

# 2012 Financial Statements



University of Kentucky  
A Component Unit of the Commonwealth of Kentucky  
Financial Statements  
Years Ended June 30, 2012 and 2011

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## MESSAGE FROM THE PRESIDENT



For nearly 150 years, the University of Kentucky has been committed to our founding covenant - the Kentucky Promise – which has guided our work of preparing students for lives of leadership, meaning and purpose; conducting groundbreaking research that advances science and discovery; and rendering dedicated service and life-saving patient care to the people of the Commonwealth.

This Promise - birthed in the midst of our country's darkest hours - has endured devastating global conflict, survived entrenched financial turmoil and adapted to the ever-changing world of higher education.

Today, our Promise is increasingly essential as economies, countries and industries manage seismic shifts and the globe grows more interdependent. The presence of a well-educated, world-ready workforce is no longer the luxury of industrialized nations; it is an imperative for all

countries – developed and developing – to prosper. It is within that framework that colleges and universities can, must and will lead as engines of prosperity - fundamental mechanisms of opportunity - benefiting the community, state and nation they serve.

To meet the call, the University of Kentucky has prepared an innovative blueprint - guided by the principles and goals of our 2009-2014 Strategic Plan and an ambitious statewide mandate to be one of the nation's premier research universities - that will position our institution to light the path toward a better future for the Commonwealth. Our course emphasizes the core priorities of education, research and service while encouraging creativity and maintaining quality and access.

We have made great strides because of the long-standing commitment of our devoted faculty and staff, the people who have inspired progress, sought knowledge and mentored young minds over the last century-and-a-half. We have begun seeing positive signs during the last fiscal year:

- At 28,094 students, UK broke its enrollment record for the second year in a row; and research and professional practice doctoral enrollment reached a new high of 4,234.
- The mean ACT Composite for the Fall 2011 first-year class increased to 25.4, and included 394 students from the Governor's School for the Arts/Governor's Scholars Program and 32 National Merit Scholars.
- In Fall 2011, minority and international student enrollment accounted for 17 percent of the total headcount with a record 1,499 African American students and 412 international undergraduate students.
- At 81.5 percent, UK achieved a first-to-second year retention rate greater than 80 percent for the fourth year in a row – an increase of almost five percent in recent years.
- In 2011-2012, UK awarded 5,853 degrees, including 888 research and professional doctorates.
- The University's new general education curriculum - UK Core - was fully

implemented and launched in Fall 2011. The Core is designed to prepare world-ready graduates with academic components in the arts, communications, quantitative reasoning and cultural immersion.

- UK completed a strong year in philanthropy, securing \$105.4 million in gifts and pledges from nearly 53,000 donors—an 8.1% increase in total gifts and pledges and a ten percent increase in our donor base.

Our achievement going forward – built on a foundation of financial responsibility and public accountability – will be undergirded by our ability to think imaginatively as we execute endeavors that support our core mission and values. Already, we have demonstrated innovation and determination in our ongoing effort:

UK began laying the groundwork for a new approach to our budgeting processes. We are creating a financial model of accountability that will allow deans and administrative leadership to implement long-term plans that will move their units forward. The goal is to encourage an entrepreneurial spirit that will empower decision-makers on the front lines with the tools necessary to act in the best interests of their units and core functions.

The University of Kentucky entered into a public/private partnership with Education Realty Trust (EdR) – the first of its kind in the nation – to initiate the renewal and construction of some 9,000 beds on our campus by 2018. EdR has put forward a 100 percent equity stake in this project, allowing UK to reserve university funds as part of a capital investment pool to rebuild our learning and research spaces.

Our investment in a modern campus environment - one that stimulates collaboration and creativity – will complement the benefits of direct student support, growth of quality academic programs, and efforts to expand access and ensure affordability.

Between 2008 and 2011, our instructional faculty ranks grew by more than nine percent, yielding an appropriately sized cadre of

exceptional teachers and researchers to successfully educate more students. Now, we must ensure that they - and our staff - are paid competitively. We are creating a five percent merit raise pool in 2013-2014 to reward our top-talent, thereby ensuring a quality experience for our students, patients and community partners. Growth in our scholarship offerings will award and support the academic development of our best and brightest. UK is investing \$10.3 million more in the coming year to maintain our current commitments and expand scholarships and financial aid to students. And we plan to hold tuition increases to three percent in 2013-14, a decision that signals our commitment to affordability.

By enhancing academic programs such as the Honors Program, we are better able to meet the needs of our top scholars. Close-knit learning environments allow for an opportunity to work alongside world-class faculty with the resources of a modern research university.

Going forward, we will continue to focus on our priorities and shared values. The University is putting forth considerable effort to restructure our operations and processes, so that we are prepared to lead as the Commonwealth's engine for growth through our three-fold mission of education, research and service.

These are times of opportunity for higher education. Colleges and universities are the economic engines of our country, the foundation of prosperity in our community and the greatest asset for long-term global competitiveness. Because of the lives we touch, the improved general welfare of our society and the betterment of our way of life, we will not step back from our obligation as the Commonwealth's flagship, land grant and research university.

We can, we must and we will honor the Kentucky Promise for another generation.



Eli Capilouto  
President

## Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees  
University of Kentucky  
Lexington, Kentucky

We have audited the accompanying basic financial statements of the University of Kentucky (University), a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Kentucky Medical Services Foundation, Inc. (KMSF), a blended component unit of the University, which statements reflect total assets of \$118,480,156 and \$110,370,427 as of June 30, 2012 and 2011, respectively, and total revenues of \$228,361,590 and \$210,443,090, respectively, for the years then ended. Those statements were audited by other accountants whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for KMSF, is based solely on the report of the other accountants.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of KMSF, which are included in the University's reporting entity, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other accountants, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and post-employment pension information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 auditing standards generally accepted in the United States of America, 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 audit 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, the statement of net assets schedule and statement of revenues, expenses and changes in net assets schedule and governing board and administrative staff listing, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other accountants, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. The board of directors listing and the message from the President as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*BKD, LLP*

September 28, 2012

# Management's Discussion and Analysis

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 years ended June 30, 2012 and June 30, 2011. 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 diversity, inclusion, economic development and human well-being.

**Vision.** The University of Kentucky will be one of the nation's 20 best public research universities.

**Values.** The University of Kentucky is guided by its core values:

- Integrity
- Excellence
- Mutual respect and human dignity
- Diversity and inclusion
- Academic freedom
- Shared governance
- Work-life sensitivity
- Civic engagement
- Social responsibility

**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 re-named 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 is mandated to become a major comprehensive research institution ranked nationally in the top twenty public universities by 2020.

At its December 2005 meeting, the UK Board of Trustees approved the ***Top 20 Business Plan***.

The University's ***Strategic Plan for 2009-2014*** was adopted by the UK Board of Trustees at its June 2009 meeting. The ***Strategic Plan*** is designed to measure the University's progress by establishing specific goals for

teaching, research and service at the department, college and university level. The Strategic Plan established five goals:

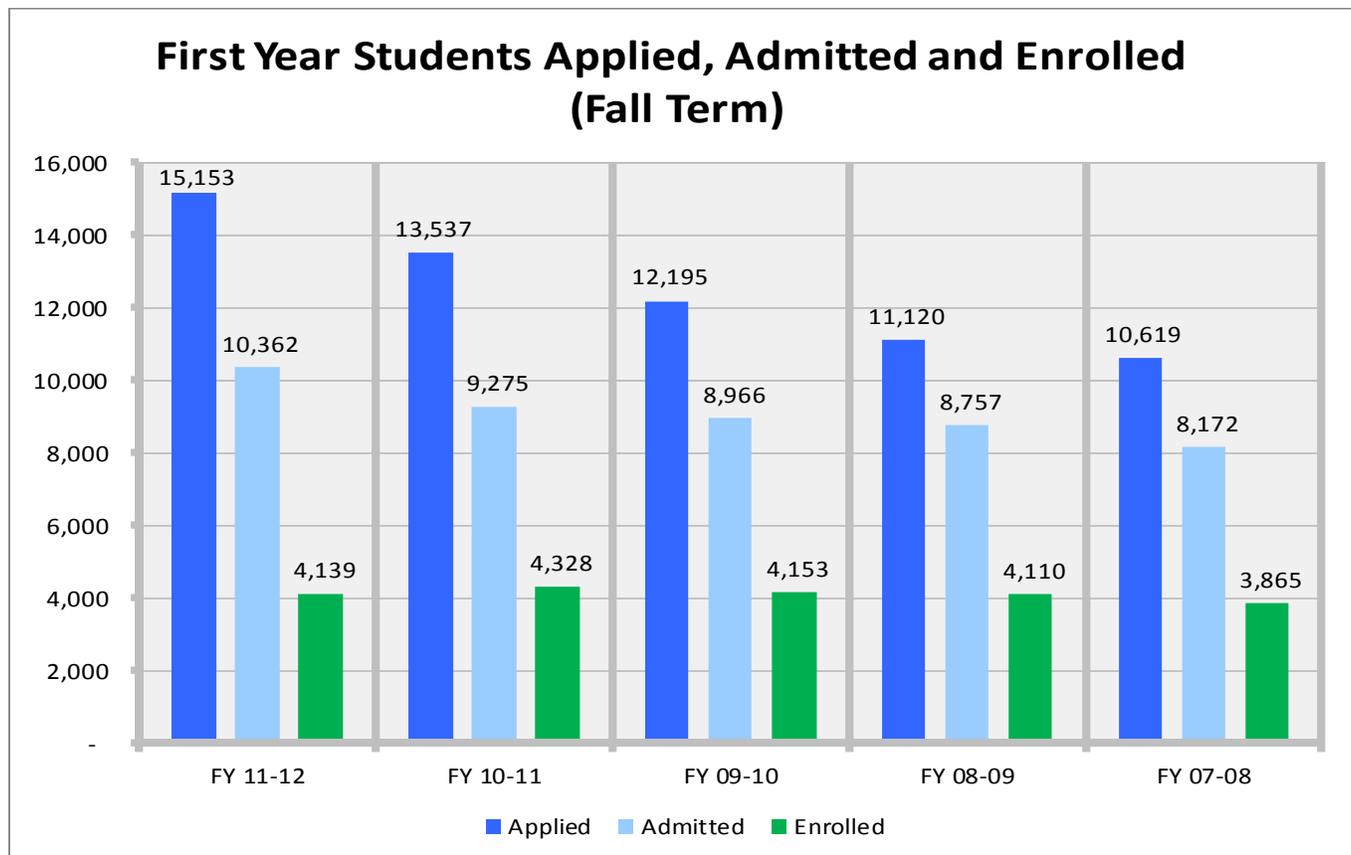
- Prepare Students for Leading Roles in an Innovation-driven Economy and Global Society
- Promote Research and Creative Work to Increase the Intellectual, Social, and Economic Capital of Kentucky and the World Beyond Its Borders
- Develop the Human and Physical Resources of the University to Achieve the Institution’s Top 20 Goals
- Promote Diversity and Inclusion
- Improve the Quality of Life of Kentuckians through Engagement, Outreach and Service

Today, the University of Kentucky continues to focus on the core academic mission of the institution and the original tenets of the Morrill Land-Grant Colleges Act (1862). For nearly 150 years, we have been a beacon for Kentucky, shining bright a path to prosperity and economic competitiveness. We remain steadfast in our covenant with the Commonwealth – our Kentucky Promise – to produce graduates prepared for a 21<sup>st</sup> century economy; to conduct research that extends the boundaries of scientific discovery; and to render service and patient care that uplifts our community and region.

