments through May 1, 2049 and bear interest at 2.1% to 4.3%. All bonds, except for the

General Receipts 2009 Bonds Series B, General Receipts 2012 Bonds Series A, General Receipts 2017 Bonds Series B, General Receipts 2018 Bonds Series B, General Receipts 2019 Bonds Series A, General Receipts 2020 Bonds Series B, General Receipts 2022 Bonds Series A, General Receipts 2022 Bonds Series C and General Receipts 2024 Bonds Series C, totaling \$1.43 billion, are callable between now and April 2033. The General Receipts 2009 Bonds Series B are callable on any date at the make-whole redemption price.

The indenture agreements require that certain funds be established with the trustee and with the Commonwealth.

On February 27, 2024, approximately \$186.3 million University of Kentucky General Receipts Bonds 2024 Series B and C were issued at a net interest cost of 3.7% and 4.4%, respectively. These bonds were issued for the purpose of funding campus modernization and asset preservation projects.

On April 1, 2024, the University issued \$75.6 million General Receipts 2024 Bonds Series A in exchange for the University's outstanding General Receipts 2022 Bonds Series D, which were issued to refinance the University's General Receipts 2014 Bonds Series A. The exchange was cashless and served as full payment for the outstanding General Receipts 2022 (Taxable) Bonds Series D. Upon issuance the University paid accrued interest on the General Receipts 2022 (Taxable) Bonds Series D using moneys other than proceeds of tax-advantaged obligations, and satisfied the conditions of the bond purchase and forward delivery agreement by and between the University and the holder governing the exchange, the General Receipts 2022 (Taxable) Bonds Series D were fully converted to General Receipts 2024 (Tax-Exempt) Bonds Series A, both issued as direct placement.

On December 1, 2022, the University acquired RBH via member substitution and the University assumed a total debt obligation of \$239.9 million at the time of acquisition. RBH had Revenue Bonds Series 2016 A and B, Revenue Bonds Series 2019 and Revenue Bonds Series 2022. These bonds are secured by a security interest in the gross receipts of RBH and a first lien Mortgage and Security interest in mortgaged property. Payments of bond principal on the Revenue Bonds Series 2019 are also secured by an insurance policy issued by a commercial insurer. These bonds have an original amount of \$261.9 million dated September 23, 2016 through September 22, 2022, which bear interest at 3.0% to 3.9%. The bonds are payable in annual installments through February 1, 2052. All bonds are callable on February 1, 2030, except for the Series 2016 A which is callable on February 1, 2026.

In prior fiscal years, certain general receipts bonds series were issued as Build America Bonds (BAB) as authorized under the American Recovery and Reinvestment Act of 2009 and as Qualified Energy Conservation Bonds (QECCB) as authorized under the Recovery Act and the Hiring Incentive to Restore Employment Act of 2010. The University receives an annual cash subsidy from the U.S. Treasury equal to 35% (BAB) and 80% (QECCB) of the interest payable on the bonds. The subsidy, which was approximately \$1.9 million and \$2.0 million for fiscal years 2024 and 2023, respectively, was included in gifts and non-exchange grants in the Statements of Revenues, Expenses and Changes in Net Position. The subsidy payment is contingent on federal regulations and may be subject to change. On March 1, 2013, President Barack Obama signed an executive order reducing the budgetary authority in accounts subject to sequestration. As a result, the BAB subsidy was reduced to approximately 33% and the QECCB subsidy was reduced to approximately 76% and 75% in fiscal years 2024 and 2023, respectively.

The University's General Receipts 2019 Bonds Series A and B, Certificates of Participation, contain a provision that in an event of default, the trustee shall seek to enforce the pledge of General Receipts to satisfy the payment of base rent then due and payable under the facilities lease. Additionally, the facilities lessor may terminate the lease and the University's right to occupy the project on the 30th day following such event of default. This debt was approximately \$29.7 million and \$30.5 million as of June 30, 2024 and 2023, respectively.

The University's General Receipts 2022 Bonds Series A, General Receipts 2022 Bonds Series D and General Receipts 2024 Bonds Series A are direct placements and secured by a pledge of the University's General

Receipts. This debt was approximately \$99.2 million and \$101.2 million as of June 30, 2024 and 2023, respectively.

KMSF's outstanding notes from direct placements are secured with all assets, tangible and intangible. These outstanding notes contain a provision that in the event of default, the secured party takes possession of these assets up to the amount in default. This debt was approximately \$14.5 million and \$15.1 million as of June 30, 2024 and 2023, respectively.

The RBH Revenue Bonds Series 2016 B and Revenue Bonds Series 2022 are from direct placements, which are secured by a security interest in the gross receipts of RBH and a first lien mortgage and security interest in mortgaged property.

Under the term of the Master Trust Indenture, there are limits on the incurrence of additional borrowing and requirements of certain measures of financial performance to be maintained as long as the bonds are outstanding for the Revenue Bonds Series 2022.

King's Daughters health system has a line of credit with a bank in the amount of \$15.0 million. The borrowings on the line bear interest at the Adjusted Term Secured Overnight Financing Rate (SOFR) per annum (7.40% and 2.96% at June 30, 2024 and 2023, respectively). King's Daughters health system did not have borrowings under the line as of June 30, 2024 or 2023. The line of credit has a maturity date of March 25, 2025.

Principal maturities and interest on bonds, notes and capital debt obligations for the next five fiscal years and in subsequent five-year fiscal periods as of June 30, 2024, are as follows (in thousands):

			Notes and capital financed obligations from direct borrowings and direct placements		Total
	Principal	Interest	Principal	Interest	
2025	\$ 86,139	\$ 53,247	\$ 6,123	\$ 7,204	\$ 152,713
2026	70,115	49,262	6,122	6,980	132,479
2027	73,045	46,163	6,330	6,748	132,286
2028	66,093	43,018	13,787	6,510	129,408
2029	51,870	40,499	15,685	5,992	114,046
2030-2034	300,936	165,963	81,354	21,161	569,414
2035-2039	341,522	100,795	45,334	7,824	495,475
2040-2044	262,267	35,740	9,325	3,493	310,825
2045-2050	42,325	2,630	10,835	1,989	57,779
2050-2052	—	—	7,330	372	7,702
Total	<u>\$ 1,294,312</u>	<u>\$ 537,317</u>	<u>\$ 202,225</u>	<u>\$ 68,273</u>	<u>\$ 2,102,127</u>

The University leases buildings and equipment, the terms of which expire in various years through 2033. The lease liabilities are reported at net present value using the University's incremental borrowing rate unless otherwise noted in the contract term.

Principal and interest on lease obligations for the next five fiscal years and in subsequent five-year fiscal periods as of June 30, 2024, are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 23,847	\$ 2,009	\$ 25,856
2026	20,843	1,337	22,180
2027	13,124	793	13,917
2028	9,095	458	9,553
2029	4,654	256	4,910
2030-2033	5,763	151	5,914
Total	<u>\$ 77,326</u>	<u>\$ 5,004</u>	<u>\$ 82,330</u>

The University leases software subscriptions, the terms of which expire in various years through 2028. The subscription liabilities are reported at net present value using the University's incremental borrowing rate unless otherwise noted in the contract term.

Principal and interest on subscription liabilities for the next four fiscal years as of June 30, 2024, are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 11,022	\$ 553	\$ 11,575
2026	6,871	256	7,127
2027	3,478	78	3,556
2028	221	5	226
Total	<u>\$ 21,592</u>	<u>\$ 892</u>	<u>\$ 22,484</u>

9. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources as of June 30, 2024 and 2023 are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Aramark service concession arrangement	\$ 78,130	\$ 85,709
Barnes and Noble service concession arrangement	1,943	2,267
Forward delivery agreement	1,970	2,464
Greystar service concession arrangement	354,232	359,682
Lessor contracts	4,092	2,665
OPEB long-term disability	8,838	4,836
OPEB retiree health	49,485	59,903
Pension plan	2,486	—
Gain on refunded bonds	2,170	2,412
Trusts and annuities	18,087	16,826
Total	<u>\$ 521,433</u>	<u>\$ 536,764</u>

The University entered into a multi-phase housing project with a third party developer, Greystar (formerly Education Realty Trust), to complete a long-term housing plan. Phase I, signed in April 2012, was for two four-story buildings (601 beds), and opened in August 2013. The project, with a cost of \$25.2 million, is on land owned by the University and leased to Greystar for a 50-year term with options for additional 10-year and 15-year terms thereafter. At the conclusion of the initial 50-year term or the first renewal option, the University will be required to purchase the buildings from Greystar for an appraised value, unless the ground lease is renewed for the first or second optional extension. At the conclusion of the second optional extension, the University is required to purchase the buildings for the greater of current net book value or \$10. Ground lease is a percentage of gross revenues. The University accounts for the ground lease as a finance lease. These facilities are subject to ad valorem tax.

Phase II-A, Phase II-B and Phase II-C, which opened in August 2014, August 2015 and August 2016 respectively, included the development of 10 residence halls at a cost of \$321.3 million. The residence halls are reported as capital assets with a carrying value of \$281.6 million and \$286.0 million at June 30, 2024 and 2023, respectively, and deferred inflows of resources of \$270.0 million and \$274.2 million at June 30, 2024 and 2023, respectively, pursuant to the service concession arrangement.

Phase III-A, which opened in August 2017, included the construction of one residence hall at a cost of \$72.5 million. This 771 bed facility provides apartment style units for upper class, graduate and professional students. Phase III-B, which also opened in August 2017, cost \$36.4 million. This is a 346 bed facility to house undergraduate students and includes space dedicated to the Lewis Honors College. These residence halls are reported as capital assets with a carrying value of \$98.3 million and \$99.8 million at June 30, 2024 and 2023, respectively, and deferred inflows of resources of \$84.2 million and \$85.5 million at June 30, 2024 and 2023, respectively, pursuant to the service concession arrangement.

The 75-year term lease with Greystar includes maintenance standards for the facilities and parameters for the room rental rates for the contract duration. The University will receive a percentage of the total revenues and a share of the net income after Greystar achieves a minimum internal rate of return. Phase II-A through Phase III-B are exempt from ad valorem tax.

In July 2014, the University entered into an approximately \$250.0 million contract with Aramark Enterprise Services, LLC (Aramark), forming a 15-year public/private partnership. In September 2018, this contract was extended 5 years and \$1.3 million was added with price contract modification number 20 and in December 2019 an additional 5 years and \$2.6 million was added with price contract modification number 23. This partnership is transforming dining services offered to students, faculty, staff and the community served. Under the partnership, several new food brands are located on campus. Aramark provides meals covered under the University's student boarding plans and declining balance dollars. The contract allows for dining commissions to be paid to the University with guaranteed minimum amounts for each contract year. Aramark provided \$92.0 million in facilities investments, including \$59.0 million in new facilities. As part of these facilities investments, Aramark constructed a new K Lair Grill at Haggin Hall, made substantial upgrades to the student center food court, constructed "The 90" dining facility for the fall 2015 semester, and expanded the student center's dining and student support spaces in fall 2021. The completed projects are reported as capital assets with a carrying value of \$38.2 million and \$40.5 million at June 30, 2024 and 2023, respectively, and deferred inflows of resources of \$31.9 million and \$34.0 million at June 30, 2024 and 2023, respectively, pursuant to the service concession arrangement. The present value of the guaranteed minimum payments over the remaining 16 years of the contract is reported as a receivable of \$38.2 million and \$43.8 million, and deferred inflows of resources in the amounts of \$46.2 million and \$51.7 million pursuant to the service concession arrangement at June 30, 2024 and 2023, respectively.

In June 2015, the University entered into a contract with Barnes and Noble College Booksellers, LLC (Barnes and Noble) to operate and provide services for the bookstore for 10 years with an additional five year renewal option period. The bookstore is reported as a capital asset with a carrying value of \$2.9 million at June 30, 2024 and 2023, and deferred inflows of resources of \$1.5 million and \$1.8 million at June 30, 2024 and 2023, respectively, pursuant to the service concession arrangement. The present value of the guaranteed minimum payments over the remaining seven years is reported after the contract period as a receivable of

\$228 thousand and \$219 thousand and deferred inflows of resources in the amounts of \$435 thousand and \$508 thousand pursuant to the service concession arrangement as of June 30, 2024 and 2023, respectively.

Deferred inflows for leases receivable is more fully described in note 3. As of June 30, 2024 and 2023, the deferred inflows for leases of University property to various third parties were \$4.1 million and \$2.7 million, respectively, and amortized on a straight line basis according to the contract terms.

As of June 30, 2024 and 2023, the beneficial interests from trusts and annuities that the University will receive in the future years of \$18.1 million and \$16.8 million, respectively, were recorded in deferred inflows of resources.

As of June 30, 2024 and 2023, the deferred inflows for the net difference between expected and actual earnings on OPEB Plan investments and the assumption changes for the retiree health plan were \$49.5 million and \$59.9 million, respectively, and the corresponding amounts for the LTD Plan were \$8.8 million and \$4.8 million, respectively.

As of June 30, 2024 and 2023, the deferred inflows of resources from the gain on refunded bonds was \$2.2 million and \$2.4 million, respectively. This consists of General Receipts 2022 Bonds Series D issued October 24, 2022. Amortization of the deferred inflows of resources from this refunding bond was \$241 thousand and \$161 thousand for fiscal years 2024 and 2023, respectively.

As of June 30, 2024 and 2023, the deferred inflows of resources for the net difference between projected and actual earnings on Pension Plan investments were \$2.5 million and zero for fiscal years 2024 and 2023, respectively.

The University entered into a bond purchase agreement with Morgan Stanley on February 17, 2021, granting Morgan Stanley the option to purchase the General Receipts 2022 Bonds Series A in the future, which refunded General Receipts 2014 Bonds Series B. Upon the closing date on February 23, 2021, the University received \$3.2 million from Morgan Stanley as a forward delivery agreement, representing the net present value savings of the refunding. As of June 30, 2024 and 2023, the deferred inflows for the net present value savings of these refunding bonds was \$2.0 million and \$2.5 million, respectively.

10. COMPONENTS OF RESTRICTED EXPENDABLE NET POSITION

Restricted expendable net position is subject to externally imposed stipulations or conditions that must be followed and cannot be used for support of general operations of the University. As of June 30, 2024 and 2023, restricted expendable net position is composed of the following (in thousands):

	2024	2023
Appreciation on permanent endowments	\$ 393,795	\$ 339,904
Term endowments	18,005	10,603
Quasi-endowments initially funded with restricted assets	283,646	272,150
Funds restricted for capital projects and debt service	651,090	251,332
Funds restricted for noncapital purposes	101,911	123,923
Loan funds (primarily University funds required for federal match)	13,405	12,134
Total	\$ 1,461,852	\$ 1,010,046

11. DESIGNATIONS OF UNRESTRICTED NET POSITION

Unrestricted net position is designated for specific purposes by action of the Board or management or may otherwise be limited by contractual agreements with outside parties. Commitments for the use of unrestricted net position as of June 30, 2024 and 2023 are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Working capital requirements	\$ 92,587	\$ 92,390
Designated for future year fiscal operations	180,415	110,664
Designated for OPEB liability (see notes 18 and 19)	(56,322)	(90,172)
Designated for pension liability (see note 17)	1,252	3,581
Designated for capital projects	98,281	52,507
Designated for renewal and replacement of capital assets	60,147	64,478
UK HealthCare Hospital System	3,426,793	3,145,939
Affiliated corporations and component units	218,005	189,263
Total	<u>\$ 4,021,158</u>	<u>\$ 3,568,650</u>

12. PLEDGED REVENUES

Pledged revenues for the years ended June 30, 2024 and 2023 as defined by the General Receipts Trust Indenture are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Student tuition and fees	\$ 413,235	\$ 387,631
Nongovernmental grants and contracts	1,315	1,075
Recoveries of facilities and administrative costs	96,259	93,470
Sales and services	87,561	84,156
Hospital services	3,296,853	3,143,419
Auxiliary enterprises - housing and dining	36,779	36,733
Auxiliary enterprises - athletics	133,494	127,931
Auxiliary enterprises - other	55,869	53,787
Other operating revenue	864	1,157
State appropriations	319,669	319,235
Gifts and grants	3,700	3,168
Investment income	128,378	72,689
Total	<u>\$ 4,573,976</u>	<u>\$ 4,324,451</u>

The University has substantially pledged all of the unrestricted operating and nonoperating revenues to repay the general receipts bonds and capital debt obligations issued from 2009 to 2024. Proceeds from the bonds and capital debt obligations provided funding for new construction, major renovations, facility leases and for the refunding of bonds and notes issued over the years. These debts are payable from unrestricted revenues, operating and nonoperating, and are payable through fiscal year 2049. Annual principal and interest payments on bonds are expected to require approximately three percent of pledged revenue. The total principal and interest remaining to be paid on the bonds is approximately \$1.68 billion and \$1.48 billion at June 30, 2024 and 2023, respectively. Principal and interest paid for fiscal years 2024 and 2023 was \$92.0 million and \$97.9 million, respectively.