The University of Kentucky is identified as a “Doctoral/Research University-Extensive” institution by the Carnegie Commission on Higher Education. There are 151 such institutions in the United States (out of approximately 3,600 colleges and universities).

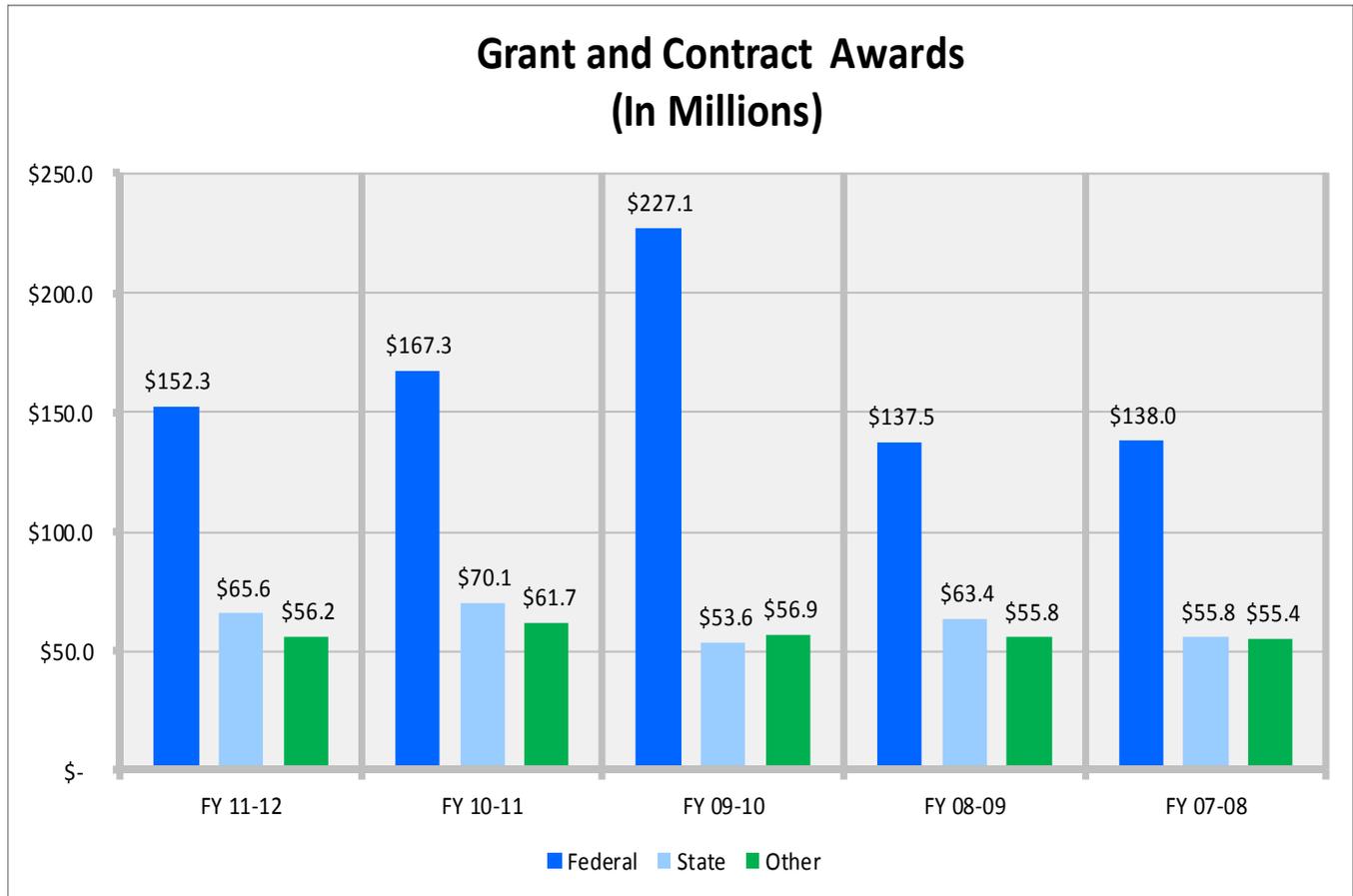
The University is accredited by the Commission on Colleges (CoC) of the Southern Association of Colleges and Schools (SACS). This has been re-affirmed at approximately 10-year intervals since 1915, with the next accreditation review scheduled to begin in 2012. In addition, several degree programs and individual units are accredited by agencies appropriate to specific professions or fields.

**Students.** In Fall 2011, the University of Kentucky had 28,094 undergraduate, graduate, and professional students. They represent all 120 Kentucky counties, every state in the U.S. and over 100 countries. Enrollment has increased over 3,300 students (13 percent) since Fall 2002.



**Programs.** The University offers over 200 majors and degree programs in 17 academic and professional colleges. UK is one of only seven public universities nationally to house colleges of Agriculture, Engineering, Medicine and Pharmacy on a single campus.

**Research.** Total research expenditures, as reported to the National Science Foundation (NSF), totaled \$373.0 million for fiscal year 2010-11, compared to \$360.0 million in 2009-10. Research awards received during fiscal year 2011-12 total \$274.1 million, an eight percent decrease over the prior year; primarily the result of the loss of American Recovery and Reinvestment Act awards.



**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; 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 operates two hospitals – Chandler and Good Samaritan – and is considered one of the finest academic medical centers in the U.S. The hospitals have a combined 791 licensed beds and have an average daily occupancy of 560.42 beds. On a monthly basis, the hospitals provide approximately: 1,100 inpatient surgeries, 1,200 outpatient surgeries, 28,300 radiology procedures, 29,900 outpatient services, 7,500 emergency department visits and 46,500 outpatient clinic visits at the hospitals and at clinics throughout the state.

In May 2011, the opening of the lobby, concourse, and two patient care floors of UK Albert B. Chandler Hospital’s new Pavilion A marked a historic milestone in achieving UK HealthCare’s mission of meeting the health care needs of Kentucky and beyond. Pavilion A is a facility of more than one million square feet, and is the cornerstone of a 20-year, \$2.5 billion plan to construct the Commonwealth Medical Campus of the Future. Ongoing Medical Campus construction continues in the Patient Care Facility with the addition of eight state-of-the-art operating rooms in January 2012 and a new data center in July 2012. These additions will provide unparalleled service to patients, staff and visitors of UK HealthCare.

**Libraries.** UK operates a nationally recognized research library system, with the capstone being the world-class William T. Young Library. UK's book endowment is the largest among public universities. Its library network and technology provide extraordinary service to students in the colleges of Medicine, Law, Engineering, Fine Arts and other programs. Meanwhile, students, faculty and Kentucky residents can use UK Libraries' advanced technology to access the most up-to-date information from online journals, government publications and private studies.

### **Financial Highlights**

The University's overall financial position remains fiscally sound with assets of \$3.76 billion and liabilities of \$1.08 billion as of June 30, 2012. Net assets, which represent the University's residual interest in assets after liabilities are deducted, were \$2.68 billion (71 percent of total assets.)

- Total assets decreased a \$16.6 million (less than one percent), primarily due to decreases in other long-term investments and cash and cash equivalents, offset by increases in net capital assets and accounts receivable.
- Total liabilities decreased \$60.8 million (five percent), primarily due to the payments of current year principal maturities on bonds and capital lease obligations and decreases in accounts payable and accrued liabilities.
- Total net assets increased \$44.2 million (two percent) from June 30, 2011 to June 30, 2012. Invested in capital assets, net of depreciation and related debt, increased \$80.7 million offset by a decrease in unrestricted net assets of \$29.5 million, and a decrease in restricted net assets of \$7.0 million largely due to investment losses on endowments.
- Operating revenues were \$1.98 billion and operating expenses were \$2.35 billion, resulting in a loss from operations of \$364.7 million. Nonoperating and other revenues, net of nonoperating expenses, were \$408.9 million, including \$297.6 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 Statement (GASB) 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:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

### **Reporting Entity**

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

- University of Kentucky Research Foundation, and its for-profit subsidiaries, Kentucky Technology, Inc. and Coldstream Laboratories, Inc.
- University of Kentucky Athletic Association
- The Fund for Advancement of Education and Research in the University of Kentucky Medical Center
- University of Kentucky Center on Aging Foundation, Inc.
- University of Kentucky Gluck Equine Research Foundation, Inc.
- University of Kentucky Humanities Foundation, Inc.
- University of Kentucky Mining Engineering Foundation, Inc.
- Central Kentucky Management Services, Inc.
- Kentucky Medical Services Foundation, Inc.
- Kentucky Healthcare Enterprises, Inc., a for-profit subsidiary.