13. INVESTMENT INCOME

Components of investment income for the years ended June 30, 2024 and 2023 are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Interest and dividends earned on endowment investments	\$ 28,902	\$ 23,927
Realized and unrealized gains on endowment investments	134,322	111,334
Interest and dividends on cash and non-endowment investments	122,447	60,614
Realized and unrealized gains on non-endowment investments	50,133	23,437
Investment income from external trusts	<u>2,588</u>	<u>2,723</u>
Total	<u>\$ 338,392</u>	<u>\$ 222,035</u>

14. FUNDS HELD IN TRUST BY OTHERS

The University is the income beneficiary of various perpetual trusts that are held and controlled by external trustees. For the years ended June 30, 2024 and 2023, the University received income from these trusts of approximately \$2.2 million and \$2.3 million, respectively. The market value of the perpetual external trust assets as of June 30, 2024 and 2023 was approximately \$50.5 million and \$46.5 million, respectively. As the University does not have ownership of the trust assets held by external trustees, the trusts are recorded at a nominal value of \$1 each.

The University is the residual principal and income beneficiary of various irrevocable trusts that are held and controlled by external trustees. For the years ended June 30, 2024 and 2023, the University received income from these trusts of approximately \$407 thousand and \$423 thousand, respectively. The market value of the irrevocable external trust assets as of June 30, 2024 and 2023 was approximately \$15.8 million and \$14.3 million, respectively, and is included in endowment investments.

Effective January 1, 2016, the University became the administrator of five trusts that were previously held and controlled by external trustees. For the years ended June 30, 2024 and 2023, the University received income from these self-administered trusts of approximately \$93 thousand and \$101 thousand, respectively. The market value of the self-administered trusts as of June 30, 2024 and 2023 was approximately \$2.0 million and \$1.9 million, respectively, and is included in endowment investments.

15. GRANTS AND CONTRACTS AWARDED

At June 30, 2024 and 2023, grants and contracts of approximately \$336.9 million and \$391.3 million, respectively, have been awarded to the University but not expended. These amounts will be recognized in future periods.

16. RETIREMENT PLANS

Regular full-time employees, including faculty, are participants in the University of Kentucky Retirement Plan (Plan), a defined contribution plan. The Plan consists of five groups as follows:

Group I	Established July 1, 1964, for faculty and certain administrative officials.
Group II	Established July 1, 1971, for staff members in the clerical, technical and service categories.
Group III	Established July 1, 1972, for staff members in the managerial, professional and scientific categories.

Group IV	Established January 1, 1973, for staff members having U.S. Civil Service retirement entitlement.
Group V	Established July 1, 1987, for staff members covered under the Federal Employees Retirement System that replaced Civil Service (those whose employment began during the period from January 1, 1984 to March 31, 1987). Staff members whose employment began after March 31, 1987 are under one of the above University of Kentucky Retirement Plans.

Participation in the Plan is mandatory for all regular full-time employees in groups I, II and III who are age 30 or older. Participation is voluntary for regular full-time employees under the age of 30 and for those employees in groups IV and V. Participants in groups I, II, III and IV contribute five percent and the University contributes 10% of the participant's eligible compensation to the retirement plan. Participants in group V contribute one percent and the University contributes two percent of the participant's eligible compensation to the retirement plan.

The University has authorized two retirement plan carriers as follows:

- Teachers Insurance and Annuity Association
- Fidelity Investments Institutional Services Company

Under the fully funded Plan, the University and Plan participants make contributions to provide retirement benefits to employees in individually owned contracts. All payments are vested immediately for employees hired prior to January 1, 2010. For employees hired after January 1, 2010, employer contributions are vested after three years. The University's contributions and costs for fiscal years 2024 and 2023 was approximately \$182.0 million and \$165.0 million, respectively. Employees contributed approximately \$91.2 million in fiscal year 2024 and \$82.8 million in fiscal year 2023. The University's total payroll costs were approximately \$2.26 billion and \$2.12 billion for the years ended June 30, 2024 and 2023, respectively. The payroll for employees covered by the retirement plan was approximately \$2.23 billion and \$2.10 billion for the years ended June 30, 2024 and 2023, respectively.

Regular full-time KMSF employees become eligible to participate in a defined contribution plan on the employee's regular full-time hire date coinciding with or following attainment of age 20 ½. KMSF contributes 10% of the employee's earnings and employee contributions are optional. Participants become vested after one year of service. KMSF employees were moved to the University on August 1, 2023. KMSF contributions for fiscal years 2024 and 2023 were approximately \$115 thousand and \$1.1 million, respectively. The total payroll costs for employees covered by the defined contribution plan were approximately \$1.2 million and \$10.4 million for the years ended June 30, 2024 and 2023, respectively.

The King's Daughters Medical Center's Base Contribution Plan and RBH Matching Contribution Plan were established to cover substantially all employees employed subsequent to December 31, 1992, (except for collectively bargained employees at that time) who qualify as to age and length of service and those employees who were participants in the defined benefit plan and qualify as to length of service, but as of January 1, 2011 elected to become a limited participant in the defined benefit plan and an active participant in the defined contribution plans. Effective January 1, 2011, employees subject to collective bargaining may participate in the Base and Matching Plans. The contributions are three percent of the participants' compensation for the Base Plan and 50% of eligible participant contributions up to three percent of the employee's contribution for the Matching Plan, unless such contributions are suspended or terminated. King's Daughters health system contributions were approximately \$12.3 million to the Plans for fiscal year 2024 and approximately \$9.8 million for the period from December 1, 2022, through the fiscal year ended June 30, 2023.

17. PENSION PLAN

On December 1, 2022, the University acquired RBH through member substitution and assumed the obligation of the King's Daughters Medical Center retirement plan (Pension Plan or Plan).

RBH contributes to the King's Daughters Medical Center retirement plan, a single-employer plan covering substantially all employees employed January 1, 2011 and prior. The Pension Plan is administered by the governing board of RBH. Benefit provisions are contained in the plan document and were established and can be amended by action of RBH's governing body. The Pension Plan issues publicly available financial statements and required disclosures through December 31, 2023 which can be obtained at www.efast.dol.gov/5500Search/.

The Pension Plan provides retirement and death benefits to plan members and their beneficiaries. Normal retirement benefits for participants 65 years or older are calculated as a monthly benefit equal to the greater of 0.75% of the first \$650 of their average monthly earnings plus 1.25% of the excess of their average monthly earnings over \$650, all multiplied by years of credited service, to a maximum of 35 years plus 1.25% of average monthly earnings times credited service in excess of 35 years. Earnings used in the benefit formula cannot exceed \$230 thousand indexed as provided by law or a dollar amount multiplied by years of credited service. Early retirement benefits for participants 55 or older and 10 years of service are calculated as the normal retirement benefit reduced by 1/300th for each month by the which the commencement date of benefits precedes the normal retirement date. Late retirement benefits for participants that are employed beyond age 70 ½ are calculated as the greater of earnings and credited service as of the actual retirement date or the normal retirement benefit increased actuarially to their late retirement date. Death benefits are equal to 50% of the participant's accrued benefits. If a participant has attained age 55 and completed 10 years of service, the death benefit payable to their spouse is equal to one half of the benefit payable if the participant had elected to retire the day they died and chosen the joint and one-half to spouse form of payment. If a participant dies prior to attaining age 55 but after completing five years of service, his/her spouse (if any) is entitled to a benefit commencing at the time the participant could have retired, if still living, and equal to 50% of the qualified joint and 50% survivor benefit payable at retirement.

Effective January 1, 2011, a plan amendment was approved to freeze the benefit accruals in the plan. New employees since the amendment date have not been eligible to participate.

For Plan reporting purposes, GASB Statement No. 67, *Financial Reporting for Pension Plans*, measures net pension liability as of December 31, 2023 for the year ended June 30, 2024. For employer reporting purposes, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, measures net pension liability as of December 31, 2023 for the year ended June 30, 2024. The following note disclosure is presented in order to comply with GASB Statement No. 67 and GASB Statement No. 68.

The net pension liability was measured as of December 31, 2023 and 2022 for fiscal year ended June 30, 2024 and the period from December 1, 2022 to June 30, 2023, respectively. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 1, 2023 and rolled forward to December 31, 2023 using the following actuarial assumptions as of December 31, 2023. The total pension liability used to calculate the net pension liability at December 31, 2022 was determined using an actuarial valuation as of January 1, 2021 and rolled to December 31, 2022 using the following actuarial assumptions as of December 31, 2022:

Inflation	N/A
Salary increases	N/A
Investment rate of return	5.25% net of pension plan investment expense

Mortality rates were based on the Pri-2012 employee and retiree tables, no collar and Pri-2012 contingent survivor mortality table for surviving beneficiaries of deceased participants. All tables include generational projections based on SOA Scale Mortality Projection-2021.

The actuarial assumptions used in the June 30, 2024 and 2023 valuations were based on the results of an actuarial experience study for the periods January 1, 2023 through December 31, 2023 and January 1, 2022 through December 31, 2022, respectively. The members covered by the Plan at December 31, 2023 and 2022 are as follows:

	2024	2023
Inactive members or beneficiaries currently receiving benefits	668	629
Inactive members entitled to but not yet receiving benefits	280	311
Active plan members	290	335
Total plan members	<u>1,238</u>	<u>1,275</u>

The Plan legally invests in direct obligations and other obligations guaranteed as to principal by the U.S. Treasury, U.S. agencies and instrumentalities, bank repurchase agreements, corporate bonds, equity securities, money market mutual funds, mutual funds and collective investment funds.

The fair value of deposits and investments, by Statement of Fiduciary Net Position classification, at June 30, 2024 and 2023 are as follows (in thousands):

	2024	2023
<u>Statement of Fiduciary Net Position classification</u>		
Cash and cash equivalents	\$ 2,243	\$ 1,147
Investments	54,151	52,502
Total deposits and investments	<u>\$ 56,394</u>	<u>\$ 53,649</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. See note 2 for a description of the framework used to measure fair value.

The University categorizes its fair value measurements within the fair value hierarchy. Certain investments are measured at amortized costs or historical costs and therefore have not been classified in the fair value hierarchy. These investments have been included in the table below to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Fiduciary Net Position.

The Pension Plan has the following valuation measurements, by type, at June 30, 2024 (in thousands):

	Total value	Fair Value Measurement Using			
		Quoted prices in active markets for identical assets (Level 1)	Total measured at fair value	Net asset value (NAV)	Amortized or historical cost
Cash and cash equivalents	\$ 2,243	\$ —	\$ —	\$ —	\$ 2,243
Diversifying strategies	2,354	—	—	2,354	—
Global equity - international	7,153	—	—	7,153	—
Global equity - U.S.	12,619	—	—	12,619	—
Global fixed income - public fixed income	28,481	28,481	28,481	—	—
Real assets - private	1,748	—	—	1,748	—
Real assets - public	1,796	—	—	1,796	—
Total deposits and investments	<u>\$ 56,394</u>	<u>\$ 28,481</u>	<u>\$ 28,481</u>	<u>\$ 25,670</u>	<u>\$ 2,243</u>

The Pension Plan has the following valuation measurements, by type, at June 30, 2023 (in thousands):

	<u>Fair Value Measurement Using</u>				
	Total value	Quoted prices in active markets for identical assets (Level 1)	Total measured at fair value	Net asset value (NAV)	Amortized or historical cost
Cash and cash equivalents	\$ 1,147	\$ —	\$ —	\$ —	\$ 1,147
Diversifying strategies	2,268	—	—	2,268	—
Global equity - international	6,569	—	—	6,569	—
Global equity - U.S.	9,854	—	—	9,854	—
Global fixed income - public fixed income	30,143	30,143	30,143	—	—
Real assets - private	1,960	—	—	1,960	—
Real assets - public	1,708	—	—	1,708	—
Total deposits and investments	<u>\$ 53,649</u>	<u>\$ 30,143</u>	<u>\$ 30,143</u>	<u>\$ 22,359</u>	<u>\$ 1,147</u>

The pension trust investments are exposed to various risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could affect the investment amounts in the Statements of Fiduciary Net Position.

The trustee of the pension trust diversifies the investments to minimize the risk of losses due to credit risk, interest rate risk, currency and other risks, as appropriate, based on market conditions. At June 30, 2024 and 2023, the pension trust had no underlying investments in any one issuer which represented more than five percent of total investments, other than U.S. Treasury and agency obligations, as a way to limit concentration of credit risks. See note 2 for a description of credit, interest rate, foreign currency and concentration of credit risks.

For the years ended June 30, 2024 and 2023, the annual money-weighted rate of return on the Plan investments, net of Plan investment expense, was 11.3% and (19.2%), respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term expected rate of return on pension plan investments was determined using a building-block approach considering the Plan's long-term inflation assumption of 2.5%, the Plan's target asset allocation, long-term real rate of return for each asset class and net of assumed investment expenses.

The target allocation and real rate of return for both the University and Plan for each major asset class as of June 30, 2024 is summarized in the following tables:

Asset Class	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed income	55%	3.4%
Global equity	32%	5.3%
Hedged equity	5%	2.5%
Inflation sensitive assets	8%	3.4%
Total	<u>100%</u>	

The target allocation and real rate of return for both the University and Plan for each major asset class as of June 30, 2023 is summarized in the following tables:

Asset Class	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed income	55%	3.0%
Global equity	32%	5.9%
Hedged equity	5%	2.4%
Inflation sensitive assets	8%	2.1%
Total	<u>100%</u>	

The discount rate is based on the expected rate of return on pension plan investments (net of investment expenses) of 5.25% for the years ended June 30, 2024 and 2023 and a municipal bond rate of 3.26% and 3.72% for the year ended June 30, 2024 and the period from December 1, 2022 to June 30, 2023, respectively. Considering the Plan's contribution history in the most recent five years, as well as management's judgment that as a non-ERISA Plan, the Plan will formulate a contribution policy to target full funding, the pension plan's fiduciary net position and future contributions are projected to be sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

RBH's governing body has the authority to establish and amend the contribution requirements and definition of active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The University is required to contribute the actuarially determined rate. The employees may not make contributions to the Plan. For fiscal year 2024 and the period from December 1, 2022 to June 30, 2023, the University's contribution was \$1.7 million and zero, respectively.

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the University and Plan at June 30, 2024 are as follows (in thousands):

	<u>Increase (decrease)</u>		
	<u>Total Pension liability (asset)</u>	<u>Plan fiduciary net position</u>	<u>Net Pension liability (asset)</u>
Balance, beginning of period 7/1/2023 (based on 12/31/2022 measurement date)	\$ 63,688	\$ 53,761	\$ 9,927
Change recognized for the fiscal year:			
Interest	3,228	—	3,228
Difference between expected and actual experience	516	—	516
Contributions from the employer	—	1,655	(1,655)
Net investment income	—	5,812	(5,812)
Benefit payments	(4,391)	(4,391)	—
Administrative expense	—	(347)	347
Net changes	<u>(647)</u>	<u>2,729</u>	<u>(3,376)</u>
Balance recognized at 6/30/2024 (based on 12/31/2023 measurement date)	<u>\$ 63,041</u>	<u>\$ 56,490</u>	<u>\$ 6,551</u>

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the University and Plan at June 30, 2023 are as follows (in thousands):

	Increase (decrease)		
	Total Pension liability (asset)	Plan fiduciary net position	Net Pension liability (asset)
Balance, beginning of period 12/1/2022 (based on 12/31/2021 measurement date)	\$ 64,721	\$ 71,262	\$ (6,541)
Change recognized for the fiscal year:			
Interest	3,285	—	3,285
Difference between expected and actual experience	—	—	—
Contributions from the employer	—	1,015	(1,015)
Net investment income	—	(13,255)	13,255
Benefit payments	(4,318)	(4,318)	—
Administrative expense	—	(943)	943
Net changes	<u>(1,033)</u>	<u>(17,501)</u>	<u>16,468</u>
Balance recognized at 6/30/2023 (based on 12/31/2022 measurement date)	<u>\$ 63,688</u>	<u>\$ 53,761</u>	<u>\$ 9,927</u>

The net pension liability of the Plan has been calculated using a discount rate of 5.25% for the years ended June 30, 2024 and 2023. The following presents the 2024 and 2023 net pension liability, as well as what the University's net pension liability would be if it was calculated using a discount rate that is one-percentage-point lower (4.25%) or one-percentage-point higher (6.25%) than the current discount rate (in thousands):

	2024		
	1% Decrease (4.25%)	Current Rate (5.25%)	1% Increase (6.25%)
Total pension liability	\$ 69,324	\$ 63,041	\$ 57,720
Plan fiduciary net position	(56,490)	(56,490)	(56,490)
Net pension liability	<u>\$ 12,834</u>	<u>\$ 6,551</u>	<u>\$ 1,230</u>
	2023		
	1% Decrease (4.25%)	Current Rate (5.25%)	1% Increase (6.25%)
Total pension liability	\$ 70,196	\$ 63,688	\$ 58,194
Plan fiduciary net position	(53,761)	(53,761)	(53,761)
Net pension liability	<u>\$ 16,435</u>	<u>\$ 9,927</u>	<u>\$ 4,433</u>

The University recorded pension expense of \$4.0 million for fiscal year 2024 and the period from December 1, 2022 to June 30, 2023 for each period of the Plan. At June 30, 2024 and 2023, the University reported deferred outflows of resources and/or deferred inflows of resources related to pension (in thousands) from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 158	\$ —
Net difference between expected and actual earnings on Pension Plan investment	10,131	(2,486)
Total	<u>\$ 10,289</u>	<u>\$ (2,486)</u>

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ —	\$ —
Net difference between expected and actual earnings on Pension Plan investment	13,508	—
Total	<u>\$ 13,508</u>	<u>\$ —</u>

Deferred outflows of resources as of June 30, 2024 related to pensions will be recognized in pension expense as follows:

2025	2,913
2026	2,756
2027	2,755
2028	(621)
	<u>\$ 7,803</u>

18. UNIVERSITY OF KENTUCKY OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN TRUST

The University's OPEB Plan is administered through the University's OPEB trust fund as an irrevocable trust. The single-employer defined benefit OPEB Plan provides medical and prescription drug benefits. The trust is a separate legal entity and is governed by the University's Board.