## Statement of Net Assets

The Statement of Net Assets is the University's balance sheet. It reflects the total assets, liabilities and net assets (equity) of the University as of June 30, 2012, with comparative information as of June 30, 2011. 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 assets (i.e. the difference between total assets and total liabilities) are an important indicator of the University's current financial condition, while the change in net assets is an indicator of whether the overall financial position has improved or worsened during the year. Generally, assets and liabilities are reported using current values. A major exception is capital assets, which are stated at historical cost less accumulated depreciation. A summarized comparison of the University's assets, liabilities and net assets as of June 30, 2012; June 30, 2011; and June 30, 2010 follows:

### Condensed Statements of Net Assets (in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Current assets	\$ 578,460	\$ 560,062	\$ 712,530
Capital assets, net of depreciation	1,974,953	1,909,171	1,773,855
Other noncurrent assets	1,204,885	1,305,623	1,058,256
Total Assets	<u>3,758,298</u>	<u>3,774,856</u>	<u>3,544,641</u>
<b>LIABILITIES</b>			
Current liabilities	316,440	337,123	346,363
Noncurrent liabilities	765,471	805,572	808,301
Total Liabilities	<u>1,081,911</u>	<u>1,142,695</u>	<u>1,154,664</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,299,249	1,218,504	1,047,225
Restricted			
Nonexpendable	557,712	543,487	526,291
Expendable	242,157	263,424	201,624
Unrestricted	577,269	606,746	614,837
Total Net Assets	<u>\$ 2,676,387</u>	<u>\$ 2,632,161</u>	<u>\$ 2,389,977</u>

**Assets.** As of June 30, 2012, total assets amounted to \$3.76 billion. The largest asset class was investment in capital (net of depreciation) that totaled \$1.97 billion or 53 percent of total assets. Endowment investments were \$947.4 million, or 25 percent of total assets and cash and cash equivalents totaled \$334.7 million, or nine percent of total assets. During the year, total assets decreased by a net \$16.6 million primarily because of a decrease in cash and cash equivalents of \$45.1 million and other long-term investments of \$68.6 million offset by capital additions of buildings and equipment of \$65.8 million.

**Liabilities.** As of June 30, 2012, total liabilities amounted to \$1.08 billion. Bonds and notes payable, capital leases and other long-term obligations issued for educational buildings, housing, the UK HealthCare Hospital System, equipment and computer software totaled \$679.4 million, or 63 percent of total liabilities. During the year, total liabilities decreased by \$60.8 million as a result of principal payments on bonds and capital leases and refunding of bonds offset by the addition of new capital lease obligations, primarily for the patient care facility, and increases in other post employment benefit liabilities.

**Net Assets.** The University's equity of \$2.68 billion as of June 30, 2012 is reported on the Statement of Net Assets in four net asset categories: invested in capital assets, net of related debt, \$1.30 billion (49 percent); restricted-nonexpendable \$557.7 million (21 percent); restricted-expendable \$242.2 million (nine percent); and unrestricted \$577.3 million (21 percent).

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

Total net assets increased \$44.2 million during the year ended June 30, 2012. Invested in capital assets, net of related debt increased \$80.7 million due to the additions of capital assets and principal payments of capital debt. Restricted net assets decreased \$7.0 million principally as a result of loss on endowment investments due to a negative return on the endowment pool. Unrestricted net assets decreased \$29.5 million, primarily due to an increase in operating revenues of \$129.8 million offset by an increase in operating expenses of \$148.4 million. Additionally, the negative return on the endowment pool caused a decrease in quasi endowment net assets of \$6.6 million.

**2011 Versus 2010.** During the year ended June 30, 2011:

- Total assets increased by a net \$230.2 million primarily due to an increase in endowment investments of \$158.7 million because of favorable market conditions and an increase in capital additions of buildings and equipment of \$135.3 million.
- Liabilities decreased \$12.0 million primarily due to principal payments on bonds and capital leases offset by the addition of new bonds and capital lease obligations primarily for the patient care facility and increases in other post employment benefit liabilities.
- Total net assets increased \$242.2 million during the year ended June 30, 2011. Invested in capital assets, net of related debt, increased \$171.3 million due to the additions of capital assets and principal payments of capital debt. Restricted net assets increased \$79.0 million principally as a result of gains on endowment investments due to a positive return on the endowment pool. Unrestricted net assets decreased \$8.1 million including a \$71.6 million decrease in the UK HealthCare Hospital System and an increase of \$63.5 million in other University units and related organizations. UK HealthCare Hospital System's decrease in unrestricted assets is primarily the result of the use of unrestricted net assets for the construction of the new patient care facility.

### **Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets is the University's income statement. It details how net assets have changed during the year ended June 30, 2012, with comparative information for the year ended June 30, 2011. 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 assets appear on the Statement of Revenues, Expenses and Changes in Net Assets as revenues, expenses, gains or losses.

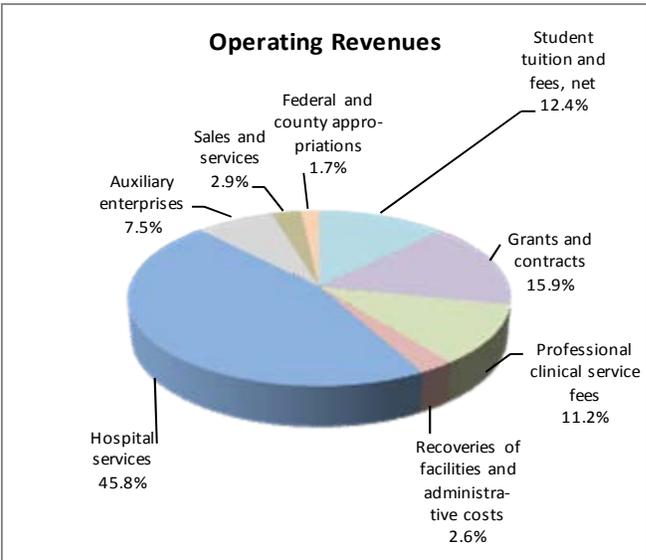
Financial activities are reported as either operating or nonoperating. GASB Statement No. 35 requires state appropriations, gifts, and investment and endowment income to be classified as nonoperating revenues. Accordingly, the University reports a net operating loss prior to the addition of nonoperating revenues. 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 assets for years ended June 30, 2012; June 30, 2011; and June 30, 2010 follows.

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

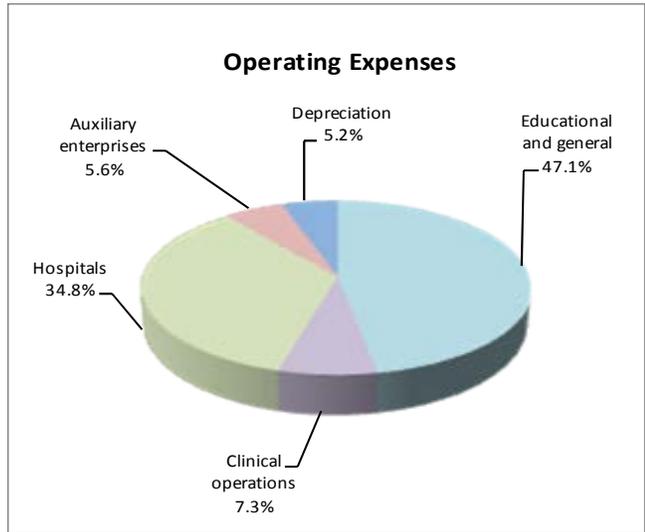
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>			
Student tuition and fees, net of scholarship allowances	\$ 244,682	\$ 222,904	\$ 206,054
Grants and contracts	314,671	352,450	294,294
Hospital services	906,607	794,085	782,677
Professional clinical service fees	220,633	202,767	194,401
Auxiliary enterprises, net of scholarship allowances	149,216	137,966	133,831
Recoveries of facilities and administrative costs	51,818	53,086	50,847
Sales and services	56,064	51,720	47,196
Federal and county appropriations	33,986	34,823	31,784
Other operating revenues	2,631	1,927	1,508
Total operating revenues	<u>1,980,308</u>	<u>1,851,728</u>	<u>1,742,592</u>
<b>OPERATING EXPENSES</b>			
Educational and general, excluding depreciation	1,104,079	1,091,531	1,035,165
Clinical operations, excluding depreciation	169,848	143,864	150,107
Hospital, excluding depreciation	816,657	721,832	702,029
Auxiliary enterprises, excluding depreciation	131,121	126,901	124,145
Depreciation	122,219	111,859	101,832
Other operating expenses	1,102	667	1,702
Total operating expenses	<u>2,345,026</u>	<u>2,196,654</u>	<u>2,114,980</u>
<b>NET LOSS FROM OPERATIONS</b>	<u>(364,718)</u>	<u>(344,926)</u>	<u>(372,388)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	297,580	296,472	294,137
State fiscal stabilization fund	-	17,224	21,067
Capital appropriations	-	12,477	11,450
Capital grants and gifts	40,022	29,337	42,992
Gifts and non-exchange grants	88,468	88,396	78,295
Investment income (loss)	(232)	147,940	95,428
Interest on capital asset-related debt	(32,151)	(22,550)	(19,024)
Additions to permanent endowments	11,581	16,338	21,062
Other, net	3,676	1,476	3,877
Total nonoperating revenues (expenses)	<u>408,944</u>	<u>587,110</u>	<u>549,284</u>
Total increase (decrease) in net assets	44,226	242,184	176,896
Net assets, beginning of year	2,632,161	2,389,977	2,213,081
Net assets, end of year	<u>\$ 2,676,387</u>	<u>\$ 2,632,161</u>	<u>\$ 2,389,977</u>

Total operating revenues were \$1.98 billion for the year ended June 30, 2012, an increase of \$128.6 million (seven percent). The primary components of operating revenues were student tuition and fees of \$244.7 million; grants, contracts and recoveries of facilities and administrative costs of \$366.5 million; hospital services of \$906.6 million; and professional clinical fee income of \$220.6 million.

The major increase was in hospital service revenue of \$112.5 million primarily caused by an increase in rates, the overall case mix and patient discharges. Other significant increases in operating revenues related to net student tuition and fees of \$21.8 million due to tuition and fee rate increases as well as increased enrollment; professional clinical service fees of \$17.9 million due to increased patient activity offset by declining reimbursements; auxiliary enterprises net of scholarship allowances of \$11.3 million and sales and services of \$4.3 million. Grants and contracts decreased \$37.8 million primarily resulting from decreases of state and local grants and contracts of \$30.9 million resulting from a decrease in professional supplemental payments and federal grants and contracts of \$7.8 million due to the reduction in funding from the American Recovery and Reinvestment Act of 2009.