The Plan provides lifetime health care insurance benefits for eligible retirees and their surviving spouses. Employees are eligible for the University retiree health benefits upon retirement after (a) completing 15 years of continuous service and (b) age plus years of service equal at least 75 years ("rule of 75"). Employees hired on or after January 1, 2006 are eligible to participate in the retiree health care plan on an "access only" basis upon retirement, but they must pay 100% of the cost of the selected plan. Employees hired prior to January 1, 2006 are eligible for the University subsidy based on their hire date and surviving spouses receive one-half of the health credit their spouse was entitled to if they were covered by the health plan at the time of the retiree's death. No health credit is provided to a spouse of a living retiree. The University's Human Resources' policies and procedures define retiree health benefits and can be amended by the president of the

University as delegated by the Board. Employees who were hired before August 1, 1965 are also eligible for \$5,000 of life insurance coverage upon retirement.

The OPEB Plan's trust activity is reported in the University's Statements of Fiduciary Net Position, Statements of Changes in Fiduciary Net Position and Required Supplementary Information.

For Plan reporting purposes, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, measures net OPEB liability as of June 30, 2024 for fiscal year 2024. For employer reporting purposes, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, measures net OPEB liability as of July 1, 2023 for fiscal year 2024. The following note disclosure is presented in order to comply with GASB Statement No. 75 and GASB Statement No. 74.

The OPEB liabilities measured as of July 1, 2023 and June 30, 2024 were based upon the plan members as of January 1, 2023:

Inactive members receiving benefits	3,500
Inactive members entitled to but not yet receiving benefits	495
Active plan members	<u>3,700</u>
Total plan members	<u><u>7,695</u></u>

The contribution requirements of plan members and the University are established and may be amended by the president of the University. For employees hired before January 1, 2006, the University provides a pre-65 credit of up to 90% of the "true retiree" cost of the least expensive pre-65 medical plan. For post-65 benefits, the University provides a credit equal to 90% of the "true retiree" cost of the post-65 medical plan. For fiscal years 2024 and 2023, the University contributed \$9.1 million each year of the plan. Plan members receiving benefits contributed 50.9% and 47.9% of the premium costs for fiscal years 2024 and 2023, respectively, an average for combined single and family coverage. In fiscal years 2024 and 2023, total member contributions were approximately \$4.6 million and \$4.4 million, respectively.

The University's employer net OPEB liability of \$17.7 million and \$42.5 million were measured as of July 1, 2023 and 2022 for the fiscal years ended June 30, 2024 and 2023. The University's Plan net OPEB liability of \$10.1 million and \$17.7 million were measured as of June 30, 2024 and 2023 for the fiscal years ended June 30, 2024 and 2023, respectively. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of the measurement date.

The total OPEB liabilities measured as of July 1, 2023 and June 30, 2024 were determined using the following actuarial assumptions applied to all periods included in the measurement:

Health care trend rate	For employer reporting: Post-65 Medical rate is 5.0% for 2023 decreasing to an ultimate rate of 4.5% in 2032. Post-65 RX 5.0% initial rate for 2023 decreasing to an ultimate rate of 4.5% in 2032; Pre-65 7.8% initial rate for 2023 decreasing to an ultimate rate of 4.5% in 2032. For Plan reporting: Post-65 Medical rate is 12.75% for 2024 decreasing to an ultimate rate of 4.5% in 2032. Post-65 RX 12.75% initial rate for 2024 decreasing to an ultimate rate of 4.5% in 2032; Pre-65 7.48% initial rate for 2024 decreasing to an ultimate rate of 4.5% in 2032.
Salary scale	Three percent per year.
Retirement rates	Faculty from 0.00 to 1.00 from age 50 to 85; staff from 0.03 to 1.00 from age 50 to 85.

Discount rate and investment rate of return	7.5% based on the University's funding policy and the expected long-term return on the separate trust assets that will be used to finance the payment of plan benefits. The University has stated a funding policy to contribute an amount to the segregated and protected trust fund, such that the assets available will always be sufficient to cover the expected benefit payments.
Mortality	For July 1, 2023, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2021 for the employer. For June 30, 2024, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2021 for the Plan.
Disability	Gender and age-related disability incidence rates based on 1987 GLTD (six-month elimination period).
Plan participation	80% elect coverage.
Dependent coverage	80% of active employees are assumed to be married at their retirement. 60% of those married retirees are assumed to have spousal coverage in effect upon death. Female spouses of male retirees are assumed to be three years younger than their husbands. Male spouses of female retirees are assumed to be three years older than their wives.
Change in benefit terms	Postretirement medical benefits for Medicare eligible retirees was updated from a self-insured retiree Medical Carveout program with a deductible that is tied to the Medicare Part B deductible to a fully-insured Medicare Advantage plan effective 1/1/2019.

The actuarial assumptions used as of July 1, 2023 and June 30, 2024 were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2014.

The components of the employer's net OPEB liability of the University measured at July 1, 2023 and 2022 for fiscal years 2024 and 2023 are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Total OPEB liability	\$ 257,031	\$ 266,213
Less: Plan fiduciary net position	<u>(239,361)</u>	<u>(223,732)</u>
Total net OPEB liability	<u>\$ 17,670</u>	<u>\$ 42,481</u>
Plan fiduciary net position as percentage of the total OPEB liability	93.1%	84.0%

The components of the Plan's net OPEB liability of the University measured at June 30, 2024 and 2023 for fiscal years 2024 and 2023 are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Total OPEB liability	\$ 268,233	\$ 257,031
Less: Plan fiduciary net position	<u>(258,166)</u>	<u>(239,361)</u>
Total net OPEB liability	<u>\$ 10,067</u>	<u>\$ 17,670</u>
Plan fiduciary net position as a percentage of the total OPEB liability	96.2%	93.1%

The OPEB Plan 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 OPEB funds.

The fair value of deposits and investments, by Statement of Fiduciary Net Position classification, at June 30, 2024 and 2023 are as follows (in thousands):

	2024	2023
<u>Statement of Fiduciary Net Position classification</u>		
Cash and cash equivalents	\$ 8,180	\$ 6,894
Investments	249,986	232,467
Total deposits and investments	<u>\$ 258,166</u>	<u>\$ 239,361</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. See note 2 for a description of the framework used to measure fair value.

The University categorizes its fair value measurements within the fair value hierarchy. Certain investments are measured at fair value using amortized costs or historical costs and therefore have not been classified in the fair value hierarchy. These investments have been included in the table below to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Fiduciary Net Position.

The OPEB Plan has the following valuation measurements, by type, at June 30, 2024 and 2023 (in thousands):

	2024						
	Total value	Fair Value Measurement Using			Total measured at fair value	Net asset value (NAV)	Amortized or historical cost
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)			
Cash and cash equivalents	\$ 8,810	\$ —	\$ —	\$ —	\$ —	\$ 8,810	
Diversifying strategies	31,449	—	—	—	—	31,449	
Global equity - international	40,149	26,280	—	—	26,280	13,869	
Global equity - private	51,975	—	—	—	—	51,975	
Global equity - U.S.	63,649	6,773	—	—	6,773	56,876	
Global fixed income - public fixed income	22,079	11,778	8,376	—	20,154	1,925	
Global fixed income - private credit	8,586	—	—	—	—	8,586	
Real assets - private	28,182	—	—	3,732	3,732	24,450	
Real assets - public	3,287	25	—	—	25	3,262	
Total deposits and investments	<u>\$ 258,166</u>	<u>\$ 44,856</u>	<u>\$ 8,376</u>	<u>\$ 3,732</u>	<u>\$ 56,964</u>	<u>\$ 192,392</u>	

	2023						
	Total value	Fair Value Measurement Using			Total measured at fair value	Net asset value (NAV)	Amortized or historical cost
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)			
Cash and cash equivalents	\$ 7,492	\$ —	\$ —	\$ —	\$ —	\$ 7,492	
Diversifying strategies	29,689	—	—	—	—	29,689	
Global equity - international	38,703	25,283	—	—	25,283	13,420	
Global equity - private	47,828	—	—	—	—	47,828	
Global equity - U.S.	55,701	5,598	—	—	5,598	50,103	
Global fixed income - public fixed income	18,466	8,539	7,977	—	16,516	1,950	
Global fixed income - private credit	8,849	—	—	—	—	8,849	
Real assets - private	28,754	—	—	4,610	4,610	24,144	
Real assets - public	3,879	761	—	—	761	3,118	
Total deposits and investments	<u>\$ 239,361</u>	<u>\$ 40,181</u>	<u>\$ 7,977</u>	<u>\$ 4,610</u>	<u>\$ 52,768</u>	<u>\$ 179,101</u>	

Cash and cash equivalents on deposit with the University are managed within guidelines established by the University's Operating Fund Investment Policy, as approved by the Investment Committee of the University's Board of Trustees and maintained by the Operating Fund Investment Committee. All other OPEB trust investments are managed within guidelines established by the University's Endowment Investment Policy, as approved by the Investment Committee of the University's Board of Trustees, which governs the University's pooled endowment fund.

OPEB deposits and investments are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could affect the investment amounts in the Statements of Fiduciary Net Position.

Endowment managers are permitted to use derivative instruments to limit credit risk, interest rate risk and foreign currency risk. See note 2 for more information regarding the policies in place to mitigate these and other risks.

The following reflects the approved asset allocation for both the employer and Plan as of June 30, 2024 and 2023.

Asset Category	Target Allocation	
	2024	2023
Diversifying strategies	12%	12%
Global equity	64%	64%
Global fixed income	12%	12%
Real assets	12%	12%

For the years ended June 30, 2024 and 2023, the annual money-weighted rate of return on the OPEB Plan investments, net of OPEB Plan investment expense, was 9.0% and 7.9%, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB Plan investments was determined using efficient frontier modeling software for Monte Carlo simulations that analyze risk, return and the probability of meeting return objectives over multi-year periods. The modeling, which incorporates forward-looking return forecasts as well as historical risk and correlation data, identifies portfolios with the highest expected return at each level of risk.

The following reflects the expected rates of return for the employer, presented as geometric means, by asset allocation as of July 1, 2023 and 2022:

Asset Category	Long-term Expected Real Rate of Return	
	2024	2023
Diversifying strategies	4.5%	4.4%
Global equity	7.1%	6.8%
Global fixed income	3.2%	3.1%
Real assets	5.8%	4.8%

The following reflects the expected rates of return for the Plan, presented as geometric means, by asset allocation as of June 30, 2024 and 2023:

Asset Category	Long-term Expected Real Rate of Return	
	2024	2023
Diversifying strategies	4.5%	4.5%
Global equity	7.0%	7.1%
Global fixed income	3.6%	3.2%
Real assets	5.8%	5.8%

The discount rate used to measure the total OPEB liability for the employer and Plan was 7.5% for the year ended June 30, 2024, which was the same from the July 1, 2023 measurement date. The projection of cash flows used to determine the discount rate assumed that University contributions will be made at rates equal to actuarially determined contributions. Based on those assumptions, the OPEB Plan fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments of 7.5% was applied to all periods of projected benefit payments to determine the total OPEB liability.

The components of the employer net OPEB liability of the University at June 30, 2024 are as follows (in thousands):

	Increase (decrease)		
	Total OPEB liability (asset)	Plan fiduciary net position	Net OPEB liability (asset)
Balance recognized at 7/1/2023 (based on 7/1/2022 measurement date)	\$ 266,213	\$ 223,732	\$ 42,481
Change recognized for the fiscal year:			
Service cost	2,036	—	2,036
Interest on the total OPEB liability	19,784	—	19,784
Differences between expected and actual experience	(6,961)	—	(6,961)
Changes of assumptions	(14,963)	—	(14,963)
Benefit payments	(9,078)	(9,078)	—
Contributions from the employer	—	9,086	(9,086)
Net investment income	—	17,687	(17,687)
Administrative expense	—	(2,066)	2,066
Net changes	(9,182)	15,629	(24,811)
Balance recognized at 6/30/2024 (based on 7/1/2023 measurement date)	<u>\$ 257,031</u>	<u>\$ 239,361</u>	<u>\$ 17,670</u>

The components of the employer net OPEB liability of the University at June 30, 2023 are as follows (in thousands):

	Increase (decrease)		
	Total OPEB liability (asset)	Plan fiduciary net position	Net OPEB liability (asset)
Balance recognized at 7/1/2022 (based on 7/1/2021 measurement date)	\$ 254,841	\$ 239,967	\$ 14,874
Change recognized for the fiscal year:			
Service cost	1,973	—	1,973
Interest on the total OPEB liability	18,924	—	18,924
Differences between expected and actual experience	(1,187)	—	(1,187)
Changes of assumptions	798	—	798
Benefit payments	(9,136)	(9,136)	—
Contributions from the employer	—	9,143	(9,143)
Net investment income	—	(14,090)	14,090
Administrative expense	—	(2,152)	2,152
Net changes	<u>11,372</u>	<u>(16,235)</u>	<u>27,607</u>
Balance recognized at 6/30/2023 (based on 7/1/2022 measurement date)	<u>\$ 266,213</u>	<u>\$ 223,732</u>	<u>\$ 42,481</u>

The following presents the employer's fiscal year 2024 and 2023 net OPEB liability of the University, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5%) or one-percentage-point higher (8.5%) than the current discount rate (in thousands):

	2024		
	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
Total OPEB liability	\$ 290,990	\$ 257,031	\$ 228,789
Plan fiduciary net position	(239,361)	(239,361)	(239,361)
Net OPEB liability (asset)	<u>\$ 51,629</u>	<u>\$ 17,670</u>	<u>\$ (10,572)</u>
	2023		
	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
Total OPEB liability	\$ 301,335	\$ 266,213	\$ 237,715
Plan fiduciary net position	(223,732)	(223,732)	(223,732)
Net OPEB liability	<u>\$ 77,603</u>	<u>\$ 42,481</u>	<u>\$ 13,983</u>

The following presents what the employer's fiscal year 2024 and 2023 net OPEB liability would be if it were calculated using the health care cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current health care cost trend rate (in thousands):

	2024		
	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 226,913	\$ 257,031	\$ 293,262
Plan fiduciary net position	<u>(239,361)</u>	<u>(239,361)</u>	<u>(239,361)</u>
Net OPEB liability (asset)	<u>\$ (12,448)</u>	<u>\$ 17,670</u>	<u>\$ 53,901</u>

	2023		
	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 233,394	\$ 266,213	\$ 306,796
Plan fiduciary net position	<u>(223,732)</u>	<u>(223,732)</u>	<u>(223,732)</u>
Net OPEB liability	<u>\$ 9,662</u>	<u>\$ 42,481</u>	<u>\$ 83,064</u>

The following presents the Plan's fiscal year 2024 and 2023 net OPEB liability of the University, as well as what the University's Plan net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5%) or one-percentage-point higher (8.5%) than the current discount rate (in thousands):

	2024		
	<u>1% Decrease (6.5%)</u>	<u>Current Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Total OPEB liability	\$ 302,452	\$ 268,233	\$ 239,689
Plan fiduciary net position	<u>(258,166)</u>	<u>(258,166)</u>	<u>(258,166)</u>
Net OPEB liability (asset)	<u>\$ 44,286</u>	<u>\$ 10,067</u>	<u>\$ (18,477)</u>

	2023		
	<u>1% Decrease (6.5%)</u>	<u>Current Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Total OPEB liability	\$ 290,990	\$ 257,031	\$ 228,789
Plan fiduciary net position	<u>(239,361)</u>	<u>(239,361)</u>	<u>(239,361)</u>
Net OPEB liability (asset)	<u>\$ 51,629</u>	<u>\$ 17,670</u>	<u>\$ (10,572)</u>

The following presents what the Plan's fiscal year 2024 and 2023 net OPEB liability would be if it were calculated using the health care cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current health care cost trend rate (in thousands):

	2024		
	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	\$ 235,695	\$ 268,233	\$ 307,398
Plan fiduciary net position	(258,166)	(258,166)	(258,166)
Net OPEB liability (asset)	<u>\$ (22,471)</u>	<u>\$ 10,067</u>	<u>\$ 49,232</u>

	2023		
	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	\$ 226,913	\$ 257,031	\$ 293,262
Plan fiduciary net position	(239,361)	(239,361)	(239,361)
Net OPEB liability (asset)	<u>\$ (12,448)</u>	<u>\$ 17,670</u>	<u>\$ 53,901</u>

For the year ended June 30, 2024 and 2023, the University recorded OPEB expense reduction of \$23.7 million and \$24.9 million, respectively and reported deferred outflows of resources and deferred inflows of resources (in thousands) from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 251	\$ (14,775)
Net difference between expected and actual earnings on OPEB Plan investment	2,978	—
Assumption changes	659	(34,710)
Contributions made subsequent to the measurement date of the net OPEB liability	9,110	—
Total	<u>\$ 12,998</u>	<u>\$ (49,485)</u>

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 765	\$ (13,935)
Net difference between expected and actual earnings on OPEB Plan investment	4,526	—
Assumption changes	1,002	(45,968)
Contributions made subsequent to the measurement date of the net OPEB liability	9,086	—
Total	<u>\$ 15,379</u>	<u>\$ (59,903)</u>

At June 30, 2024, the University reported \$9.1 million as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date and prior to year end that will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2025. Other amounts (in thousands) reported as deferred outflows of resources and deferred inflows of resources at June 30, 2024, related to OPEB will be recognized in OPEB expense as follows:

2025	\$	(20,954)
2026		(22,161)
2027		(276)
2028		(2,206)
	\$	<u>(45,597)</u>

19. UNIVERSITY OF KENTUCKY LONG-TERM DISABILITY (LTD) PLAN TRUST

The University of Kentucky LTD Plan is administered through the University’s LTD trust fund as an irrevocable trust. The trust pays claims and establishes necessary reserves. The trust is a separate legal entity and is governed by the University’s Board. The coverage of the LTD benefits is established and may be amended by the president of the University.