Operating expenses totaled \$2.35 billion, an increase of \$148.4 million (seven percent). Of this amount, \$1.10 billion (excluding depreciation) was expended for educational and general programs, including instruction, research and public service. Hospital System expenses, excluding depreciation, amounted to \$816.7 million and clinical operations expenses, excluding depreciation, were \$169.8 million. Depreciation expense for the year amounted to \$122.2 million.



The most significant increase was in Hospital System expenses, excluding depreciation, of \$94.8 million primarily due to additional staffing and supplies required for increased patient activities as stated above. Clinical operations expenses, excluding depreciation, increased \$26.0 million due to increased patient activities. Instruction expenses increased primarily due to new faculty in the College of Arts and Sciences to support the University's General Education Reform and the College of Education to support growth in Science Technology Engineering and Mathematics education and Kinesiology. Depreciation expenses increased \$10.4 million due to the addition of capital assets, primarily the patient care facility.

The net loss from operations for the year was \$364.7 million. Nonoperating and other revenues, net of expenses, totaled \$408.9 million and included: state appropriations of \$297.6 million – an increase of \$1.1 million offset by a decrease of \$17.2 million in state fiscal stabilization funds; capital grants and gifts of \$40.0 million – an increase of \$10.7 million; gifts and non-exchange grants of \$88.5 million – an increase of \$72,000; and investment loss of \$232,000 – a decrease of \$148.2 million.

**2011 Versus 2010.** Total operating revenues were \$1.85 billion for the year ended June 30, 2011, including: student tuition and fees of \$222.9 million (12 percent); grants, contracts, and recoveries of facilities and administrative costs of \$405.5 million (22 percent); professional clinical service fees of \$202.8 million (11 percent); and hospital services of \$794.1 million (43 percent). Operating revenues for fiscal year 2011 increased \$109.1 million or six percent over fiscal year 2010, primarily due to increases in state and local grants and contracts of \$44.5 million resulting from an increase in professional supplemental payments from the state; student tuition and

fees of \$16.9 million due to tuition and fees rate increases as well as increased enrollment; federal grants of \$12.0 million resulting from the American Recovery and Reinvestment Act of 2009; hospital services revenue of \$11.4 million and professional clinical service fees of \$8.4 million due to fee schedule increases and volume.

Operating expenses totaled \$2.20 billion in fiscal year 2011. Of this amount, \$1.09 billion, excluding depreciation, or 50 percent was expended for educational and general programs, including instruction, research and public service. Hospital expenses, excluding depreciation, totaled \$721.8 million, (33 percent) of the total expenses, and clinical operations expenses, excluding depreciation, were \$143.9 million (seven percent). Depreciation amounted to \$111.9 million (five percent). Operating expenses for fiscal year 2011 increased \$81.7 million (four percent) over fiscal year 2010 primarily due to increases in public service of \$50.2 million primarily due to the increase in professional supplemental payments funding this category as stated above; hospital expenses, excluding depreciation, of \$19.8 million (three percent); instruction and research expenses of \$13.4 million (five percent) and \$7.0 million (three percent) respectively. Depreciation expense increased \$10.0 million (17 percent), due primarily to the addition of related capital assets.

The net loss from operations for the 2011 fiscal year totaled \$344.9 million. Nonoperating and other revenues, net of expenses, totaled \$587.1 million, resulting in an increase in net assets of \$242.2 million for the year. Nonoperating revenue included state appropriations of \$296.5 million, which increased \$2.3 million from June 30, 2010 to June 30, 2011.

### **Statement of Cash Flows**

The Statement of Cash Flows details how cash has increased or decreased during the fiscal year ended June 30, 2012, with comparative financial information for the fiscal year ended June 30, 2011. The sources and uses of cash are arranged in the following categories:

- Operating activities
- Noncapital financing activities
- Capital financing activities
- Investing activities

Cash flows associated with the University's expendable net assets appear in the operating and noncapital financing categories. Capital financing activities include payments for capital assets, proceeds from long-term debt, and debt repayments. Purchases and sales 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 and 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 years ended June 30, 2012; June 30, 2011; and June 30, 2010 follows:

**Condensed Statement of Cash Flows (in thousands)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>CASH PROVIDED (USED) BY:</b>			
Operating activities	\$ (286,354)	\$ (228,807)	\$ (257,232)
Noncapital financing activities	417,987	449,513	436,216
Capital and related financing activities	(253,701)	(255,258)	(191,256)
Investing activities	<u>77,005</u>	<u>(78,944)</u>	<u>64,000</u>
Net increase (decrease) in cash and cash equivalents	(45,063)	(113,496)	51,728
<b>Cash and cash equivalents, beginning of year</b>	<u>379,786</u>	<u>493,282</u>	<u>441,554</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 334,723</u></u>	<u><u>\$ 379,786</u></u>	<u><u>\$ 493,282</u></u>

The University's cash and cash equivalents decreased \$45.1 million in fiscal year 2012. Total cash provided by operating and noncapital financing activities was \$131.6 million, a decrease of \$89.1 million compared to fiscal year 2011. Total cash used by capital financing activities was \$253.7 million, reflecting both capital funding sources (debt proceeds) and uses (purchases of capital assets and debt service). Total cash provided by investing activities was \$77.0 million.

Major sources of cash received from operating activities were student tuition and fees of \$244.7 million; hospital services of \$865.8 million; grants, contracts, and recoveries of facilities and administrative costs of \$359.5 million; and professional clinical service fees of \$222.7 million. Major uses of cash for operating activities were payments to employees for salaries and benefits of \$1.46 billion and to vendors and contractors of \$719.4 million.

Noncapital financing activities include state appropriations from the Commonwealth of Kentucky of \$297.6 million; gifts of \$103.8 million and other noncapital financing receipts of \$16.3 million.

Capital and related financing activities include proceeds of capital debt of \$38.6 million and capital grants and gifts of \$35.1 million. Cash of \$201.2 million was expended for construction and acquisition of capital assets and \$90.7 million was expended for principal and interest payments on debt.

Investing activities include proceeds from sales and maturities of investments of \$570.7 million and interest and dividends on investments of \$23.0 million. Cash of \$516.7 million was used to purchase investments.

**2011 Versus 2010.** Cash balances are lower when comparing fiscal year 2011 to fiscal year 2010. The \$113.5 million net decrease in cash was created from less cash provided by noncapital and investing activities and more cash used for operating and capital related activities.

## Capital Asset and Debt Administration

### Capital Assets

Capital assets, net of accumulated depreciation, totaled \$1.97 billion at June 30, 2012, an increase of \$65.8 million. Capital assets as of June 30, 2012, 2011 and 2010, and significant changes in capital assets during the years ended June 30, 2011 and June 30, 2012 follow (in millions):

	Balance June 30, 2010	Net Additions FY 10-11	Balance June 30, 2011	Net Additions FY 11-12	Balance June 30, 2012
Land and land improvements	\$ 143	\$ 17	\$ 160	\$ 3	\$ 163
Buildings, fixed equipment and infrastructure	1,667	491	2,158	153	2,311
Equipment, vehicles and capitalized software	589	36	625	63	688
Library materials and art	155	-	155	3	158
Construction in progress	444	(324)	120	(62)	58
Accumulated depreciation	<u>(1,224)</u>	<u>(85)</u>	<u>(1,309)</u>	<u>(94)</u>	<u>(1,403)</u>
Total	<u>\$ 1,774</u>	<u>\$ 135</u>	<u>\$ 1,909</u>	<u>\$ 66</u>	<u>\$ 1,975</u>

At June 30, 2012, the University had capital construction projects in progress totaling approximately \$88.6 million in scope. Major projects include the continuing construction of the fit-up of the Pharmacy Building, Track and Field Facility renovation, Softball Complex renovation, Sanders-Brown Center on Aging fourth floor renovation, the Nicholasville Road flood mitigation project, and Student Center Upgrade. The estimated cost to complete the projects in progress is approximately \$30.4 million.

### Debt

At June 30, 2012, capital debt amounted to \$679.4 million, summarized by trust indenture and type as follows (in millions):

	2012	2011	2010
General Receipts bonds and notes	\$ 500	\$ 491	\$ 481
Consolidated Educational Buildings Revenue Bonds	42	83	94
Capital lease obligations	115	134	153
Notes payable	22	24	26
Total	<u>\$ 679</u>	<u>\$ 732</u>	<u>\$ 754</u>

Debt decreased \$52.6 million during the year primarily due to the principal payments of \$57.9 million for the University's debt obligations and bond refunding net decrease of \$6.4 million offset by capital lease additions of \$11.8 million.

## **Economic Factors That Will Affect the Future**

Executive management believes the University is well-positioned to maintain its strong financial condition and to continue providing excellent service to students, patients, the community and the citizens of the Commonwealth of Kentucky. The University's strong financial condition, as evidenced by the receipt of credit ratings of Aa2 and AA- from Moody's Investors Service and Standard & Poor's Ratings Services, respectively, will provide a high degree of flexibility in obtaining funds for future capital projects on competitive terms. This flexibility, along with ongoing efforts toward revenue diversification and cost containment, will enable the University to obtain the necessary resources to sustain excellence. The following are known facts and circumstances that will affect future financial results:

- The Commonwealth of Kentucky continues to suffer from fiscal stress related to the economic downturn, a growing pension liability, and continued reliance on one-time budget balancing measures. According to a recent report to the Governor's Blue Ribbon Commission on Tax Reform, Kentucky faces a structural deficit that could reach \$1 billion by 2020. The University's state support for fiscal years 2013 and 2014 is expected to be \$283.9 million, a decrease of \$13.7 million.
- Student demand is expected to remain high in the coming years. Even though tuition rates for fiscal year 2012-13 reflect a six percent increase, the University is expected to enroll the largest, most diverse and best prepared incoming freshmen class in the institution's history. Applications for the Fall 2012 incoming class increased over 24% to 18,802 as compared to the prior fall of 15,153. Preliminary numbers indicate that the fall 2012 entering freshmen class will total 4,645 students – an increase of 506 students, or 11%, compared to last fall. The tuition rate increases and projected enrollment are expected to generate additional operating revenues of at least \$24.2 million compared to the fiscal year 2011-12 original budget.
- As of June 30, 2012, grants and contracts of approximately \$191.5 million, a decrease of approximately \$200.0 million from the previous year, have been awarded to the University but not expended. The decline in available governmental awards will result in reduced grant revenue in future periods.
- In April 2012, the University entered into a contract with Education Realty Trust (EdR) for the first phase of a plan to improve, expand and manage all campus student housing. Construction of two four-story buildings, which will comprise a 600-bed living-learning community with classrooms and meeting space on the former site of Haggin Field began in Spring 2012. It is anticipated that the facilities will open in Fall 2013. Phase II-A of the housing plan is currently under consideration and includes five facilities with 2,305 beds which are expected to open in Fall 2014. The total plan includes increasing the current on-campus housing stock to 9,000 beds by 2017. This comprehensive public/private partnership with EdR, the first of its kind in the nation, will provide a substantial increase in the quantity and quality of student housing while allowing the University to reserve its debt capacity to rebuild learning and research spaces.
- The new Patient Care Facility, with an estimated construction cost of \$575.6 million, was initially authorized by the General Assembly and approved by the Board of Trustees in 2005. The emergency department, lobby, concourse and two patient floors opened in fiscal year 2010-11. In January 2012 eight operating rooms, a hybrid suite, and related post anesthesia and recovery unit, were completed. General Receipts notes and bonds in the amount of \$366.3 million have been issued for this project with the remainder of the funding provided by cash reserves and an internal loan from the University's operating funds. Planning for future fit up of shelled space in Pavilion A is ongoing.
- Healthcare reform has initiated significant changes to the United States healthcare system, including potential material changes to the delivery of healthcare services and the reimbursement paid for such services by governments or other third-party payers. The long-term impact is unknown, as the long period between passage and its implementation lends to some level of uncertainty. UK Healthcare will develop and execute strategies in an effort to mitigate the negative impacts and leverage opportunities.
- The University will continue its long-term endowment investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate programs funded by the endowment from temporary market volatility.

Economic challenges will continue to have an impact on the future. However, management believes the University of Kentucky will be able to sustain its sound financial position and continue its progress toward becoming one of America's Top 20 public research institutions.

UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
STATEMENTS OF NET ASSETS (in thousands)  
JUNE 30, 2012 AND 2011

	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 280,606	\$ 302,838
Notes, loans and accounts receivable, net	254,101	212,179
Investments	8,408	10,989
Inventories and other assets	35,345	34,056
Total current assets	<u>578,460</u>	<u>560,062</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	54,117	76,948
Endowment investments	947,383	952,248
Other long-term investments	144,019	212,592
Notes, loans and accounts receivable, net	41,048	44,104
Other noncurrent assets	18,318	19,731
Capital assets, net	1,974,953	1,909,171
Total noncurrent assets	<u>3,179,838</u>	<u>3,214,794</u>
Total assets	<u>3,758,298</u>	<u>3,774,856</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	177,645	190,296
Deferred revenue	62,852	68,625
Long-term liabilities - current portion	75,943	78,202
Total current liabilities	<u>316,440</u>	<u>337,123</u>
<b>Noncurrent Liabilities</b>		
Accounts payable and accrued liabilities	-	398
Long-term liabilities	765,471	805,174
Total noncurrent liabilities	<u>765,471</u>	<u>805,572</u>
Total liabilities	<u>1,081,911</u>	<u>1,142,695</u>
<b>NET ASSETS</b>		
<b>Invested in capital assets, net of related debt</b>	<u>1,299,249</u>	<u>1,218,504</u>
<b>Restricted</b>		
Nonexpendable		
Scholarships and fellowships	127,819	121,096
Research	261,843	257,830
Instruction	76,517	73,387
Academic support	83,549	83,388
Other	7,984	7,786
Total restricted nonexpendable	<u>557,712</u>	<u>543,487</u>
Expendable		
Scholarships and fellowships	46,172	54,513
Research	36,902	46,636
Instruction	36,138	40,468
Academic support	27,713	31,348
Loans	9,978	9,885
Capital projects	60,032	52,164
Debt service	4,120	5,859
Auxiliary	10,696	11,102
Other	10,406	11,449
Total restricted expendable	<u>242,157</u>	<u>263,424</u>
Total restricted	<u>799,869</u>	<u>806,911</u>
<b>Unrestricted</b>		
Total net assets	<u>\$ 2,676,387</u>	<u>\$ 2,632,161</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 ASSETS (in thousands)**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
<b>OPERATING REVENUES</b>		
Student tuition and fees	\$ 332,204	\$ 305,456
Less: Scholarship allowances	(87,522)	(82,552)
Net tuition and fees	244,682	222,904
Federal grants and contracts	178,465	186,307
State and local grants and contracts	107,176	138,089
Nongovernmental grants and contracts	29,030	28,054
Recoveries of facilities and administrative costs	51,818	53,086
Sales and services	56,064	51,720
Federal appropriations	16,529	16,606
County appropriations	17,457	18,217
Professional clinical service fees	220,633	202,767
Hospital services	906,607	794,085
Auxiliary enterprises:		
Housing and dining	54,386	50,654
Less: Scholarship allowances	(6,656)	(7,391)
Net housing and dining	47,730	43,263
Athletics	69,307	66,527
Other auxiliaries	32,179	28,176
Other operating revenues	2,631	1,927
Total operating revenues	1,980,308	1,851,728
<b>OPERATING EXPENSES</b>		
Educational and general:		
Instruction	271,757	264,953
Research	260,969	271,292
Public service	272,960	273,662
Libraries	20,170	19,917
Academic support	85,004	81,158
Student services	34,489	30,980
Institutional support	61,837	55,231
Operations and maintenance of plant	67,435	65,601
Student financial aid	29,458	28,737
Depreciation	71,112	69,802
Total educational and general	1,175,191	1,161,333
Clinical operations (including depreciation of \$1,816 in 2012 and \$2,412 in 2011)	171,664	146,276
Hospital and clinics (including depreciation of \$45,643 in 2012 and \$35,500 in 2011)	862,300	757,332
Auxiliary enterprises:		
Housing and dining (including depreciation of \$3,162 in 2012 and \$3,612 in 2011)	45,254	43,777
Athletics (including depreciation of \$486 in 2012 and \$533 in 2011)	70,180	65,986
Other auxiliaries	19,335	21,283
Other operating expenses	1,102	667
Total operating expenses	2,345,026	2,196,654
Net loss from operations	(364,718)	(344,926)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	297,580	296,472
State fiscal stabilization fund	-	17,224
Gifts and non-exchange grants	88,468	88,396
Investment income (loss)	(232)	147,940
Interest on capital asset-related debt	(32,151)	(22,550)
Other nonoperating revenues and expenses, net	7,654	7,152
Net nonoperating revenues (expenses)	361,319	534,634
Net income (loss) before other revenues, expenses, gains or losses	(3,399)	189,708
Capital appropriations	-	12,477
Capital grants and gifts	40,022	29,337
Additions to permanent endowments	11,581	16,338
Other, net	(3,978)	(5,676)
Total other revenues (expenses)	47,625	52,476
<b>INCREASE IN NET ASSETS</b>	44,226	242,184
<b>NET ASSETS, beginning of year</b>	2,632,161	2,389,977
<b>NET ASSETS, end of year</b>	\$ 2,676,387	\$ 2,632,161

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, 2012 AND 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 244,724	\$ 222,625
Grants and contracts	309,694	365,564
Recoveries of facilities and administrative costs	49,804	55,906
Sales and services	54,950	54,395
Federal appropriations	18,164	18,076
County appropriations	18,622	17,320
Payments to vendors and contractors	(719,376)	(677,925)
Student financial aid	(29,534)	(28,729)
Salaries, wages and benefits	(1,462,269)	(1,378,354)
Professional clinic service fees	222,721	200,401
Hospital services	865,793	793,157
Auxiliary enterprise receipts	146,504	135,628
Loans issued to students	(18,914)	(23,999)
Collection of loans to students	17,397	24,226
Self insurance receipts	41,852	62,505
Self insurance payments	(45,597)	(68,526)
Other operating receipts (payments), net	(889)	(1,077)
Net cash provided (used) by operating activities	<u>(286,354)</u>	<u>(228,807)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	297,580	296,472
State fiscal stabilization fund	-	17,224
Gifts and grants received for other than capital purposes:		
Gifts received for endowment purposes	11,581	16,338
Gifts received for other purposes	92,206	87,081
Agency and loan program receipts	198,305	186,472
Agency and loan program payments	(197,994)	(185,221)
Other noncapital financing receipts (payments), net	16,309	31,147
Net cash provided (used) by noncapital financing activities	<u>417,987</u>	<u>449,513</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital appropriations	-	12,476
Capital grants and gifts	35,051	32,167
Purchases of capital assets	(201,205)	(240,555)
Proceeds from capital debt	38,611	31,734
Payments to refunding bond agents	(33,115)	-
Proceeds from sales of capital assets	-	3
Principal paid on capital debt and leases	(57,476)	(59,447)
Interest paid on capital debt and leases	(33,270)	(33,964)
Other capital and related financing receipts (payments), net	(2,297)	2,328
Net cash provided (used) by capital and related financing activities	<u>(253,701)</u>	<u>(255,258)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	570,747	967,265
Interest and dividends on investments	22,955	8,183
Purchase of investments	(516,697)	(1,054,392)
Net cash provided (used) by investing activities	<u>77,005</u>	<u>(78,944)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(45,063)</u>	<u>(113,496)</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>379,786</u>	<u>493,282</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 334,723</u>	<u>\$ 379,786</u>
<b>Reconciliation of net loss from operations to net cash used by operating activities:</b>		
Net loss from operations	\$ (364,718)	\$ (344,926)
Adjustments to reconcile net loss from operations to net cash used by operating activities:		
Depreciation expense	122,219	111,859
Change in assets and liabilities:		
Notes, loans and accounts receivable, net	(42,652)	13,296
Inventories and other assets	373	(3,477)
Accounts payable and accrued liabilities	6,479	3,725
Deferred revenue	(5,773)	(2,748)
Long-term liabilities	(2,282)	(6,536)
<b>Net cash provided (used) by operating activities</b>	<u>\$ (286,354)</u>	<u>\$ (228,807)</u>

See notes to financial statements.