Regular employees with a full-time equivalent of 0.75 or greater who have completed 12 months of service are automatically enrolled in the plan. To be covered, an employee must be actively at work on the first day of the month after the employee completes one full year of service. An employee approved for long-term disability receives benefits based on the employee’s basic regular monthly salary at the time of the onset of the disabling condition. Primary income benefits provide payment of 60% of the basic regular monthly salary less any disability received from government programs and/or another employer for the same condition. Basic salary for medical faculty is defined as the tenure base salary. Other sources of income used in the benefit formula include Social Security, worker’s compensation or other similar government programs, veterans’ or other governmental disability payments, or other employer-sponsored disability benefits.

Employees approved for long-term disability receive 100% of their basic salary for the first six months and 60% thereafter. Benefits end when plan members recover, die, terminate employment or retire. In most cases, claimants retire at age 65. The plan also includes provisions for health insurance that allow participants who were enrolled in a health plan at the time their disability benefit began to continue health coverage (University subsidy limited to 29 months for claimants approved on or after October 1, 2006), life insurance benefit (\$10,000 before July 1, 2007 or one times salary on or after July 1, 2007) and retirement contributions equal to 10% of pre-disability salary per year for applications filed on or after October 1, 2006 and 15% of pre-disability salary per year for applications filed before October 1, 2006.

The LTD Plan’s trust activity is reported in the University’s Statements of Fiduciary Net Position, Statements of Changes in Fiduciary Net Position and Required Supplementary Information.

For Plan reporting purposes, GASB Statement No. 74 measures net LTD liability as of June 30, 2024 for fiscal year 2024. For employer reporting purposes, GASB Statement No. 75 measures net LTD liability as of July 1, 2023 for fiscal year 2024. The following note disclosure is presented in order to comply with GASB Statement No. 75 and GASB Statement No. 74.

The LTD liabilities measured as of July 1, 2023 and June 30, 2024 were based upon the following plan participants as of January 1, 2023:

Disabled members	
Count of members	120
Average age at valuation date	56.5
Average duration since disability (in years)	9.7
Average monthly income net benefit	\$817.00
Active (healthy) members	
Count of members	19,223
Average age at valuation date	43.8
Average years of service	9.0

The contribution requirements of the University are established and may be amended by the president of the University. The University contributes to the LTD trust based on the actuarially determined contribution. For the fiscal years ended June 30, 2024 and 2023, the University's contribution was approximately \$4.2 million and \$2.3 million, respectively.

The University's employer net LTD liability of \$7.7 million and \$4.1 million were measured as of July 1, 2023 and 2022, for the fiscal years ended June 30, 2024 and 2023, respectively. The University's Plan net LTD liability of \$4.0 million and \$7.7 million were measured as of June 30, 2024 and 2023 for the fiscal years ended June 30, 2024 and 2023, respectively. The total LTD liability used to calculate the net LTD liability was determined by an actuarial valuation as of the measurement date. The University's employer net LTD is recorded as other noncurrent assets in the Statements of Net Position.

The total LTD liabilities measured as of July 1, 2023 and June 30, 2024 were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate and investment rate of return	6.5% based on the University's funding policy and the expected long-term return on the separate trust assets that will be used to finance the payment of Plan benefits. The University has stated that its funding policy is to contribute an amount to a segregated and protected trust. The amount will be such that the assets available will always be sufficient to cover the expected benefit payments.
Elimination period	Six months.
Termination (mortality and recovery from disability)	2012 Society of Actuaries group LTD table.
Mortality (only for life insurance)	Canadian Institute of Actuaries 1988-94 LTD Table.
Retirement rates	Faculty from 0.00 to 1.00 from age 50 to 85; staff from 0.03 to 1.00 from age 50 to 85.
Mortality rates for actives	For July 1, 2023, PUB-2010 Public Plans, with mortality improvement projected generationally using Mortality Projection-2021 for the employer. For June 30, 2024 PUB-2010 Public Plans, with mortality improvement projected generationally using Mortality Projection-2021 for the Plan.
Incidence of disability	Gender and age related disability incidence rates based on 1987 Commissioner's group LTD table.
Duration of payment	Payments are assumed to be made until the later of: i) age 65; ii) five years after date of disability; or iii) 12 months after the valuation date.

LTD income benefit	
Disability benefit	Actual net benefit currently being paid (if currently disabled).
Social Security offset	Assume 90% of the members who have been disabled for less than 24 months and currently not entitled to a Social Security offset will immediately receive an offset.
Future salary increase for active members	Three percent per year.
Change in assumptions and benefit terms	For July 1, 2023, active factors used to estimate Social Security offset for future disabled participants were updated to better anticipate future experience under the Plan.

The actuarial assumptions used as of July 1, 2023 and June 30, 2024 were based on an actuarial experience study for the period January 1, 2013 to December 31, 2014.

The components of the employer's net LTD liability of the University measured at July 1, 2023 and 2022 for fiscal years 2024 and 2023 are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Total LTD liability	\$ 35,025	\$ 27,880
Less: Plan fiduciary net position	<u>(27,314)</u>	<u>(23,807)</u>
Total net LTD liability	<u>\$ 7,711</u>	<u>\$ 4,073</u>
Plan fiduciary net position as a percentage of the total LTD liability	78.0%	85.4%

The components of the Plan's net LTD liability of the University measured at June 30, 2024 and 2023 for fiscal years 2024 and 2023 are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Total LTD liability	\$ 37,461	\$ 35,025
Less: Plan fiduciary net position	<u>(33,508)</u>	<u>(27,314)</u>
Total net LTD liability	<u>\$ 3,953</u>	<u>\$ 7,711</u>
Plan fiduciary net position as a percentage of the total LTD liability	89.4%	78.0%

LTD trust investment policy guidelines are established by the LTD Employee Benefits Amended and Restated Trust Agreement. Investment objectives and targeted asset allocations are reviewed and approved by the University treasurer. Investment objectives and asset allocations are developed to establish and maintain sound financial management practices for the investment and management of LTD funds. There were no significant investment policy changes during the fiscal year ended June 30, 2024.

The fair value of deposits and investments, by Statement of Fiduciary Net Position classification, at June 30, 2024 and 2023 are as follows (in thousands):

	2024	2023
<u>Statement of Fiduciary Net Position classification</u>		
Cash and cash equivalents	\$ 3,453	\$ 2,333
Investments	30,017	24,954
Total deposits and investments	<u>\$ 33,470</u>	<u>\$ 27,287</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. See note 2 for a description of the framework used to measure fair value.

The University categorizes its fair value measurements within the fair value hierarchy. Certain investments are measured at amortized costs or historical costs and therefore have not been classified in the fair value hierarchy. These investments have been included in the table below to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Fiduciary Net Position.

The LTD Plan has the following valuation measurements, by type, at June 30, 2024 and 2023 (in thousands):

	2024			
	Total value	Fair Value Measurement Using		
		Quoted prices in active markets for identical assets (Level 1)	Total measured at fair value	Amortized or historical cost
Cash and cash equivalents	\$ 3,453	\$ —	\$ —	\$ 3,453
Diversifying strategies	717	717	717	—
Global equity - international	7,187	7,187	7,187	—
Global equity - U.S.	15,093	15,093	15,093	—
Global fixed income - public fixed income	7,020	7,020	7,020	—
Total deposits and investments	<u>\$ 33,470</u>	<u>\$ 30,017</u>	<u>\$ 30,017</u>	<u>\$ 3,453</u>
	2023			
	Total value	Fair Value Measurement Using		
		Quoted prices in active markets for identical assets (Level 1)	Total measured at fair value	Amortized or historical cost
Cash and cash equivalents	\$ 2,333	\$ —	\$ —	\$ 2,333
Diversifying strategies	674	674	674	—
Global equity - international	6,170	6,170	6,170	—
Global equity - U.S.	11,543	11,543	11,543	—
Global fixed income - public fixed income	6,567	6,567	6,567	—
Total deposits and investments	<u>\$ 27,287</u>	<u>\$ 24,954</u>	<u>\$ 24,954</u>	<u>\$ 2,333</u>

The LTD trust investments are exposed to various risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could affect the investment amounts in the Statements of Fiduciary Net Position.

The trustee of the LTD trust diversifies the investments to minimize the risk of losses due to credit risk, interest rate risk, currency and other risks, as appropriate, based on market conditions. At June 30, 2024 and 2023, the LTD trust had no underlying investments in any one issuer which represented more than five percent of total investments, other than U.S. Treasury and agency obligations, as a way to limit concentration of credit risks. See note 2 for a description of credit, interest rate, foreign currency and concentration of credit risks.

The following reflects the approved asset allocation for the employer and Plan as of June 30, 2024 and 2023:

Asset Category	Target Allocation	
	2024	2023
Global equity	70%	70%
Global fixed income	30%	30%

The annual money-weighted rate of return on the LTD Plan investments, net of LTD Plan investment expense was 12.0% and 12.6% for the years ended June 30, 2024 and 2023, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term expected rate of return on LTD Plan investments was determined by combining market-implied equilibrium returns with the trustee's subjective views using a Black-Litterman technique.

The following reflects the expected rates of return for the employer, presented as arithmetic means, by asset allocation as of July 1, 2023 and 2022:

Asset Category	Long-term Expected Real Rate of Return	
	2024	2023
Diversifying strategies	2.3%	4.2%
Global equity	4.1%	7.5%
Global fixed income	1.7%	2.1%

The following reflects the expected rates of return for the Plan, presented as arithmetic means, by asset allocation as of June 30, 2024 and 2023:

Asset Category	Long-term Expected Real Rate of Return	
	2024	2023
Diversifying strategies	3.0%	2.3%
Global equity	4.7%	4.1%
Global fixed income	2.2%	1.7%

The discount rate used to measure the total LTD liability for the employer and Plan was 6.5% for the year ended June 30, 2024, which was the same from the July 1, 2023 measurement date. The projection of cash flows used to determine the discount rate assumed that University contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, LTD Plan fiduciary net position was projected to be available to make all projected LTD payments for current active and inactive employees. Therefore, the long-term expected rate of return on LTD Plan investments was applied to all periods of projected benefit payments to determine the total LTD liability.

The components of the employer net LTD liability of the University at June 30, 2024 and 2023 are as follows (in thousands):

	2024		
	Increase (decrease)		
	Total LTD liability (asset)	Plan fiduciary net position	Net LTD liability (asset)
Balance recognized at 7/1/2023 (based on 7/1/2022 measurement date)	\$ 27,880	\$ 23,807	\$ 4,073
Change recognized for the fiscal year:			
Service cost	2,675	—	2,675
Interest on the total LTD liability	1,929	—	1,929
Differences between expected and actual experience	(5,383)	—	(5,383)
Changes of assumptions	9,710	—	9,710
Benefit payments	(1,786)	(1,786)	—
Contributions from the employer	—	2,315	(2,315)
Net investment income	—	3,034	(3,034)
Administrative expense	—	(56)	56
Net changes	<u>7,145</u>	<u>3,507</u>	<u>3,638</u>
Balance recognized at 6/30/2024 (based on 7/1/2023 measurement date)	<u>\$ 35,025</u>	<u>\$ 27,314</u>	<u>\$ 7,711</u>
	2023		
	Increase (decrease)		
	Total LTD liability (asset)	Plan fiduciary net position	Net LTD liability (asset)
Balance recognized at 7/1/2022 (based on 7/1/2021 measurement date)	\$ 26,421	\$ 28,217	\$ (1,796)
Change recognized for the fiscal year:			
Service cost	2,597	—	2,597
Interest on the total LTD liability	1,821	—	1,821
Differences between expected and actual experience	(927)	—	(927)
Changes of assumptions	1	—	1
Benefit payments	(2,033)	(2,033)	—
Contributions from the employer	—	1,825	(1,825)
Net investment income	—	(4,121)	4,121
Administrative expense	—	(81)	81
Net changes	<u>1,459</u>	<u>(4,410)</u>	<u>5,869</u>
Balance recognized at 6/30/2023 (based on 7/1/2022 measurement date)	<u>\$ 27,880</u>	<u>\$ 23,807</u>	<u>\$ 4,073</u>

The following presents the employer's 2024 and 2023 net LTD liability of the University, as well as what the University's net LTD liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.5%) or one-percentage-point higher (7.5%) than the current discount rate (in thousands):

	2024		
	1% Decrease (5.5%)	Current Rate (6.5%)	1% Increase (7.5%)
Total LTD liability	\$ 36,972	\$ 35,025	\$ 33,172
Plan fiduciary net position	(27,314)	(27,314)	(27,314)
Total net LTD liability	<u>\$ 9,658</u>	<u>\$ 7,711</u>	<u>\$ 5,858</u>

	2023		
	1% Decrease (5.5%)	Current Rate (6.5%)	1% Increase (7.5%)
Total LTD liability	\$ 28,925	\$ 27,880	\$ 26,900
Plan fiduciary net position	(23,807)	(23,807)	(23,807)
Net LTD liability	<u>\$ 5,118</u>	<u>\$ 4,073</u>	<u>\$ 3,093</u>

The following presents the Plan's 2024 and 2023 net LTD liability of the University, as well as what the University's net LTD liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.5%) or one-percentage-point higher (7.5%) than the current discount rate (in thousands):

	2024		
	1% Decrease (5.5%)	Current Rate (6.5%)	1% Increase (7.5%)
Total LTD liability	\$ 39,627	\$ 37,461	\$ 35,491
Plan fiduciary net position	(33,508)	(33,508)	(33,508)
Total net LTD liability	<u>\$ 6,119</u>	<u>\$ 3,953</u>	<u>\$ 1,983</u>

	2023		
	1% Decrease (5.5%)	Current Rate (6.5%)	1% Increase (7.5%)
Total LTD liability	\$ 36,972	\$ 35,025	\$ 33,172
Plan fiduciary net position	(27,314)	(27,314)	(27,314)
Net LTD liability	<u>\$ 9,658</u>	<u>\$ 7,711</u>	<u>\$ 5,858</u>

For the year ended June 30, 2024 and 2023, the University recorded LTD expense of \$3.2 million and \$2.6 million, respectively. The University reported deferred outflows of resources and deferred inflows of resources, in thousands, from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 406	\$ (8,774)
Net difference between expected and actual earnings on LTD Plan investment	820	—
Assumption changes	9,004	(64)
Contributions made subsequent to the measurement date of the net LTD liability	4,154	—
Total	<u>\$ 14,384</u>	<u>\$ (8,838)</u>

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 529	\$ (4,758)
Net difference between expected and actual earnings on LTD Plan investment	2,485	—
Assumption changes	413	(78)
Contributions made subsequent to the measurement date of the net LTD liability	2,315	—
Total	<u>\$ 5,742</u>	<u>\$ (4,836)</u>

At June 30, 2024, the University reported \$4.2 million as deferred outflows of resources related to LTD resulting from University contributions subsequent to the measurement date and prior to year end that will be recognized as a reduction of the net LTD liability during the year ending June 30, 2025. Other amounts, in thousands, reported as deferred outflows of resources and deferred inflows of resources at June 30, 2024, related to OPEB will be recognized in LTD expense as follows:

2025	\$ 98
2026	(157)
2027	745
2028	(622)
2029	(39)
Total thereafter	1,367
	<u>\$ 1,392</u>

20. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by (1) the State Fire and Tornado Insurance Fund (the insurance fund), (2) Sovereign Immunity and the Commonwealth's Board of Claims, or (3) in the case of risks not covered by the insurance fund and Sovereign Immunity, commercial insurance, participation in insurance risk retention groups or self-insurance.