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**

**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 and is included in the basic financial statements of the Commonwealth. The financial statements of the University include the operations of the University, its for-profit subsidiary (Kentucky Healthcare Enterprises, Inc.) and its affiliated non-profit corporations (entities for which the University is financially accountable as defined by Statement No. 14 and amended by Statement No. 39 of the Governmental Accounting Standards Board (GASB), and which meet the definition of an affiliated corporation under Kentucky Revised Statutes (KRS) section 164A.550) as follows: the University of Kentucky Research Foundation and its for-profit subsidiaries (Kentucky Technology, Inc. and Coldstream Laboratories, Inc.); The Fund for Advancement of Education and Research in the University of Kentucky Medical Center; University of Kentucky Athletic Association; Central Kentucky Management Services, Inc.; University of Kentucky Mining Engineering Foundation, Inc.; University of Kentucky Gluck Equine Research Foundation, Inc.; University of Kentucky Humanities Foundation, Inc.; and University of Kentucky Center on Aging Foundation, Inc. The financial statements also include the operations of Kentucky Medical Services Foundation, Inc. (KMSF) a non-profit entity for which the University is financially accountable as defined by GASB, but which is not an affiliated corporation under KRS. The financial statements also include the operations of the UK HealthCare Hospital System (the System), an organizational unit of the University. The separate financial statements for the above entities can be found at: [www.uky.edu/evpfa/controller/finst](http://www.uky.edu/evpfa/controller/finst).

**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. 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 assets categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted: Nonexpendable – Net assets 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 assets 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 assets whose use by the University is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees 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, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

During the year ended June 30, 2012, the University adopted Statement of Governmental Accounting Standards Board (GASB) No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for business-type activities to apply post-November 30, 1989, FASB statements and interpretations that do not

conflict with or contradict GASB pronouncements. GASB No. 62 has been applied retrospectively and had no impact on the University's net assets, changes in net assets or financial reporting disclosures.

### **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. BTA's are those activities that are financed in whole or part by fees charged to external parties for goods and services.

Cash and Cash Equivalents. The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Noncurrent cash and cash equivalents include plant funds allocated for capital projects, debt service reserves 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.

Notes, Loans and Accounts Receivable. This classification consists of 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 sponsors for reimbursement of expenses made pursuant to contracts and grants, and pledges that are verifiable, measurable and expected to be collected. Accounts receivable 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 principally at the lower of average cost or market.

Pooled Endowment Funds. All endowments are managed in a consolidated investment pool, which consists of more than 2,000 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Commonwealth of Kentucky 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 utilizes a spending policy designed to smooth spending distributions and protect endowed programs from market volatility by calculating distributions based on a percentage of the average market value of the endowment over a specified period of time. The University has made expenditure decisions in accordance with the prevailing UPMIFA statute and donor gift agreements. UPMIFA allows institutions to appropriate for expenditure the amount of an endowment fund the institution deems is prudent based on a review of various factors set forth in the Act, subject to terms set forth in a gift agreement.

For the year ended June 30, 2012, the University's endowment standard spending rule provided for annual distributions of 4.25 percent of the sixty month moving average market value of fund units. In establishing the standard spending rule, the University balances the long-term expected return against the level of expenditures required to support the University's goals and objectives. In recognition of recent adverse market performance, reduced spending rules were established for certain endowments whose market value was less than the contributed value as of December 31, 2010.

For the year ended June 30, 2011, the University's endowment standard spending rule provided for annual distributions of 4.375 percent of the sixty month moving average market value of fund units.

The Investment Committee of the University's Board of Trustees has approved a standard spending rate distribution of 4.25% of a sixty month moving average market value of funds for the year ended June 30, 2013. Additionally, the Investment Committee has approved a standard management fee of 0.25 percent for the year ended June 30, 2013. However, for certain endowments whose market value was less than the contributed value as of December 31, 2011 reduced spending rules have been established and the funds will not be assessed a management fee.

The amount available for spending in accordance with the University's endowment spending policy was approximately \$18,007,000 and \$22,409,000 for the years ended June 2012 and 2011, respectively. Additionally, for the year ended June 30, 2012, the University assessed eligible endowment accounts with a management fee of 0.25 percent of total asset value. For the year ended June 30, 2011, the University assessed eligible endowment accounts with a management fee of 0.375 percent of total asset value.

Investments. Investments in marketable debt and equity securities are carried at fair value, as determined by the major securities markets. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets. Other investments, including guaranteed investment contracts, repurchase agreements and certificates of deposit are valued at face value and are fully collateralized.

The University's financial statements include alternative investments, such as limited partnerships, that are not publicly traded. Certain of these alternative investments are carried at their estimated fair values as of March 31, 2012 and 2011, as adjusted by cash receipts, cash disbursements, and securities distributions through June 30, 2012 and 2011, at a total estimated fair value of \$90,486,000 and \$57,612,000, respectively. In addition, the University also has alternative investments in investment funds that are not themselves publicly traded and thus do not have publicly reported market values, but whose underlying assets consist of publicly traded investments for which fair values are established by the major securities markets. Such alternative investments are carried at fair value of \$274,618,000 and \$278,409,000 at June 30, 2012 and 2011. The University believes that the total carrying amount of its alternative investments valued at \$406,715,000 and \$374,993,000 at June 30, 2012 and 2011 is a reasonable estimate of fair value. The University's outstanding commitment to alternative investments is \$141,265,000 and \$66,179,000 as of June 30, 2012 and 2011, respectively.

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

The University capitalizes interest costs as a component of construction in progress based on the interest cost of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing.

Equipment with a unit cost of \$2,000 or more (\$1,000 for computers) and having an estimated useful life of greater than one year is capitalized. Institutional software costing more than \$400,000 is capitalized. Renovations to buildings, infrastructure and land improvements 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 40 years for buildings, 10 – 25 years for land improvements, building improvements and infrastructure, 10 years for library books and capitalized software, and 5 – 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.

Deferred Revenue. Deferred revenue consists primarily of amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement. Deferred revenue also includes amounts received in advance of an event, such as advance athletic ticket sales relating to future fiscal years and unearned summer school revenue. Deferred 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, 2012 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 assets date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

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 and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal and state programs similar to Pell, 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 an allowance 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 nonacute 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 25 percent and 23 percent, respectively, of the System's net patient services revenues (before the provision for doubtful accounts) for the year ended June 30, 2012 and approximately 25 percent and 24 percent, respectively for the year ended June 30, 2011. 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.

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.

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.

Electronic Health Records Incentive Program. The Electronic Health Records Incentive Program, enacted as part of the American Recovery and Reinvestment Act of 2009, provides for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the hospital continuing to

meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The System recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In fiscal year 2012, the System completed the first-year requirement under the Medicare programs and recorded revenue of approximately \$2.0 million which is included in hospital services within operating revenues in the Statement of Revenues, Expenses, and Changes in Net Assets.

In fiscal year 2011, the System completed the first-year requirements under the Medicaid program and recorded revenue of approximately \$2.9 million, which is included in hospital services within operating revenues in the Statement of Revenues, Expenses, and Changes in Net Assets.

Income Taxes. The University is an agency and instrumentality of the Commonwealth of Kentucky, pursuant to Kentucky Revised Statutes 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 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 Internal Revenue Code section 501(c)(3). KMSF is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code.

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 on the Statement of Revenues, Expenses and Changes in Net Assets, 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 2012 and 2011, departmental research in nonsponsored accounts of \$67,382,000 and \$64,465,000, respectively, was recorded as research expense in the Statements of Revenues, Expenses and Changes in Net Assets.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use 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.

Recent Accounting Pronouncements. GASB has issued certain statements which are applicable to the University for fiscal years ending after June 30, 2012. The University does not expect the adoption of these statements to have a material effect on its financial statements.

## 2. DEPOSITS AND INVESTMENTS

The fair value of deposits and investments, by type, at June 30, 2012 and 2011 is as follows (in thousands):

	2012	2011
Deposits with banks and the Commonwealth of Kentucky	\$ 37,049	\$ 32,339
U.S. Treasury fixed income securities	12,171	13,999
Government agency fixed income securities	29,527	118,422
State and municipal fixed income securities	7,391	-
Common and preferred stocks	42,382	48,209
Pooled equity funds	361,994	368,030
Pooled private equity funds	71,791	46,228
Pooled absolute return funds	185,231	180,548
Pooled real return funds	89,387	97,861
Pooled real estate funds	62,006	52,245
Pooled fixed income funds	308,258	392,650
Corporate fixed income securities	28,913	22,122
Guaranteed investment contracts	762	323
Repurchase agreements	151,159	128,319
Certificates of deposit	27,450	19,245
Cash and cash equivalents	18,450	34,295
Other	612	780
Total	<u>\$ 1,434,533</u>	<u>\$ 1,555,615</u>

	2012	2011
Statement of Net Assets classification		
Cash and cash equivalents	\$ 280,606	\$ 302,838
Current investments	8,408	10,989
Restricted cash and cash equivalents	54,117	76,948
Endowment investments	947,383	952,248
Other long-term investments	144,019	212,592
Total	<u>\$ 1,434,533</u>	<u>\$ 1,555,615</u>

Alternative investments totaling \$406,715,000 are included within pooled private equity funds, pooled absolute return funds, pooled real return funds and pooled real estate funds in the summary schedule of investments above ( please refer to Note 1, Summary of Significant Accounting Policies, regarding valuation of alternative investments).

**Deposit and investment policies.** The University's Board of Trustees is responsible for establishing deposit and investment policies. Once established, the Board has delegated day-to-day management to the Vice President for Financial Operations and Treasurer of the University. Deposit and investment policies are developed to insure compliance with state laws and regulations as well as to establish and maintain sound financial management practices.

The University follows Kentucky Revised Statutes (KRS 42.500) for the investment of public funds, which list allowable investment instruments including: obligations of the United States or a United States government agency; obligations of any corporation of the United States government; collateralized certificates of deposit; highly rated uncollateralized certificates of deposit, bankers acceptances and commercial paper; highly rated securities issued by a state or local government; and mutual funds comprised of any of the above allowable investments.