The insurance fund covers losses to property from fire, wind, earthquake, flood and most other causes of loss between \$10 thousand and \$5.0 million per occurrence. Losses in excess of \$5.0 million are insured by commercial carriers up to \$1.00 billion per occurrence with buildings and contents insured at replacement cost. As a state agency, the University is vested with Sovereign Immunity and is subject to the provisions of the Board of Claims, under which the University's liability for certain negligence claims is limited to \$250 thousand for any one person or \$400 thousand for all persons damaged by a single act of negligence. Claims against educators' errors and omissions and wrongful acts are insured through a reciprocal risk retention group. There have been no significant reductions in insurance coverage from fiscal years 2023 to 2024. Settlements have not exceeded insurance coverage during the past three years.

The University and its agents are insured against medical malpractice by a combination of Sovereign Immunity, self-insurance, commercial liability insurance and an excess coverage fund established by the Commonwealth. An actuarial valuation is performed to determine the self-insurance funding requirements and the fund liability, which has been discounted using an interest rate of 5.0%. The malpractice liability as of June 30, 2024 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be recorded if it is probable that a loss has occurred and the amount of loss can be reasonably estimated. The liability includes an estimate for claims that have been incurred but not reported as of June 30, 2024.

The University also self-insures certain employee benefits, including health insurance, workers' compensation and unemployment claims to the extent not covered by insurance. The University has recorded an estimate for asserted claims at June 30, 2024.

21. CONTINGENCIES

The University is a defendant in various lawsuits. The nature of the educational and health care industries is such that, from time to time, claims will be presented on account of alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational and health care services at a large institution. However, University officials are of the opinion, based on advice of in-house legal counsel, that the effect of the ultimate outcome of all litigation will not be material to the future operations or financial position of the University.

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying Statements of Net Position.

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be allowable for eligible purposes. Single audits and audits by the granting department or agency may result in request for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

The University has a noncontributory defined benefit pension plan and a defined benefit postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit

obligation for these Plans is the actuarial present value of all benefits attributed to service rendered prior to the valuation date. It is reasonably possible that events could occur that would change the estimated amount of these liabilities materially in the near term.

22. RESEARCH CHALLENGE TRUST FUND

The Research Challenge Trust Fund (RCTF) was created by the Kentucky General Assembly with the passage of the Postsecondary Education Improvement Act of 1997 (House Bill 1). The objectives of the RCTF, as stated in House Bill 1, include support of efforts by the University to attain status as a top-20 public research university. The RCTF Endowment Match Program provides state funds on a dollar-for-dollar minimum match basis. This program, also known as “Bucks for Brains,” supports endowed chairs, professorships and graduate fellowships, and the research and graduate mission of the University.

With the passage of the 2022-2024 Budget of the Commonwealth, the 2022 General Assembly authorized \$30.0 million in General Fund supported bonds in 2022-2023 for the Research Challenge Trust Fund (RCTF) to support the Endowment Match Program at Kentucky Public Universities. In accordance with KRS 164.7917, these funds were allocated two-thirds to the University of Kentucky (\$20.0 million) and one-third to the University of Louisville (\$10.0 million). The RCTF funds support initiatives in the fields of science, technology, engineering, mathematics, and health (STEM+H). UK used the RCTF funds at a 2:1 donor contribution to RCTF match ratio.

The status of the RCTF endowed funds as of June 30, 2024 is summarized below (in thousands):

	Kentucky General Assembly Funding	University of Kentucky Share of Funding	State Funds Received to Date	Matching Pledges Receivable
1998 Biennium	\$ 100,000	\$ 66,667	\$ 66,667	\$ —
2000 Biennium	100,000	68,857	68,857	—
2002 Biennium	100,000	66,667	66,667	—
2008 Biennium: Capital Projects	21,927	21,927	21,927	—
2008 Biennium: RCTF	28,073	11,406	11,406	—
2022 Biennium	30,000	20,000	13,414	23,848
Total	<u>\$ 380,000</u>	<u>\$ 255,524</u>	<u>\$ 248,938</u>	<u>\$ 23,848</u>

As of June 30, 2024, the matching pledges receivable for the 2022 Biennium is \$23.8M.

The University expects to fully realize all outstanding matches; however, it might be obligated to return any state funds and accrued interest income related to pledges not received within five years of the initial pledge dates if unable to replace the unpaid pledges and other eligible gifts.

The payment schedule of outstanding pledges as of June 30, 2024 is shown below (in thousands):

	2022 Biennium
2025	\$ 4,860
2026	5,066
2027	4,785
2028	6,300
2029	2,837
Total	<u>\$ 23,848</u>

23. CANCER RESEARCH MATCH

The Kentucky General Assembly created the Cancer Research Institutions Matching Fund, which is funded by a one-cent surtax levied on every 20 cigarettes sold in Kentucky. Tax revenues are made available equally to the University of Kentucky and the University of Louisville when matched dollar-for-dollar by private sources.

A summary of the receipts and expenses related to the fund as of June 30, 2024 and 2023 are as follows (in thousands):

	2024	2023
Funds from private sources approved for match	\$ 9,466	\$ 8,450
Cigarette excise tax funds distributed	1,155	1,390
Total cancer research matching fund revenues	<u>\$ 10,621</u>	<u>\$ 9,840</u>
Cancer research matching fund expenses	<u>\$ 9,366</u>	<u>\$ 9,752</u>

24. NATURAL CLASSIFICATION

The University's operating expenses by natural classification for the years ended June 30, 2024 and 2023 are as follows (in thousands):

	2024	2023
Salaries and wages	\$ 2,696,548	\$ 2,359,497
Employee benefits	687,526	599,354
Supplies and services	2,075,075	1,775,299
Depreciation and amortization	296,364	266,140
Student scholarships and financial aid	98,474	88,489
Purchased utilities	52,810	57,901
Other, various	283,958	232,942
Total	<u>\$ 6,190,755</u>	<u>\$ 5,379,622</u>

25. CURRENT ECONOMIC UNCERTAINTIES

While inflation continues to impact the economy, the duration of this uncertainty and the ultimate financial effects cannot be reasonably estimated at this time. Management and staff anticipate increased costs to impact the upcoming year.

26. MEMBER SUBSTITUTION

In April 2021, the University entered into a significant joint venture through the Affiliation, Member Substitution and Formation Agreement dated January 29, 2021, by and among King's Daughters Health System, Inc. (KDHS), Beyond Blue Corporation (BBC), a component unit of the University ("the UK Member"), and Royal Blue Health LLC. Effective December 1, 2022, KDHS transferred its membership interest in RBH to BBC, whereby BBC became the sole member of RBH, and the operating agreement of RBH was also amended and restated such that the University appoints the governing board of RBH, and upon dissolution of RBH, the net assets revert to BBC. The primary reason for the combination is to increase the availability and quality of healthcare services while providing high-quality, efficient and cost-effective healthcare services for the benefit of the communities in which the KDHS operates. The consideration provided in connection with the combination was the assumption of \$387.2 million in liabilities of RBH. BBC acquired \$1.08 million in assets and \$695.5 million in net position from the acquisition of RBH..

27. SUBSEQUENT EVENTS

On April 26, 2024, the University Board of Trustees approved the acquisition of St. Claire Medical Center, Inc. The acquisition, effective July 1, 2024, resulted in the University assuming all assets and liabilities of St. Claire Medical Center, Inc. and its subsidiary corporation, St. Claire Real Properties, Inc. The transition was facilitated through a newly created wholly owned subsidiary corporation, Claire Blue Health LLC, whose sole member is BBC. An estimate of the impact of this acquisition cannot be determined at this time.

The Lease Purchase Obligations, Series 2024 (UK HealthCare Cancer Center Parking Project) were sold on August 28, 2024. The Series 2024 Obligations constitute undivided proportionate interests in base rent to be paid by the University for the lease of a ten-story parking garage (two stories below ground) for approximately 2,415 vehicles to be constructed adjacent to the new UK HealthCare Cancer Treatment Center/Ambulatory Outpatient Center currently under construction, under a facilities lease dated as of September 1, 2024. The par value of \$104.7 million plus premium of \$6.9 million, for total proceeds of \$111.6 million, will fund certain costs related to the construction, installation and equipping of the project and certain costs related to the issuance of the Series 2024 Obligations. The Series 2024 Obligations will close on September 18, 2024.

28. COMBINED CONDENSED STATEMENTS

The University of Kentucky and its blended component units' condensed statements as of and for the years ended June 30, 2024 and 2023 are summarized as follows (in thousands):

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
COMBINED CONDENSED STATEMENT OF NET POSITION AS OF JUNE 30, 2024
(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	UK	UKRF	UKGERF	UKHF	UKMEF	CKMS	UKAA	KMSF	UKREF	BBC	Eliminations	Total
Current Assets												
Cash and cash equivalents	\$ 1,371,676	\$ 161,016	\$ —	\$ —	\$ 226	\$ 1,435	\$ 1,632	\$ 34,714	\$ 918	\$ 109,308	\$ —	\$ 1,680,925
Notes, loans, leases and accounts receivable, net	1,122,906	72,307	—	2	—	1,454	411	37,303	—	281,521	(90,403)	1,425,501
Investments	—	—	—	—	—	—	—	15,018	—	—	—	15,018
Inventories and other assets	85,514	4,238	—	—	—	16	79	265	484	29,880	—	120,476
Total current assets	<u>2,580,096</u>	<u>237,561</u>	<u>—</u>	<u>2</u>	<u>226</u>	<u>2,905</u>	<u>2,122</u>	<u>87,300</u>	<u>1,402</u>	<u>420,709</u>	<u>(90,403)</u>	<u>3,241,920</u>
Noncurrent Assets												
Restricted cash and cash equivalents	394,471	—	—	—	—	—	—	—	—	3	—	394,474
Endowment investments	2,003,204	20,407	11,028	1,824	2,350	—	—	—	—	—	(42)	2,038,771
Other long-term investments	518,581	3,139	—	—	—	—	26,729	52,212	—	456,900	(1,957)	1,055,604
Notes, loans, leases and accounts receivable, net	749,743	—	—	—	—	—	91	1,331	—	—	—	751,165
Other noncurrent assets	9,549	140	—	—	—	—	—	—	—	8,342	—	18,031
Capital assets, net	3,717,094	12,169	—	—	—	—	4	85,679	—	483,286	—	4,298,232
Lease assets, net	95,314	54	—	—	—	10	—	—	—	24,669	(45,132)	74,915
Subscription assets, net	19,086	179	—	—	—	—	—	—	—	7,696	—	26,961
Total noncurrent assets	<u>7,507,042</u>	<u>36,088</u>	<u>11,028</u>	<u>1,824</u>	<u>2,350</u>	<u>10</u>	<u>26,824</u>	<u>139,222</u>	<u>—</u>	<u>980,896</u>	<u>(47,131)</u>	<u>8,658,153</u>
Total assets	<u>10,087,138</u>	<u>273,649</u>	<u>11,028</u>	<u>1,826</u>	<u>2,576</u>	<u>2,915</u>	<u>28,946</u>	<u>226,522</u>	<u>1,402</u>	<u>1,401,605</u>	<u>(137,534)</u>	<u>11,900,073</u>
Deferred Outflows of Resources	<u>29,165</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,288</u>	<u>—</u>	<u>39,453</u>
Total assets and deferred outflows of resources	<u>10,116,303</u>	<u>273,649</u>	<u>11,028</u>	<u>1,826</u>	<u>2,576</u>	<u>2,915</u>	<u>28,946</u>	<u>226,522</u>	<u>1,402</u>	<u>1,411,893</u>	<u>(137,534)</u>	<u>11,939,526</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES												
Current Liabilities												
Accounts payable and accrued liabilities	506,375	14,789	—	1	1	2,905	105	139,043	—	137,738	(133,074)	667,883
Unearned revenue	100,257	49,836	—	—	—	—	31	1,801	—	234	—	152,259
Long-term liabilities - current portion	140,831	1,164	—	—	—	2	—	6,131	—	18,707	(9,298)	157,537
Total current liabilities	<u>747,463</u>	<u>65,889</u>	<u>—</u>	<u>1</u>	<u>1</u>	<u>2,907</u>	<u>136</u>	<u>146,975</u>	<u>—</u>	<u>156,679</u>	<u>(142,372)</u>	<u>977,679</u>
Noncurrent Liabilities												
Unearned revenue	170,558	1,875	—	—	—	—	62	—	—	—	—	172,495
Long-term liabilities	1,341,167	5,253	—	—	—	8	—	57,251	—	273,525	(37,305)	1,639,899
Net pension liability	—	—	—	—	—	—	—	—	—	6,551	—	6,551
Net OPEB retiree health liabilities	17,670	—	—	—	—	—	—	—	—	—	—	17,670
Net OPEB long-term disability liabilities	7,711	—	—	—	—	—	—	—	—	—	—	7,711
Total noncurrent liabilities	<u>1,537,106</u>	<u>7,128</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8</u>	<u>62</u>	<u>57,251</u>	<u>—</u>	<u>280,076</u>	<u>(37,305)</u>	<u>1,844,326</u>
Total liabilities	<u>2,284,569</u>	<u>73,017</u>	<u>—</u>	<u>1</u>	<u>1</u>	<u>2,915</u>	<u>198</u>	<u>204,226</u>	<u>—</u>	<u>436,755</u>	<u>(179,677)</u>	<u>2,822,005</u>
Deferred Inflows of Resources	<u>516,534</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,899</u>	<u>—</u>	<u>521,433</u>
Total liabilities and deferred inflows of resources	<u>2,801,103</u>	<u>73,017</u>	<u>—</u>	<u>1</u>	<u>1</u>	<u>2,915</u>	<u>198</u>	<u>204,226</u>	<u>—</u>	<u>441,654</u>	<u>(179,677)</u>	<u>3,343,438</u>
NET POSITION												
Net investment in capital assets	<u>2,052,191</u>	<u>6,348</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4</u>	<u>22,296</u>	<u>—</u>	<u>250,177</u>	<u>—</u>	<u>2,331,016</u>
Restricted												
Nonexpendable	775,007	826	4,931	618	680	—	30	—	—	—	(30)	782,062
Expendable	1,447,103	5,547	6,097	1,207	1,895	—	12	—	—	3	(12)	1,461,852
Total restricted	<u>2,222,110</u>	<u>6,373</u>	<u>11,028</u>	<u>1,825</u>	<u>2,575</u>	<u>—</u>	<u>42</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>(42)</u>	<u>2,243,914</u>
Unrestricted	<u>3,040,899</u>	<u>187,911</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,702</u>	<u>—</u>	<u>1,402</u>	<u>720,059</u>	<u>42,185</u>	<u>4,021,158</u>
Total net position	<u>\$ 7,315,200</u>	<u>\$ 200,632</u>	<u>\$ 11,028</u>	<u>\$ 1,825</u>	<u>\$ 2,575</u>	<u>\$ —</u>	<u>\$ 28,748</u>	<u>\$ 22,296</u>	<u>\$ 1,402</u>	<u>\$ 970,239</u>	<u>\$ 42,143</u>	<u>\$ 8,596,088</u>

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
COMBINED CONDENSED STATEMENT OF NET POSITION AS OF JUNE 30, 2023
(in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	UK	UKRF	UKGERF	UKHF	UKMEF	CKMS	UKAA	KMSF	UKREF	BBC	Eliminations	Total
Current Assets												
Cash and cash equivalents	\$ 1,244,532	\$ 141,240	\$ —	\$ —	\$ 182	\$ 1,306	\$ 1,529	\$ 28,091	\$ 561	\$ 108,544	\$ —	\$ 1,525,985
Notes, loans, leases and accounts receivable, net	1,006,134	60,647	—	2	—	1,175	271	36,184	—	255,461	(97,704)	1,262,170
Investments	—	—	—	—	—	—	—	18,772	—	1,020	—	19,792
Inventories and other assets	81,517	3,792	—	—	—	16	93	913	1,730	29,750	(45)	117,766
Total current assets	2,332,183	205,679	—	2	182	2,497	1,893	83,960	2,291	394,775	(97,749)	2,925,713
Noncurrent Assets												
Restricted cash and cash equivalents	249,028	—	—	—	—	—	—	—	—	3,868	—	252,896
Endowment investments	1,854,399	19,063	10,743	1,759	2,260	—	—	—	—	—	(39)	1,888,185
Other long-term investments	448,452	2,563	—	—	—	—	25,201	50,760	—	396,473	(2,057)	921,392
Notes, loans, leases and accounts receivable, net	480,757	—	—	2	—	—	130	812	—	—	—	481,701
Other noncurrent assets	11,226	155	—	—	—	—	—	—	—	3,693	—	15,074
Capital assets, net	3,477,111	12,606	—	—	—	—	12	92,124	—	409,740	—	3,991,593
Lease assets, net	95,753	209	—	—	—	1	—	—	—	19,950	(47,228)	68,685
Subscription IT assets, net	19,531	531	—	—	—	—	—	—	—	11,635	—	31,697
Total noncurrent assets	6,636,257	35,127	10,743	1,761	2,260	1	25,343	143,696	—	845,359	(49,324)	7,651,223
Total assets	8,968,440	240,806	10,743	1,763	2,442	2,498	27,236	227,656	2,291	1,240,134	(147,073)	10,876,936
Deferred Outflows of Resources												
Total assets and deferred outflows of resources	8,992,189	240,806	10,743	1,763	2,442	2,498	27,236	227,656	2,291	1,253,642	(147,073)	10,814,193
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES												
Current Liabilities												
Accounts payable and accrued liabilities	403,914	12,862	—	—	1	2,497	1,064	133,679	—	108,375	(128,678)	533,714
Unearned revenue	104,384	45,322	—	—	—	—	43	1,853	—	188	(45)	151,745
Long-term liabilities - current portion	113,871	1,219	—	—	—	1	—	5,897	—	19,163	(8,926)	131,225
Total current liabilities	622,169	59,403	—	—	1	2,498	1,107	141,429	—	127,726	(137,649)	816,684
Noncurrent Liabilities												
Unearned revenue	189,831	2,013	—	—	—	—	93	—	—	—	—	191,937
Long-term liabilities	1,227,565	5,582	—	—	—	—	—	62,548	—	284,371	(47,110)	1,532,956
Net pension liability	—	—	—	—	—	—	—	—	—	9,927	—	9,927
Net OPEB retiree health liabilities	42,481	—	—	—	—	—	—	—	—	—	—	42,481
Net OPEB long-term disability liabilities	4,073	—	—	—	—	—	—	—	—	—	—	4,073
Total liabilities	1,463,950	7,595	—	—	—	—	93	62,548	—	294,298	(47,110)	1,781,374
Total liabilities and deferred inflows of resources	2,086,119	66,998	—	—	1	2,498	1,200	203,977	—	422,024	(184,759)	2,598,058
Deferred Inflows of Resources												
Total liabilities and deferred inflows of resources	2,621,953	66,998	—	—	1	2,498	1,200	203,977	—	422,954	(184,759)	3,134,822
NET POSITION												
Net investment in capital assets												
Restricted												
Nonexpendable	1,960,243	6,629	—	—	—	—	12	23,679	—	182,789	—	2,173,352
Expendable	720,268	826	4,931	618	680	—	30	—	—	—	(30)	727,323
Total restricted	995,568	5,354	5,812	1,145	1,761	—	9	—	—	406	(9)	1,010,046
Unrestricted												
Total unrestricted	1,715,836	6,180	10,743	1,763	2,441	—	39	—	—	406	(39)	1,737,369
Total net position	2,694,157	160,999	—	—	—	—	25,985	—	2,291	647,493	37,725	3,568,650
	\$ 6,370,236	\$ 173,808	\$ 10,743	\$ 1,763	\$ 2,441	\$ —	\$ 26,036	\$ 23,679	\$ 2,291	\$ 830,688	\$ 37,686	\$ 7,479,371

**UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
COMBINED CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2024
(in thousands)**

	UK	UKRF	UKGERF	UKHF	UKMEF	CKMS	UKAA	KMSF	UKREF	BBC	Eliminations	Total
OPERATING REVENUES												
Student tuition and fees, net	\$ 413,235	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 413,235
Federal grants and contracts	4,961	290,514	—	—	—	—	—	—	—	2,592	—	298,067
State and local grants and contracts	114,920	32,320	—	—	—	—	—	—	—	—	—	147,240
Nongovernmental grants and contracts	327,753	33,805	—	—	—	—	—	—	—	21	(326,431)	35,148
Recoveries of facilities and administrative costs	—	96,259	—	—	—	—	—	—	—	—	—	96,259
Sales and services	73,615	14,865	—	—	—	39,603	943	—	11	—	(40,635)	88,402
Federal appropriations	16,340	—	—	—	—	—	—	—	—	—	—	16,340
County appropriations	37,033	—	—	—	—	—	—	—	—	—	—	37,033
Professional clinical service fees	—	—	—	—	—	—	—	338,148	—	—	(114)	339,034
Hospital services	3,320,126	—	—	—	—	—	—	—	—	1,051,411	(1,376)	4,370,161
Auxiliary enterprises:												
Housing and dining, net	36,805	—	—	—	—	—	—	—	—	—	(26)	36,779
Athletics	133,944	—	—	—	—	—	—	—	—	—	(450)	133,494
Other auxiliaries	55,902	—	—	—	—	—	—	—	—	—	(33)	55,869
Other operating revenues	864	—	—	—	—	—	—	39,412	—	—	(11,519)	28,757
Total operating revenues	4,535,498	467,763	—	—	—	39,603	943	377,560	11	1,054,024	(380,584)	6,094,818
OPERATING EXPENSES												
Educational and general:												
Instruction	348,042	13,456	—	19	49	—	—	—	—	—	(8)	361,558
Research	125,217	275,390	4	—	—	—	—	—	—	—	(430)	400,181
Public service	148,574	131,796	—	—	—	—	—	—	—	—	(72)	280,298
Libraries	25,456	—	—	—	—	—	—	—	—	—	—	25,456
Academic support	58,294	14	—	—	—	—	—	—	—	—	(193)	133,068
Student services	76,390	705	3	—	—	39,601	4,658	—	117	—	(28)	58,280
Institutional support	116,084	216	—	—	—	—	—	—	—	—	(45,067)	76,407
Operations and maintenance of plant	51,313	8,098	—	50	—	—	—	—	—	—	(319)	115,981
Student financial aid	95,771	1,493	—	—	—	2	8	—	—	—	(695)	59,461
Depreciation and amortization	1,174,915	434,655	7	69	49	39,603	4,666	—	117	—	(46,812)	1,607,269
Total educational and general	552,136	—	—	—	—	—	—	377,957	—	—	(333,657)	596,436
Clinical operations (including depreciation and amortization of \$9,351)	2,772,116	—	—	—	—	—	—	—	—	947,018	(10,226)	3,709,908
Hospital and clinics (including depreciation and amortization of \$154,073)	—	—	—	—	—	—	—	—	—	—	—	—
Auxiliary enterprises:												
Housing and dining (including depreciation and amortization of \$10,887)	32,830	—	—	—	—	—	—	—	—	—	(400)	32,430
Athletics (including depreciation and amortization of \$16,742)	202,013	—	—	—	—	—	—	—	—	—	(405)	201,608
Other auxiliaries (including depreciation and amortization of \$8,732)	43,222	—	—	—	—	—	—	—	—	—	(177)	43,045
Other operating expenses	1,059	—	—	—	—	—	—	—	—	—	—	1,059
Total operating expenses	4,778,291	434,655	7	69	49	39,603	4,666	377,957	117	947,018	(391,677)	6,190,755
Net income (loss) from operations	(242,793)	33,108	(7)	(69)	(49)	—	(3,723)	(397)	(106)	107,006	11,093	(93,937)
NONOPERATING REVENUES (EXPENSES)												
State appropriations	319,669	—	—	—	—	—	—	—	—	—	—	319,669
COVID-19 funding	—	—	—	—	—	—	—	—	—	—	—	—
Gifts and non-exchange grants	148,660	212	4	1	—	—	2,423	—	484	336	(5,370)	146,750
Investment income (loss)	281,265	10,919	911	145	205	—	3,759	2,063	—	42,694	(3,569)	338,392
Interest on capital, lease and subscription asset-related debt	(43,050)	(9)	—	—	—	—	—	(3,049)	—	(10,301)	1,570	(54,839)
Grants to (from) the University for noncapital purposes	19,567	(18,183)	(623)	(15)	(22)	—	—	—	—	(724)	—	—
Other nonoperating revenues and expenses, net	7,829	4,417	—	—	—	—	253	—	(1,267)	54	1,125	12,411
Net nonoperating revenues (expenses)	733,940	(2,644)	292	131	183	—	6,435	(986)	(783)	32,059	(6,244)	762,383
Net income (loss) before other revenues, expenses, gains, or losses and special item	491,147	30,464	285	62	134	—	2,712	(1,383)	(889)	139,065	4,849	666,446
Capital grants and gifts	373,625	8,586	—	—	—	—	—	—	—	445	—	382,656
Additions to permanent endowments	53,527	—	—	—	—	—	—	—	—	—	(392)	53,135
Grants to (from) the University for capital purposes	12,808	(12,808)	—	—	—	—	—	—	—	—	—	—
Other, net	13,857	582	—	—	—	—	—	—	—	41	—	14,480
Special item - acquisition of Royal Blue Health and Insure Blue	—	—	—	—	—	—	—	—	—	—	—	—
Total other revenues (expenses)	453,817	(3,640)	—	—	—	—	—	—	—	486	(392)	450,271
INCREASE (DECREASE) IN NET POSITION												
NET POSITION, beginning of year	6,370,236	173,808	10,743	1,763	2,441	—	26,036	23,679	2,291	830,688	37,686	7,479,371
NET POSITION, end of year	\$ 7,315,200	\$ 200,632	\$ 11,028	\$ 1,825	\$ 2,575	\$ —	\$ 28,748	\$ 22,296	\$ 1,402	\$ 970,239	\$ 42,143	\$ 8,596,088

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
COMBINED CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2023
(in thousands)

	UK	UKRF	UKGERF	UKHF	UKMEF	CKMS	UKAA	KMSF	UKREF	BBC	Eliminations	Total
OPERATING REVENUES												
Student tuition and fees, net	\$ 387,631	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 387,631
Federal grants and contracts	10,665	281,157	—	—	—	—	—	7	—	1,533	—	293,362
State and local grants and contracts	130,808	28,690	—	—	—	—	—	—	—	—	—	159,498
Nongovernmental grants and contracts	366,667	30,467	—	—	—	—	—	—	—	310	(365,582)	31,862
Recoveries of facilities and administrative costs	214	93,256	—	—	—	—	—	—	—	—	—	93,470
Sales and services	68,261	17,016	1	—	—	41,071	953	—	16	—	(42,508)	84,810
Federal appropriations	20,060	—	—	—	—	—	—	—	—	—	—	20,060
County appropriations	34,731	—	—	—	—	—	—	—	—	—	—	34,731
Professional clinical service fees	—	—	—	—	—	—	—	325,227	—	—	(119)	325,108
Hospital services	3,157,246	—	—	—	—	—	—	—	—	638,482	(19,093)	3,776,635
Auxiliary enterprises:												
Housing and dining, net	36,773	—	—	—	—	—	—	—	—	—	(40)	36,733
Athletics	128,336	—	—	—	—	—	—	—	—	—	(405)	127,931
Other auxiliaries	53,817	—	—	—	—	—	—	—	—	—	(30)	53,787
Other operating revenues	1,157	—	—	—	—	—	—	36,942	—	—	(11,091)	27,008
Total operating revenues	4,396,366	450,586	1	—	—	41,071	953	362,176	16	640,325	(438,868)	5,452,626
OPERATING EXPENSES												
Educational and general:												
Instruction	319,135	13,889	—	—	39	—	—	—	—	—	(3)	333,060
Research	120,260	286,433	3	—	—	—	—	—	—	—	(1,335)	377,361
Public service	144,329	124,074	—	—	—	—	—	—	—	—	92	268,495
Libraries	22,956	—	—	—	—	—	—	—	—	—	—	22,956
Academic support	109,341	3,558	—	—	—	—	—	—	—	—	(99)	112,800
Student services	53,259	3	—	1	—	—	—	—	—	—	(14)	53,249
Institutional support	59,881	817	13	—	—	41,069	4,389	—	42	—	(45,767)	60,444
Operations and maintenance of plant	111,087	317	—	—	—	—	—	—	—	—	(248)	111,156
Student financial aid	47,631	8,227	—	33	—	—	—	—	—	—	—	55,891
Depreciation and amortization	87,146	2,223	—	—	—	2	16	—	—	—	—	89,480
Total educational and general	1,075,025	411,541	16	34	39	41,071	4,405	—	42	—	(47,281)	1,484,892
Clinical operations (including depreciation and amortization of \$8,837)	521,442	—	—	—	—	—	—	362,427	—	—	(312,875)	570,994
Hospital and clinics (including depreciation and amortization of \$131,805)	2,564,228	—	—	—	—	—	—	—	—	522,591	(10,633)	3,076,186
Auxiliary enterprises:												
Housing and dining (including depreciation and amortization of \$10,888)	30,373	—	—	—	—	—	—	—	—	—	(297)	30,076
Athletics (including depreciation and amortization of \$16,284)	174,873	—	—	—	—	—	—	—	—	—	(289)	174,584
Other auxiliaries (including depreciation and amortization of \$8,846)	41,563	—	—	—	—	—	—	—	—	—	(90)	41,473
Other operating expenses	1,417	—	—	—	—	—	—	—	—	—	—	1,417
Total operating expenses	4,408,921	411,541	16	34	39	41,071	4,405	362,427	42	522,591	(371,465)	5,379,622
Net income (loss) from operations	(12,555)	39,045	(15)	(34)	(39)	—	(3,452)	(251)	(26)	117,734	(67,403)	73,004
NONOPERATING REVENUES (EXPENSES)												
State appropriations	319,235	—	—	—	—	—	—	—	—	—	—	319,235
COVID-19 funding	4,005	—	—	—	—	—	—	—	—	—	—	4,005
Gifts and non-exchange grants	239,471	234	1	6	—	—	2,579	—	—	29	(5,060)	237,260
Investment income (loss)	197,423	5,466	790	123	175	—	3,010	1,408	—	15,273	(1,633)	222,035
Interest on capital asset-related debt	(41,235)	(25)	(568)	(14)	(20)	—	—	(3,259)	—	(6,204)	1,656	(49,067)
Grants to (from) the University for noncapital purposes	16,963	(16,164)	—	—	—	—	—	—	—	(197)	—	—
Other nonoperating revenues and expenses, net	(14,780)	962	—	—	—	—	241	—	(615)	(62)	17,275	3,011
Net nonoperating revenues (expenses)	721,082	(9,537)	223	115	155	—	5,830	(1,851)	(615)	8,839	12,238	736,479
Net income (loss) before other revenues, expenses, gains, or losses and special item	708,527	29,508	208	81	116	—	2,378	(2,102)	(641)	126,573	(55,165)	809,483
Capital grants and gifts	116,584	6,874	—	—	—	—	—	—	—	11	(684)	123,469
Additions to permanent endowments	22,387	—	—	—	1	—	—	—	—	—	—	21,704
Grants to (from) the University for capital purposes	20,397	(20,397)	—	—	—	—	—	—	—	—	—	—
Other, net	40,853	45	—	—	—	—	—	—	—	5	—	40,903
Special item - acquisition of Royal Blue Health and Insure Blue	—	—	—	—	—	—	—	—	—	695,582	—	695,582
Total other revenues (expenses)	200,221	(13,478)	—	—	1	—	—	—	—	695,588	(684)	881,658
INCREASE (DECREASE) IN NET POSITION	908,748	16,030	208	81	117	—	2,378	(2,102)	(641)	822,171	(58,849)	1,691,141
NET POSITION, beginning of year	5,461,488	157,778	10,535	1,682	2,324	—	23,658	25,781	2,932	8,517	95,535	5,786,230
NET POSITION, end of year	\$ 6,370,236	\$ 173,808	\$ 10,743	\$ 1,763	\$ 2,441	\$ —	\$ 26,036	\$ 23,679	\$ 2,291	\$ 830,688	\$ 37,686	\$ 7,479,371

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
COMBINED CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2024
(in thousands)