For purposes of investment management, the majority of the University's deposits and investments can be grouped into five significant categories, as follows:

- Overnight investments include deposits, money markets and repurchase agreements with local banks, the Commonwealth of Kentucky and other financial institutions.
- Bond revenue fund investments held by the Treasurer of the Commonwealth of Kentucky as required by the University's bond trust indentures and invested in pooled fixed income funds managed by the Commonwealth of Kentucky.
- Short-term investments managed by the University, including individual securities purchased and held by the University and short-term investments in pooled fixed income funds managed by the Commonwealth of Kentucky.
- 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.

The Treasurer manages a short-term investment program of the University based on the Operating Fund Investment Policy. 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 University's Board of Trustees establishes and maintains the University's Endowment Investment Policy.

**Deposit and investment risks.** The University's deposits and investments are exposed to various risks, including credit, interest rate and foreign currency risk. 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 Net Assets.

**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 investment (deposits and repurchase agreements) policies minimize credit risk in several ways. Deposits are governed by state law which requires full collateralization for balances exceeding amounts covered by the Federal Deposit Insurance Corporation. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage for noninterest-bearing transaction accounts became effective on December 31, 2010 and terminates on December 31, 2012. The University's deposits are non-interest bearing and are fully insured by FDIC coverage. Credit risk on repurchase agreements with local banks is mitigated by the issuing financial institution's pledge of specific U.S. treasury or agency securities, held in the name of the University by the Federal Reserve Bank. Credit risk on repurchase agreements with the Commonwealth of Kentucky is mitigated by the Commonwealth's requirement that providers of overnight repurchase agreements collateralize these investments at 102 percent of face value with U.S. treasury or agency securities, pledged in the name of the Commonwealth. Money market fund portfolios consist of securities eligible for short-term investments.
- Bond revenue fund investments held in the Commonwealth's investment pools can invest in U.S. treasury and agency securities; commercial paper or asset-backed securities rated in the highest category by a nationally recognized rating agency; 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 rating agency; shares of mutual funds (up to ten percent); and state and local property tax certificates of delinquency secured by interests in real estate.
- Short-term investments managed by the University are limited to U.S. treasury securities; securities issued by U.S. government agencies or government sponsored entities; money market securities, including: commercial paper rated the highest by a nationally recognized rating agency, collateralized certificates of deposit, and bankers' acceptances for banks rated A or higher; repurchase and reverse repurchase agreements collateralized at 102 percent; municipal obligations rated A1 or higher; and money market mutual funds invested in any of the above noted security types. Short-term investments held in the

Commonwealth's investment pools are subject to the same credit quality requirements as denoted above for bond revenue fund investments.

- Investment securities held in bond 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. Additionally, endowment investments held by fixed income managers are generally limited to holdings of high quality fixed income securities. These managers may invest a portion of the portfolio in other below-investment grade bonds, non-U.S. dollar denominated bonds, and emerging market bonds, provided the overall credit quality of the fixed income portfolios is not lower than A-.

At June 30, 2012 and 2011, respectively, the credit quality of the University's fixed income investments is as follows (in thousands):

	2012								
	<u>S&amp;P/Moody's Credit Ratings</u>							Rating	Total
	AAA/Aaa	AA/Aa	A	BBB/Baa	BB/Ba	B	Not rated	Not Applicable	
U.S. treasury fixed income								\$ 12,171	\$ 12,171
Government agency fixed income	\$ 29,527							-	29,527
State and municipal fixed income	-	\$ 7,391						-	7,391
Pooled fixed income	-	-					\$ 308,258	-	308,258
Corporate fixed income	-	107	\$ 1,497	\$ 27,309			-	-	28,913
Guaranteed investment contracts	19	-	-	-			743	-	762
Repurchase agreements	-	-	-	-			151,159	-	151,159
Certificates of deposit	-	-	-	-			27,450	-	27,450
Cash and cash equivalents	672	-	-	-			17,778	-	18,450
Total fixed income investments	\$ 30,218	\$ 7,498	\$ 1,497	\$ 27,309	\$ -	\$ -	\$ 505,388	\$ 12,171	\$ 584,081

	2011								
	<u>S&amp;P/Moody's Credit Ratings</u>							Rating	Total
	AAA/Aaa	AA/Aa	A	BBB/Baa	BB/Ba	B	Not rated	Not Applicable	
U.S. treasury fixed income								\$ 13,999	\$ 13,999
Government agency fixed income	\$ 118,422							-	118,422
Pooled fixed income	936	\$ 565	\$ 79	\$ 145		\$ 738	\$ 390,187	-	392,650
Corporate fixed income	-	107	11,644	10,371		-	-	-	22,122
Guaranteed investment contracts	-	-	-	-		-	323	-	323
Repurchase agreements	-	-	-	-		-	128,319	-	128,319
Certificates of deposit	-	-	-	-		-	19,245	-	19,245
Cash and cash equivalents	3,511	-	-	-		-	30,784	-	34,295
Total fixed income investments	\$ 122,869	\$ 672	\$ 11,723	\$ 10,516	\$ -	\$ 738	\$ 568,858	\$ 13,999	\$ 729,375

**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 deposits and repurchase agreements are not exposed to custodial credit risk other than repurchase agreements with the Commonwealth of Kentucky, which are held in the Commonwealth's name. Money market investments are held in the University's name by the University's custodian.
- Bond revenue fund investments held in the Commonwealth's investment pools are held in the Commonwealth's name by the Commonwealth's custodian.

- Short-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 investments managed by the University are held in the University's name by the University's custodian.
- Investment securities held in bond debt service reserve funds are held by the respective bond trustee in a specific trust account for the benefit of the University and bondholders.
- Endowment investments are held in the University's name by the University's custodian.

At June 30, 2012 and 2011, respectively, the following University deposit and investment balances held in the name of the Commonwealth of Kentucky included in the above significant investment types, were exposed to custodial credit risk as follows (in thousands):

	2012					Total
	State Deposits	Overnight Investments	Bond Revenue Investments	Short-term Investments	Other State Investments	
Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name		\$ 168,000				\$ 168,000
Uninsured, not registered in the name of the University and held by the counterparty but not in the University's name		-	\$ 91,747	\$ 60,303	\$ 55,859	207,909
Total	\$ -	\$ 168,000	\$ 91,747	\$ 60,303	\$ 55,859	\$ 375,909

	2011					Total
	State Deposits	Overnight Investments	Bond Revenue Investments	Short-term Investments	Other State Investments	
Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name		\$ 112,000				\$ 112,000
Uninsured, not registered in the name of the University and held by the counterparty but not in the University's name		-	\$ 67,510	\$ 60,311	\$ 138,973	266,794
Total	\$ -	\$ 112,000	\$ 67,510	\$ 60,311	\$ 138,973	\$ 378,794

**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 deposits and repurchase agreements are not limited as to the maximum amount that may be invested in one issuer. However, all such deposits in excess of Federal Depository 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 investments and short-term 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 25 percent of an individual pool and \$25,000,000 per issuer, inclusive of commercial paper, bankers' acceptances and certificates of deposit; and U.S. dollar denominated sovereign debt shall not exceed five percent of any individual portfolio and \$25,000,000 per issuer.
- There is no specific limit on the maximum amount of short-term investments managed by the University that may be invested in one issuer, other than the requirement that the amount of money invested at any one time in commercial paper, bankers' acceptances and municipal obligations shall not exceed 20 percent.
- There is no specific limit on the maximum amount of investment securities held in bond 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.
- Endowment fixed income managers are limited to a maximum investment in any one issuer of no more than five percent of total investments.

At June 30, 2012 and 2011, the University has no investments in any one issuer, other than U.S. treasury and/or agency securities, that represent five percent or more of total investments.

**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, money markets and repurchase agreements have limited exposure to interest rate risk due to the short-term nature of the investment. The University requires that all deposits and repurchase agreements be available for use on the next business day.
- Bond revenue fund investments and short-term investments held in the Commonwealth's short-term investment pool are limited to a duration that does not exceed 90 days. Such investments in the Commonwealth's intermediate-term investment pool must maintain a modified duration of less than three years.
- Short-term investments managed by the University are generally limited to a maximum maturity of 24 months.
- Investment securities held in bond 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, endowment investments held by fixed income managers are limited to a duration that is within +/-25 percent of the duration of the Barclays Aggregate Bond Index.

For June 30, 2012 and 2011, respectively, below is the maturity distribution of the University's fixed income investments (in thousands):

<u>Investment Type</u>	2012						Total
	<u>Maturities in Years</u>					Managed based on duration	
	Less than 1	1-3	3-5	5-10	Greater than 10		
U.S. treasury fixed income	\$ 2,370	\$ 10	\$ 29	\$ 70		\$ 9,692	\$ 12,171
Government agency fixed income	5,319	-	15,032	211		8,965	29,527
State and municipal fixed income	-	-	7,232	159		-	7,391
Pooled fixed income	-	-	-	-		308,258	308,258
Corporate fixed income	154	555	895	-		27,309	28,913
Guaranteed investment contracts	100	-	185	458	\$ 19	-	762
Repurchase agreements	146,189	1,013	3,957	-	-	-	151,159
Certificates of deposit	27,450	-	-	-	-	-	27,450
Cash and cash equivalents	18,450	-	-	-	-	-	18,450
<b>Total fixed income investments</b>	<b>\$ 200,032</b>	<b>\$ 1,578</b>	<b>\$ 27,330</b>	<b>\$ 898</b>	<b>\$ 19</b>	<b>\$ 354,224</b>	<b>\$ 584,081</b>

<u>Investment Type</u>	2011						Total
	<u>Maturities in Years</u>					Managed based on duration	
	Less than 1	1-3	3-5	5-10	Greater than 10		
U.S. treasury fixed income	\$ 6,273	\$ 60	\$ 9	\$ 88		\$ 7,569	\$ 13,999
Government agency fixed income	40,053	60,644	360	277		17,088	118,422
Pooled fixed income	-	-	-	-		392,650	392,650
Corporate fixed income	-	316	1,151	-		20,655	22,122
Guaranteed investment contracts	-	100	223	-		-	323
Repurchase agreements	123,348	-	1,014	3,957		-	128,319
Certificates of deposit	19,245	-	-	-		-	19,245
Cash and cash equivalents	34,295	-	-	-		-	34,295
<b>Total fixed income investments</b>	<b>\$ 223,214</b>	<b>\$ 61,120</b>	<b>\$ 2,757</b>	<b>\$ 4,322</b>	<b>\$ -</b>	<b>\$ 437,962</b>	<b>\$ 729,375</b>