	UK	UKRF	UKGERF	UKHF	UKMEF	CKMS	UKAA	KMSF	UKREF	BBC	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES												
Student tuition and fees	\$ 413,836	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 413,836
Grants and contracts	452,896	350,920	—	—	—	—	—	—	—	2,613	(326,431)	479,998
Recoveries of facilities and administrative costs	1,436	94,702	—	—	—	—	—	—	—	—	—	96,138
Sales and services	94,003	—	—	—	—	39,151	719	(53)	11	—	(41,559)	92,272
Federal appropriations	16,039	—	—	—	—	—	—	—	—	—	—	16,039
County appropriations	36,565	—	—	—	—	—	—	—	—	—	—	36,565
Payments to vendors and contractors	(1,930,727)	(153,457)	(6)	(60)	(14)	(278)	(3,456)	(363,898)	(117)	(348,204)	386,473	(2,413,744)
Payments on short-term leases	(2,195)	—	—	—	—	—	—	—	—	—	—	(2,195)
Student financial aid	(59,418)	—	—	—	—	—	—	—	—	—	—	(59,418)
Salaries, wages and benefits	(2,493,413)	(278,748)	—	(8)	(35)	(38,742)	(2,177)	196	—	(529,722)	—	(3,342,649)
Professional clinical service fees	(12,858)	—	—	—	—	—	—	336,510	—	—	395	324,047
Hospital services	3,187,726	—	—	—	—	—	—	—	—	1,027,511	(934)	4,214,303
Auxiliary enterprises receipts	236,923	—	—	—	—	—	—	—	—	—	(510)	236,413
Loans issued to students	(13,681)	—	—	—	—	—	—	—	—	—	—	(13,681)
Collection of loans to students	15,293	—	—	—	—	—	—	—	—	—	—	15,293
Self-insurance receipts	92,112	—	—	—	—	—	—	394	—	—	—	92,506
Self-insurance payments	(93,190)	—	—	—	—	—	—	—	—	—	—	(93,190)
Other receipts (payments)	(15,945)	16,326	—	—	—	—	—	39,412	—	—	(10,204)	29,589
Net cash provided (used) by operating activities	(74,598)	29,743	(6)	(68)	(49)	131	(4,914)	12,561	(106)	152,198	7,230	122,122
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES												
State appropriations	319,669	—	—	—	—	—	—	—	—	—	—	319,669
COVID-19 funding	—	—	—	—	—	—	—	—	—	—	—	—
Gifts and grants received for other than capital purposes:												
Gifts received for endowment purposes	53,527	—	—	—	—	—	—	—	—	—	—	53,527
Gifts received for other purposes	142,716	216	4	3	—	—	2,423	—	1,730	336	(392)	142,057
Agency and loan program receipts	315,262	—	—	—	—	—	—	—	—	—	—	315,262
Agency and loan program payments	(314,024)	—	—	—	—	—	—	—	—	—	—	(314,024)
Grants (to) from the University for noncapital purposes	19,567	(18,183)	(623)	(15)	(22)	—	—	—	—	(724)	—	—
Other financing receipts (payments)	7,171	4,195	—	—	—	—	292	—	(1,267)	(265)	1,125	11,251
Net cash provided (used) by noncapital financing activities	543,888	(13,772)	(619)	(12)	(22)	—	2,715	—	463	(653)	(4,638)	527,350
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES												
Capital grants and gifts	83,309	8,586	—	—	—	—	—	—	—	445	—	92,340
Purchases of capital assets	(438,583)	(549)	—	—	—	—	—	(2,583)	—	(106,571)	—	(548,286)
Proceeds from capital debt	184,609	483	—	—	—	—	—	1,146	—	112	—	186,350
Payments to refunding bond agents	—	—	—	—	—	—	—	—	—	—	—	—
Proceeds from sales of capital assets	982	—	—	—	—	—	—	—	—	49	—	1,031
Principal paid on capital debt	(54,611)	(77)	—	—	—	—	—	(6,209)	—	(9,661)	296	(70,262)
Interest paid on capital debt	(37,462)	—	—	—	—	—	—	(3,050)	—	(9,549)	(135)	(50,196)
Principal payments received on leases receivable	10	—	—	—	—	—	—	—	—	333	—	343
Interest payments received on leases receivable	8	—	—	—	—	—	—	—	—	40	—	48
Principal paid on leases payable	(27,142)	(158)	—	—	—	(2)	—	—	—	(6,181)	—	(33,483)
Interest paid on leases payable	(1,535)	(5)	—	—	—	—	—	—	—	(746)	—	(2,286)
Principal paid on subscriptions payable	(9,569)	(392)	—	—	—	—	—	—	—	(4,630)	—	(14,591)
Interest paid on subscriptions payable	(480)	(12)	—	—	—	—	—	—	—	(169)	—	(661)
Grants (to) from the University for capital purposes	12,900	(12,900)	—	—	—	—	—	—	—	—	—	—
Other financing receipts (payments)	28,592	157	—	—	—	—	—	391	—	—	—	30,053
Net cash provided (used) by capital and related financing activities	(258,972)	(4,867)	—	—	—	(2)	—	(10,305)	—	(136,528)	1,074	(409,600)
CASH FLOWS FROM INVESTING ACTIVITIES												
Proceeds from sales and maturities of investments	779,695	7,501	4,252	674	879	—	7,414	26,103	—	161,177	—	987,695
Interest and dividends on investments	135,491	11,305	164	33	44	—	598	234	—	5,974	(3,666)	150,177
Purchases of investments	(852,917)	(10,134)	(3,791)	(627)	(808)	—	(5,710)	(21,970)	—	(185,269)	—	(1,081,226)
Cash acquired from acquisition of Royal Blue Health and Insure Blue	—	—	—	—	—	—	—	—	—	—	—	—
Net cash provided (used) by investing activities	272,269	8,672	625	80	115	—	2,302	4,367	—	(18,118)	(3,666)	56,646
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	62,357	19,776	—	—	44	129	103	6,623	357	(3,101)	—	296,516
CASH AND CASH EQUIVALENTS, beginning of year	1,493,560	141,240	—	—	182	1,306	1,529	28,091	561	112,412	—	1,778,881
CASH AND CASH EQUIVALENTS, end of year	\$ 1,766,147	\$ 161,016	\$ —	\$ —	\$ 226	\$ 1,435	\$ 1,632	\$ 34,714	\$ 918	\$ 109,311	\$ —	\$ 2,075,399

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
COMBINED CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2023
(in thousands)

	UK	UKRF	UKGERF	UKHF	UKMEF	CKMS	UKAA	KMSF	UKREF	BBC	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES												
Student tuition and fees	\$ 387,256	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 387,256
Grants and contracts	505,519	337,940	—	—	—	—	—	7	—	1,899	(365,582)	479,783
Recoveries of facilities and administrative costs	(921)	93,045	—	—	—	—	—	—	—	—	—	92,124
Sales and services	77,126	17,126	—	—	—	40,834	906	(42)	520	—	(44,436)	92,034
Federal appropriations	20,108	—	—	—	—	—	—	—	—	—	—	20,108
County appropriations	34,908	—	—	—	—	—	—	—	—	—	—	34,908
Payments to vendors and contractors	(1,766,157)	(147,909)	(16)	(34)	(11)	(2,122)	(4,509)	(416,565)	(42)	(193,544)	436,964	(2,093,965)
Payments on short-term leases	(171)	—	—	—	—	—	—	—	—	—	—	(171)
Student financial aid	(55,944)	—	—	—	—	—	—	—	—	—	—	(55,944)
Salaries, wages and benefits	(2,379,450)	(261,706)	—	—	(28)	(38,649)	(1,842)	(2,833)	—	(284,170)	—	(2,968,678)
Professional clinical service fees	(49,518)	—	—	—	—	—	—	336,738	—	—	(8,265)	278,955
Hospital services	3,038,154	—	—	—	—	—	—	—	—	567,730	(18,543)	3,587,341
Auxiliary enterprises receipts	160,439	—	—	—	—	—	—	—	—	—	(475)	159,964
Loans issued to students	(15,687)	—	—	—	—	—	—	—	—	—	—	(15,687)
Collection of loans to students	18,276	—	—	—	—	—	—	—	—	—	—	18,276
Self-insurance receipts	80,905	—	—	—	—	—	—	3,858	—	—	—	84,763
Self-insurance payments	(86,693)	—	—	—	—	—	—	—	—	—	—	(86,693)
Other receipts (payments)	(1,815)	—	1	—	—	—	—	—	—	—	—	24,183
Net cash provided (used) by operating activities	(33,655)	38,496	(15)	(34)	(39)	63	(5,445)	(41,915)	478	91,915	(11,282)	38,557
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES												
State appropriations	319,235	—	—	—	—	—	—	—	—	—	—	319,235
COVID-19 funding	4,005	—	—	—	—	—	—	—	—	—	—	4,005
Gifts and grants received for other than capital purposes:												
Gifts received for endowment purposes	22,388	—	—	—	—	—	—	—	—	—	—	22,388
Gifts received for other purposes	167,149	238	1	8	1	—	2,579	—	400	29	(684)	21,704
Agency and loan program receipts	351,371	—	—	—	—	—	—	—	—	—	—	351,371
Agency and loan program payments	(353,091)	—	—	—	—	—	—	—	—	—	—	(353,091)
Grants (to) from the University for noncapital purposes	16,963	(16,164)	(568)	(14)	(20)	—	—	—	—	(197)	—	—
Other financing receipts (payments)	(15,004)	1,070	—	—	—	—	160	—	(615)	(62)	17,275	2,824
Net cash provided (used) by noncapital financing activities	513,016	(14,856)	(567)	(6)	(19)	—	2,739	(215)	(230)	(230)	11,531	511,393
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES												
Capital grants and gifts	30,214	6,873	—	—	—	—	—	—	—	11	1,000	38,098
Purchases of capital assets	(189,569)	(457)	—	—	—	—	—	(2,308)	—	(32,878)	—	(225,212)
Proceeds from capital debt	166,411	—	—	—	—	—	—	—	—	712	—	167,123
Payments to refunding bond agents	(75,489)	—	—	—	—	—	—	—	—	—	—	(75,489)
Proceeds from sales of capital assets	426	—	—	—	—	—	—	—	—	—	—	426
Principal paid on capital debt	(58,546)	—	—	—	—	—	—	(3,913)	—	(8,497)	—	(70,956)
Interest paid on capital debt	(37,163)	—	—	—	—	—	—	(3,259)	—	(5,165)	(135)	(45,722)
Principal payments received on leases receivable	502	—	—	—	—	—	—	—	—	155	—	657
Interest payments received on leases receivable	(68)	—	—	—	—	—	—	—	—	21	—	(47)
Principal paid on leases payable	(15,442)	(1,947)	—	—	—	(2)	—	—	—	(3,713)	—	(21,104)
Interest paid on leases payable	(1,619)	(30)	—	—	—	—	—	—	—	(306)	—	(1,955)
Principal paid on subscription payable	(8,187)	(412)	(3,483)	(570)	(732)	—	(2,894)	(1,964)	—	(4,080)	—	(12,679)
Interest paid on subscription payable	(166)	(2)	—	—	—	—	—	—	—	(75)	—	(243)
Grants (to) from the University for capital purposes	20,233	(20,233)	—	—	—	—	—	—	—	—	—	—
Other financing receipts (payments)	24,303	652	—	—	—	—	—	1,125	—	5	752	26,837
Net cash provided (used) by capital and related financing activities	(144,160)	(15,556)	—	—	—	(2)	—	(8,355)	—	(53,810)	1,617	(220,266)
CASH FLOWS FROM INVESTING ACTIVITIES												
Proceeds from sales and maturities of investments	681,686	7,414	3,709	585	807	—	3,234	65,410	—	74,500	—	837,345
Interest and dividends on investments	86,073	3,802	138	25	34	—	410	(1,808)	—	3,146	(1,868)	89,952
Purchases of investments	(717,467)	(6,706)	(3,483)	(570)	(732)	—	(2,894)	(1,964)	—	(54,045)	2	(787,861)
Cash acquired from acquisition of Royal Blue Health and Insure Blue	—	—	—	—	—	—	—	—	—	44,975	—	44,975
Net cash provided (used) by investing activities	385,483	4,508	364	40	109	—	750	61,638	—	68,576	(1,866)	184,411
Net cash provided (used) by operating, investing and financing activities	1,108,077	128,648	218	—	131	1,245	3,485	16,723	298	5,961	—	1,264,786
CASH AND CASH EQUIVALENTS, beginning of year	\$ 1,493,560	\$ 141,240	\$ —	\$ —	\$ 182	\$ 1,306	\$ 1,529	\$ 28,091	\$ 561	\$ 112,412	\$ —	\$ 1,778,881

**UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
COMBINED STATEMENTS OF FIDUCIARY NET POSITION (in thousands)
JUNE 30, 2024 AND 2023**

	2024				2023			
	Pension Plan	OPEB Plan	LTD Plan	Total	Pension Plan	OPEB Plan	LTD Plan	Total
ASSETS								
Cash and cash equivalents	\$ 2,243	\$ 8,180	\$ 3,453	\$ 13,876	\$ 1,147	\$ 6,894	\$ 2,333	\$ 10,374
Accrued interest receivable	96	—	38	134	112	—	27	139
Investments	54,151	249,986	30,017	334,154	52,502	232,467	24,954	309,923
Total assets	<u>56,490</u>	<u>258,166</u>	<u>33,508</u>	<u>348,164</u>	<u>53,761</u>	<u>239,361</u>	<u>27,314</u>	<u>320,436</u>
LIABILITIES								
Accounts payable and accrued liabilities	—	—	—	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET POSITION								
Net position restricted for postemployment benefits	<u>\$ 56,490</u>	<u>\$ 258,166</u>	<u>\$ 33,508</u>	<u>\$ 348,164</u>	<u>\$ 53,761</u>	<u>\$ 239,361</u>	<u>\$ 27,314</u>	<u>\$ 320,436</u>

**UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
COMBINED STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION (in thousands)
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	2024				2023			
	Pension Plan	OPEB Plan	LTD Plan	Total	Pension Plan	OPEB Plan	LTD Plan	Total
Revenues								
Investment income:								
Interest and dividend income	\$ 1,413	\$ 3,619	\$ 1,056	\$ 6,088	\$ 203	\$ 2,933	\$ 843	\$ 3,979
Net appreciation (depreciation) in fair value of investments	4,474	17,519	2,688	24,681	(1,248)	14,754	2,191	15,697
Net investment gain (loss)	5,887	21,138	3,744	30,769	(1,045)	17,687	3,034	19,676
Contributions:								
University Beneficiaries	1,655	9,110	4,154	14,919	—	9,086	2,315	11,401
Total contributions	1,655	13,750	4,154	19,559	—	13,439	2,315	15,754
Total gains (losses)	7,542	34,888	7,898	50,328	(1,045)	31,126	5,349	35,430
Expenses								
Administrative expenses	422	2,342	69	2,833	6	2,066	56	2,128
Payments to retirees and beneficiaries	4,391	13,741	1,635	19,767	359	13,431	1,786	15,576
Total expenses	4,813	16,083	1,704	22,600	365	15,497	1,842	17,704
Special item - acquisition of Royal Blue Health fiduciary assets	—	—	—	—	55,171	—	—	55,171
INCREASE IN NET POSITION	2,729	18,805	6,194	27,728	53,761	15,629	3,507	72,897
NET POSITION restricted for the postemployment benefits, beginning of year	53,761	239,361	27,314	320,436	—	223,732	23,807	247,539
NET POSITION restricted for the postemployment benefits, end of year	<u>\$ 56,490</u>	<u>\$ 258,166</u>	<u>\$ 33,508</u>	<u>\$ 348,164</u>	<u>\$ 53,761</u>	<u>\$ 239,361</u>	<u>\$ 27,314</u>	<u>\$ 320,436</u>

UNIVERSITY OF KENTUCKY
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION

1. UNIVERSITY OF KENTUCKY NET PENSION LIABILITY AND RELATED RATIOS

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (in thousands) AND RELATED RATIOS

	2024	2023
Total pension liability		
Interest cost	\$ 3,228	\$ 3,285
Difference between expected and actual experience	516	—
Benefit payments	(4,391)	(4,318)
Net change in total pension liability	(647)	(1,033)
Total pension liability, beginning	63,688	—
Acquisition of Royal Blue Health	—	64,721
Total pension liability, ending	63,041	63,688
Plan fiduciary net position		
Contributions - employer	1,655	1,015
Net investment income	5,812	(13,255)
Benefit payments, including refunds of employee contributions	(4,391)	(4,318)
Administrative expense	(347)	(943)
Net change in plan fiduciary net position	2,729	(17,501)
Plan fiduciary net position, beginning	53,761	—
Acquisition of Royal Blue Health	—	71,262
Plan fiduciary net position, ending	56,490	53,761
Net pension liability, ending	<u>\$ 6,551</u>	<u>\$ 9,927</u>
Plan fiduciary net position as a percentage of total pension liability	89.6%	84.4%
Covered-employee payroll	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	0%	0%

Notes to schedule:

The Schedule of Changes in the Net Pension Liability and Related Ratios is presented as of the measurement date of the December 31 prior to the end of the fiscal year listed above. Ten years of data for the Pension Plan is required and will be added as information becomes available.

Change of assumptions and benefit terms:

2024: No assumption changes.

2023: The mortality table was updated to reflect the most recent publicly available, with mortality improvement projected generationally using scale Mortality Projection-2021.

SCHEDULE OF PENSION INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expenses
2024	11.3%
2023	(19.2%)

SCHEDULE OF PENSION CONTRIBUTIONS (in thousands)

	2024	2023
Actuarially determined contribution	\$ 1,655	\$ —
Contribution in relation to actuarially determined contribution	(1,655)	—
Contribution deficiency (excess)	\$ —	\$ —
Covered employee payroll	N/A	N/A
Contribution as a percentage of covered employee payroll	0%	0%

Notes to schedule:

Actuarially determined contributions rates are calculated as of December 31st, prior to the end of the fiscal year in which contributions are reported. Ten years of data for the Pension Plan is required and will be added as information becomes available.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	The actuarial cost method used was entry age normal level percentage of pay.
Amortization method	The amortization method was level dollar, closed (pursuant to ERISA minimum required contribution).
Remaining Amortization period	The remaining amortization period was 15 years for new gains/losses.
Asset valuation method	Three year smoothed market date.
Inflation	2.5%
Salary increases	N/A
Investment rate of return	The investment rate of return was 5.25%.
Retirement age	Age-specific rates starting at age 55 with 100% retirement at age 70.
Mortality	Pri-2012 employee and retiree tables, no collar. For surviving beneficiaries of deceased participants: Pri-2012 contingent survivor mortality table. All tables include generational projection based on SOA Scale Mortality Projection-2021.

2. UNIVERSITY OF KENTUCKY OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

SCHEDULES OF CHANGES IN THE NET OPEB LIABILITY (in thousands) AND RELATED RATIOS

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	\$ 1,700	\$ 2,036	\$ 1,973	\$ 2,593	\$ 2,668	\$ 3,953	\$ 3,710	\$ 4,356
Interest cost	19,070	19,784	18,924	23,185	21,888	29,225	28,053	28,667
Change of benefit terms	—	—	—	—	—	(58,343)	—	—
Differences between expected and actual experience	(467)	(6,961)	(1,187)	(21,244)	757	1,921	(1,071)	12,087
Changes of assumptions	—	(14,963)	798	(51,723)	870	(63,511)	(3,559)	(40,408)
Benefit payments	(9,101)	(9,078)	(9,136)	(8,872)	(8,736)	(10,824)	(12,620)	(11,889)
Net change in total OPEB liability	11,202	(9,182)	11,372	(56,061)	17,447	(97,579)	14,513	(7,187)
Total OPEB liability, beginning	257,031	266,213	254,841	310,902	293,455	391,034	376,521	383,708
Total OPEB liability, ending	268,233	257,031	266,213	254,841	310,902	293,455	391,034	376,521
Plan fiduciary net position								
Contributions - employer	9,110	9,086	9,143	13,245	14,292	18,804	20,013	23,987
Contributions - beneficiaries	4,640	4,353	4,238	3,951	3,719	4,379	4,945	5,500
Net investment income (loss)	21,138	17,687	(14,090)	58,787	(839)	9,367	8,989	12,508
Benefit payments	(13,741)	(13,431)	(13,374)	(12,823)	(12,454)	(15,203)	(17,565)	(17,389)
Administrative expense	(2,342)	(2,066)	(2,152)	(1,814)	(1,611)	(1,376)	(783)	(674)
Net change in Plan fiduciary net position	18,805	15,629	(16,235)	61,346	3,107	15,971	15,599	23,932
Plan fiduciary net position, beginning	239,361	223,732	239,967	178,621	175,514	159,543	143,944	120,012
Plan fiduciary net position, ending	258,166	239,361	223,732	239,967	178,621	175,514	159,543	143,944
Net OPEB liability, ending	<u>\$ 10,067</u>	<u>\$ 17,670</u>	<u>\$ 42,481</u>	<u>\$ 14,874</u>	<u>\$ 132,281</u>	<u>\$ 117,941</u>	<u>\$ 231,491</u>	<u>\$ 232,577</u>
Plan fiduciary net position as a percentage of OPEB liability	96.2%	93.1%	84.0%	94.2%	57.5%	59.8%	40.8%	38.2%
Covered employee payroll	\$ 574,460	\$ 533,743	\$ 545,798	\$ 544,901	\$ 563,859	\$ 459,655	\$ 480,320	\$ 494,158
Net OPEB liability as a percentage of covered employee payroll	1.8%	3.3%	7.8%	2.7%	23.5%	25.7%	48.2%	47.1%

Notes to schedule:

The Schedules of Changes in Net OPEB Liability and Related Ratios is presented as of the measurement date for the fiscal year. Ten years of data for the OPEB Plan is required and will be added as information becomes available.

Change of assumptions and benefit terms:

2024: No assumption changes.

2023: The health care trend rates have been updated to better anticipate future experience under the Plan.

2022: The mortality table was updated to the PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2021.

2021: The mortality table was updated to the PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2020; the health care trend rates have been updated to better anticipate future experience under the Plan.

2020: The mortality table was updated to the PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2019; the health care trend rates have been updated to better anticipate future experience under the Plan.

2019: The mortality table was updated to the PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2018; the health care trend rates have been updated to better anticipate future experience under the plan. Effective January 1, 2019, post retirement medical benefits for Medicare eligible retirees was updated from a self-insured retiree Medicare Carveout program with a deductible that is tied to the Medicare Part B deductible to a fully-insured Medicare Advantage Plan.

2018: The mortality table was updated to the aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2017.

2017: The mortality table was updated to the aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2016; the health care trend rates have been updated to better anticipate future experience under the plan.

SCHEDULE OF OPEB INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expenses
2024	9.0%
2023	7.9%
2022	(5.0%)
2021	27.8%
2020	(3.1%)
2019	5.5%
2018	6.5%
2017	10.3%

SCHEDULE OF OPEB CONTRIBUTIONS (in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 3,779	\$ 5,710	\$ 3,597	\$ 12,958	\$ 11,917	\$ 20,600	\$ 20,000	\$ 24,454
Contribution in relation to actuarially determined contribution	(9,110)	(9,086)	(9,143)	(13,245)	(14,292)	(18,804)	(20,013)	(23,987)
Contribution deficiency (excess)	<u>\$ (5,331)</u>	<u>\$ (3,376)</u>	<u>\$ (5,546)</u>	<u>\$ (287)</u>	<u>\$ (2,375)</u>	<u>\$ 1,796</u>	<u>\$ (13)</u>	<u>\$ 467</u>
Covered employee payroll	\$ 574,460	\$ 533,743	\$ 545,798	\$ 544,901	\$ 563,859	\$ 459,655	\$ 480,320	\$ 494,158
Contribution as a percentage of covered employee payroll	1.6%	1.7%	1.7%	2.4%	2.5%	4.1%	4.2%	4.9%

Notes to Schedule:

Funding policy contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. Ten years of data for the OPEB Plan is required and will be added as information becomes available.

Methods and assumptions used to determine contribution rates:

Funding policy	<p>For 2024, 2023, 2022, 2021 and 2020, funding contribution determined as the sum of estimated administrative expenses plus 30-year amortization of the initial unfunded present value of projected benefits and subsequent asset gains/losses and liability gains/losses.</p> <p>For 2019 and 2018, funding contribution was determined as the minimum of the 15-year amortization of unfunded present value of benefits and contribution limit of \$20.6 million and \$20.0 million, respectively, not less than \$250 thousand.</p> <p>For 2017, funding contribution was determined as the GASB 45 Annual Required Contribution, which equals the sum of projected unit credit normal cost plus 30-year amortization of initial unfunded accrued liability and subsequent asset gains/losses and liability gains/losses.</p>
Amortization	<p>For 2024, 2023, 2022, 2021 and 2020, the amortization period was a 30 year closed period.</p> <p>For 2019 and 2018, the amortization period was a 15 year open period.</p> <p>For 2017, the amortization period was a 30 year closed period.</p>
Present value of benefits	<p>Actuarial present value at the beginning of the fiscal year of the net post retirement benefits expected to be paid to all current plan participants calculated using a 7.5% interest rate.</p>
Health care trend rates	<p>For 2024, post-65 medical 5.0% increasing to 12.75% for 2025 and decreasing to an ultimate rate of 4.5% in 2032. Post-65 RX trend rate is 5.0% increasing to 12.75% for 2025 and decreasing to an ultimate rate of 4.5% in 2032. Pre-65 rate is 7.8% decreasing to an ultimate rate of 4.5% in 2032.</p> <p>For 2023, post-65 medical 9.2% for 2023 and decreasing to an ultimate rate of 4.5% in 2030. Post-65 RX trend rate is 5.0% decreasing to an ultimate rate of 4.5% in 2032. Pre-65 rate is 6.2% decreasing to an ultimate rate of 4.5% in 2030.</p> <p>For 2022, post-65 medical 9.6% for 2022 and decreasing to an ultimate rate of 4.5% in 2030. Post-65 RX trend rate is 9.6% decreasing to an ultimate rate of 4.5% in 2030. Pre-65 rate is 6.4% decreasing to an ultimate rate of 4.5% in 2030.</p>

For 2021, post-65 medical 1.1% increasing to 312.2% for 2021 followed by 75.7% in 2022 and decreasing to an ultimate rate of 4.5% in 2031. Post-65 RX trend rate is 6.2% decreasing to an ultimate rate of 4.5% in 2031. Pre-65 rate is 6.3% decreasing to an ultimate rate of 4.5% in 2031.

For 2020, post-65 medical 1.1% increasing to 312.2% in 2021 and decreasing to an ultimate rate of 4.5% in 2031. Post-65 RX trend rate is 6.4% decreasing to an ultimate rate of 4.5% in 2029. Pre-65 rate is 6.4% decreasing to an ultimate rate of 2.20% in 2029.

For 2019, post-65 medical 5%, Post-65 RX 10.0%, decreasing 0.5% per year to an ultimate rate of 5%. Pre-65 7.94%, decreasing .31% - .39% per year to an ultimate rate of 2.20% in 2022.

For 2018, post-65 medical 5%, Post-65 RX 10.5%, decreasing 0.5% per year to an ultimate rate of 5%. Pre-65 8.25%, decreasing .31% - .39% per year to an ultimate rate of 2.20% in 2022.

For 2017, post-65 medical 5% and post-65 prescription 10%, decreasing .5% per year to an ultimate rate of 5%. Pre-65 6.75%, decreasing .12% - 3.49% per year to an ultimate rate of 2.20% in 2024.

Salary scale	Three percent per year.
Retirement rates	Faculty from 0.00 to 1.00 from age 50 to 85; staff from 0.03 to 1.00 from age 50 to 85.
Discount rate and investment rate of return	7.5% based on the University's funding policy and the expected long-term return on the separate trust assets that will be used to finance the payment of plan benefits. The University has stated that its funding policy is to contribute an amount to a segregated and protected trust fund. The amount will be such that the assets available will always be sufficient to cover the expected benefit payments.
Mortality	<p>For 2023 and 2024, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2021.</p> <p>For 2022, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2020.</p> <p>For 2021, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2019.</p> <p>For 2020, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2018.</p> <p>For 2019, aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2017.</p> <p>For 2018, aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2016.</p> <p>For 2017, aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with fully generational projection from 2006 using scale Mortality Projection-2015.</p>
Disability	Gender and age-related disability incidence rates based on 1987 GLTD (six month elimination period).
Plan participation	80% elect coverage.
Dependent coverage	80% of active employees are assumed to be married at their retirement. 60% of those married retirees are assumed to have spousal coverage in effect upon death. Female spouses of male retirees are assumed to be three years younger than their husbands. Male spouses of female retirees are assumed to be three years older than their wives.

3. UNIVERSITY OF KENTUCKY LONG-TERM DISABILITY (LTD) PLAN

SCHEDULES OF CHANGES IN THE NET LTD LIABILITY (in thousands) AND RELATED RATIOS

	2024	2023	2022	2021	2020	2019	2018	2017
Total LTD liability								
Service cost	\$ 4,281	\$ 2,675	\$ 2,597	\$ 2,309	\$ 2,242	\$ 2,241	\$ 2,104	\$ 1,606
Interest cost	2,503	1,929	1,821	1,790	1,775	1,750	1,555	1,569
Differences between expected and actual experience	(2,713)	(5,383)	(927)	(2,058)	(2,140)	(1,782)	1,017	138
Changes of assumptions	—	9,710	1	1	(3)	(123)	(8)	1,042
Benefit payments	(1,635)	(1,786)	(2,033)	(1,666)	(1,748)	(1,684)	(1,931)	(1,763)
Net change in total LTD liability	2,436	7,145	1,459	376	126	402	2,737	2,592
Total LTD liability, beginning	35,025	27,880	26,421	26,045	25,919	25,517	22,780	20,188
Total LTD liability, ending	37,461	35,025	27,880	26,421	26,045	25,919	25,517	22,780
Plan fiduciary net position								
Contributions - employer	4,154	2,315	1,825	1,894	1,789	2,063	2,002	2,020
Net investment income	3,744	3,034	(4,121)	5,994	145	1,548	1,264	1,956
Benefit payments	(1,635)	(1,786)	(2,033)	(1,666)	(1,748)	(1,684)	(1,931)	(1,763)
Administrative expense	(69)	(56)	(81)	(71)	(64)	(64)	(38)	(61)
Net change in plan fiduciary net position	6,194	3,507	(4,410)	6,151	122	1,863	1,297	2,152
Plan fiduciary net position, beginning	27,314	23,807	28,217	22,066	21,944	20,081	18,784	16,632
Plan fiduciary net position, ending	33,508	27,314	23,807	28,217	22,066	21,944	20,081	18,784
Net LTD liability (asset), ending	\$ 3,953	\$ 7,711	\$ 4,073	\$ (1,796)	\$ 3,979	\$ 3,975	\$ 5,436	\$ 3,996
Plan fiduciary net position as a percentage of LTD liability	89.4%	78.0%	85.4%	106.8%	84.7%	84.7%	78.7%	82.5%
Covered-employee payroll	\$1,497,145	\$1,362,150	\$1,224,432	\$1,153,833	\$1,097,046	\$1,095,104	\$ 977,928	\$ 940,951
Net LTD liability as a percentage of covered-employee payroll	0.3%	0.6%	0.3%	(0.2)%	0.4%	0.4%	0.6%	0.4%

Notes to schedule:

The Schedules of Changes in the Net LTD Liability and Related Ratios is presented as of the measurement date for the fiscal year. Ten years of data for the LTD Plan is required and will be added as information becomes available.

Change of assumptions and benefit terms:

2024: No assumption changes.

2023: Active factors used to estimate Social Security offset for future disabled participants have been updated to better anticipate future experience under the Plan.

2022: The mortality table was updated to PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2021.

2021: The mortality table was updated to PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2020.

2020: The mortality table was updated to PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2019.

2019: The mortality table was updated to the PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2018.

2018: The mortality table was updated to the aggregate base rates for healthy lives from a Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2017.

2017: The mortality table was updated to the aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2016; the discount rate was updated from 7.5% to 6.5%.

SCHEDULE OF LTD INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expenses
2024	12.0%
2023	12.6%
2022	(15.4%)
2021	27.7%
2020	0.5%
2019	7.5%
2018	7.1%
2017	12.0%

SCHEDULE OF LTD CONTRIBUTIONS (in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 4,153	\$ 2,316	\$ 1,828	\$ 1,935	\$ 1,786	\$ 2,060	\$ 2,000	\$ 1,984
Contribution in relation to actuarially determined contribution	(4,154)	(2,315)	(1,825)	(1,894)	(1,789)	(2,063)	(2,002)	(2,020)
Contribution deficiency (excess)	<u>\$ (1)</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 41</u>	<u>\$ (3)</u>	<u>\$ (3)</u>	<u>\$ (2)</u>	<u>\$ (36)</u>
Covered employee payroll	\$1,497,145	\$1,362,150	\$1,224,432	\$1,153,833	\$1,097,046	\$1,095,104	\$ 977,928	\$ 940,951
Contribution as a percentage of covered employee payroll	0.3%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%

Notes to schedule:

Funding policy contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. Ten years of data for the LTD Plan is required and will be added as information becomes available.

Methods and assumptions used to determine contribution rates:

Funding policy	<p>For 2024, 2023, 2022, 2021 and 2020, funding contribution is determined as the sum of estimated administrative expenses plus 15-year amortization of the initial unfunded present value of projected benefits and subsequent asset gain/losses and liability gains/losses.</p> <p>For 2019 and 2018, funding contribution was determined as the minimum of the ten year amortization of unfunded present value of benefits and contribution limit of \$2.1 million and \$2.0 million, respectively, not less than \$250 thousand.</p> <p>For 2017, funding contribution was determined as the GASB 45 Annual Required Contribution, which equals the sum of projected unit credit normal cost plus 30-year amortization of initial unfunded accrued liability and subsequent asset gains/losses and liability gains/losses.</p>
Amortization	<p>For 2024, 2023, 2022, 2021 and 2020, the amortization period was a 15 year closed period.</p> <p>For 2019 and 2018, the amortization period was a 10 year open period.</p> <p>For 2017, the amortization period was a 30 year closed period.</p>
Present value of benefits	<p>Actuarial present value at the beginning of the fiscal year of the net post retirement benefits expected to be paid to all current plan participants calculated using an interest rate equal to the long-term expected return on plan assets (6.5% as of July 1, 2019).</p>
Plan Assets	<p>Market value of assets as of the beginning of the fiscal year.</p>
Discount rate and investment rate of return	<p>For 2024, 2023, 2022, 2021, 2020, 2019 and 2018, 6.5% based on the University's funding policy and the expected long-term return on the separate trust assets that will be used to finance the payment of plan benefits. The University has stated that its funding policy is to contribute an amount to a segregated and protected trust. The amount will be such that the assets available will always be sufficient to cover the expected benefit payments.</p> <p>For 2017, 7.5% based on the University's annual required contribution funding policy and the expected long-term return on the separate trust assets that were used to finance the payment of plan benefits.</p>
Elimination period	<p>Six months.</p>
Termination (mortality and recovery from disability)	<p>2012 Society of Actuaries group LTD table.</p>
Mortality (only for life insurance)	<p>Canadian Institute of Actuaries 1988-94 LTD Table.</p>
Retirement rates	<p>Faculty from 0.00 to 1.00 from age 50 to 85; staff from 0.03 to 1.00 from age 50 to 85.</p>
Mortality rates for actives	<p>For 2023 and 2024, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using Mortality Projection-2021.</p> <p>For 2022, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using Mortality Projection-2020.</p> <p>For 2021, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using Mortality Projection-2019.</p> <p>For 2020, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using Mortality Projection-2018.</p> <p>For 2019, aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2017.</p>

For 2018, aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2016.

For 2017, aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with fully generational projection from 2006 using scale Mortality Projection-2015.

Incidence of disability	Gender and age-related disability incidence rates based on 1987 Commissioner's group LTD table.
Duration of payment	Payments are assumed to be made until the later of: i) age 65; ii) five years after date of disability; or iii) 12 months after the valuation date.
LTD income benefit	
Disability benefit	Actual net benefit currently being paid (if currently disabled).
Social Security offset	Assume 90% of the members who have been disabled for less than 24 months and currently not entitled to a Social Security offset will immediately receive an offset.
Future salary increase for active members	Three percent per year.

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