At June 30, 2012 and 2011, the University had the following investments managed based on duration (in thousands):

<u>Investment Type</u>	<u>2012</u>		<u>2011</u>	
	<u>Fair Value</u>	<u>Modified Duration (Years)</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
U.S. treasury fixed income securities				
Pooled endowment fund	\$ 9,692	7.4	\$ 7,569	7.1
Government agency fixed income securities				
Pooled endowment fund	8,965	4.2	17,088	4.1
Pooled fixed income funds				
Pooled endowment fund	98,191	2.4	123,393	4.4
Other endowment investments	2,091	5.3	2,463	5.5
Commonwealth of Kentucky short-term pool	144,579	0.2	191,276	0.1
Commonwealth of Kentucky intermediate pool	63,330	1.2	75,518	1.2
457 fund	32	5.1	-	-
KTI	35	4.5	-	-
Corporate fixed income securities				
Pooled endowment fund	<u>27,309</u>	3.7	<u>20,655</u>	3.3
Total	<u>\$ 354,224</u>		<u>\$ 437,962</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 endowment investments. 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, 2012 and 2011, the following investments were subject to foreign currency risk (in thousands):

<u>Endowment Investment</u>	<u>Fair Value</u>	
	<u>2012</u>	<u>2011</u>
Common stock	\$ 33,155	\$ 49,463
Pooled private equity funds	<u>7,262</u>	<u>7,165</u>
Total	<u>\$ 40,417</u>	<u>\$ 56,628</u>

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

Notes, loans and accounts receivable as of June 30, 2012 and 2011, respectively follows (in thousands):

	2012		
	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
Hospital patient accounts	\$ 150,051	\$ (34,786)	\$ 115,265
Hospital third-party payer settlements	30,136	-	30,136
KMSF patient accounts	28,632	(5,131)	23,501
Dentistry patient accounts	2,476	(621)	1,855
Student loans	27,076	(2,333)	24,743
Reimbursement receivable - grants and contracts	40,689	(403)	40,286
Reimbursement receivable - federal appropriations	1,607	-	1,607
Pledges receivable	46,289	(17,930)	28,359
Accrued interest receivable	1,326	-	1,326
Student receivables	17,635	(8,993)	8,642
Other	19,429	-	19,429
Total	<u>\$ 365,346</u>	<u>\$ (70,197)</u>	<u>\$ 295,149</u>
Current portion			\$ 254,101
Noncurrent portion			<u>41,048</u>
Total			<u>\$ 295,149</u>
	2011		
	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
Hospital patient accounts	\$ 116,674	\$ (23,779)	\$ 92,895
Hospital third-party payer settlements	12,310	-	12,310
KMSF patient accounts	22,237	(3,499)	18,738
Dentistry patient accounts	2,488	(731)	1,757
Student loans	25,572	(2,316)	23,256
Reimbursement receivable - grants and contracts	41,954	(638)	41,316
Reimbursement receivable - federal appropriations	1,454	-	1,454
Pledges receivable	49,979	(19,139)	30,840
Accrued interest receivable	2,543	-	2,543
Student receivables	16,329	(7,556)	8,773
Other	22,402	(1)	22,401
Total	<u>\$ 313,942</u>	<u>\$ (57,659)</u>	<u>\$ 256,283</u>
Current portion			\$ 212,179
Noncurrent portion			<u>44,104</u>
Total			<u>\$ 256,283</u>

#### 4. CAPITAL ASSETS, NET

Capital assets as of June 30, 2012 and capital asset activity for the year ended June 30, 2012 are summarized below (in thousands):

	June 30, 2011	Additions	Deletions	June 30, 2012
Land	\$ 64,676	\$ 80	\$ 1,090	\$ 63,666
Land improvements - nonexhaustible	36,216	1,231	-	37,447
Land improvements - exhaustible	59,270	2,572	-	61,842
Buildings	1,995,748	142,080	2,178	2,135,650
Fixed equipment - communications	74,957	8,982	-	83,939
Infrastructure	87,377	4,130	-	91,507
Equipment	500,450	73,671	32,629	541,492
Vehicles	20,838	2,011	2,218	20,631
Library materials	138,336	3,042	1,001	140,377
Nondepreciable library materials	6,578	23	-	6,601
Capitalized software	103,982	22,384	-	126,366
Art	10,501	490	-	10,991
Construction in progress	119,672	28,872	91,124	57,420
	<u>3,218,601</u>	<u>289,568</u>	<u>130,240</u>	<u>3,377,929</u>
<u>Accumulated Depreciation</u>				
Land improvements - exhaustible	49,141	1,851	-	50,992
Buildings	670,808	52,257	700	722,365
Fixed equipment - communications	42,956	4,580	-	47,536
Infrastructure	22,269	3,589	-	25,858
Equipment	336,959	45,977	25,769	357,167
Vehicles	17,603	1,527	2,204	16,926
Library materials	124,247	3,920	-	128,167
Capitalized software	45,447	8,518	-	53,965
	<u>1,309,430</u>	<u>122,219</u>	<u>28,673</u>	<u>1,402,976</u>
Capital assets, net	<u>\$ 1,909,171</u>	<u>\$ 167,349</u>	<u>\$ 101,567</u>	<u>\$ 1,974,953</u>

Capital assets as of June 30, 2011 and capital asset activity for the year ended June 30, 2011 are summarized below (in thousands):

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Land	\$ 63,883	\$ 2,942	\$ 2,149	\$ 64,676
Land improvements - nonexhaustible	24,906	11,310	-	36,216
Land improvements - exhaustible	54,546	4,724	-	59,270
Buildings	1,534,283	461,880	415	1,995,748
Fixed equipment - communications	65,131	9,826	-	74,957
Infrastructure	67,272	20,105	-	87,377
Equipment	472,093	61,053	32,696	500,450
Vehicles	20,955	1,480	1,597	20,838
Library materials	139,245	3,438	4,347	138,336
Nondepreciable library materials	6,536	42	-	6,578
Capitalized software	96,147	7,835	-	103,982
Art	9,531	970	-	10,501
Construction in progress	443,562	44,421	368,311	119,672
	<u>2,998,090</u>	<u>630,026</u>	<u>409,515</u>	<u>3,218,601</u>
<u>Accumulated Depreciation</u>				
Land improvements - exhaustible	47,629	1,512	-	49,141
Buildings	626,409	44,451	52	670,808
Fixed equipment - communications	38,957	3,999	-	42,956
Infrastructure	19,015	3,254	-	22,269
Equipment	319,045	42,984	25,070	336,959
Vehicles	17,575	1,570	1,542	17,603
Library materials	118,653	5,594	-	124,247
Capitalized software	36,952	8,495	-	45,447
	<u>1,224,235</u>	<u>111,859</u>	<u>26,664</u>	<u>1,309,430</u>
Capital assets, net	<u>\$ 1,773,855</u>	<u>\$ 518,167</u>	<u>\$ 382,851</u>	<u>\$ 1,909,171</u>

At June 30, 2012, the University had construction projects in progress totaling approximately \$88.6 million in scope. The estimated cost to complete these projects was approximately \$30.4 million. Such construction was principally financed by cash reserves, proceeds from the University's general receipts bonds, and capital appropriations and grants from the Commonwealth of Kentucky.

Interest costs incurred during construction, net of related investment income, are capitalized. Total interest capitalized was \$562,000 for 2012 and \$10,146,000 for 2011.

During fiscal year 2012 and 2011, the University utilized capital leases to acquire various items of equipment. As of June 30, 2012 and 2011, the net book value of land, buildings, equipment and software acquired through capital lease included in the above schedules totaled \$160.1 million and \$164.6 million, respectively.

Non-cash capital asset and related financing activities are summarized below (in thousands):

	<u>2012</u>	<u>2011</u>
Capital lease additions	\$ 2,113	\$ 8,553
Gifts of capital assets	3,817	3,373
Capital asset additions in accounts payable	9,944	28,617
Capitalized interest, net of investment income	562	10,146
Amortized bond discount, premium and cost of issuance	713	386
Capital asset disposal, net	4,917	11,372
Capital asset trade in	4,337	1,594
Total	<u>\$ 26,403</u>	<u>\$ 64,041</u>

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2012 and 2011, respectively, follow (in thousands):

	<u>2012</u>	<u>2011</u>
Payable to vendors and contractors	\$ 87,174	\$ 98,545
Accrued expenses, including vacation and sick leave	45,060	62,368
Employee withholdings and deposits payable to third parties	45,411	29,781
Total	<u>\$ 177,645</u>	<u>\$ 190,694</u>
Current portion	\$ 177,645	\$ 190,296
Noncurrent portion	-	398
Total	<u>\$ 177,645</u>	<u>\$ 190,694</u>

## 6. DEFERRED REVENUE

Deferred revenue as of June 30, 2012 and 2011, respectively, follows (in thousands):

	<u>2012</u>	<u>2011</u>
Unearned summer school revenue	\$ 7,249	\$ 7,409
Unearned hospital revenue	6,583	6,670
Unearned grants and contracts revenue	30,837	36,282
Prepaid athletic ticket sales	11,644	13,797
Other	6,539	4,467
Total	<u>\$ 62,852</u>	<u>\$ 68,625</u>

## 7. LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2012 and long-term liability activity for the year ended June 30, 2012 are summarized below (in thousands):

	June 30, 2011	Additions	Reductions	June 30, 2012	Current Portion	Non-Current Portion
<u>Bonds, notes and capital leases</u>						
General receipts notes	\$ 308,305		\$ 13,775	\$ 294,530	\$ 14,355	\$ 280,175
General receipts bonds	183,010	\$ 25,370	3,290	205,090	5,795	199,295
Educational buildings bonds	82,760	-	40,360	42,400	4,440	37,960
Capital leases and other long-term obligations	133,892	11,863	30,931	114,824	31,161	83,663
Notes payable	23,983	-	1,405	22,578	1,921	20,657
Total bonds, notes and capital leases	<u>731,950</u>	<u>37,233</u>	<u>89,761</u>	<u>679,422</u>	<u>57,672</u>	<u>621,750</u>
<u>Other liabilities</u>						
Medical malpractice	28,855	2,081	5,162	25,774	2,734	23,040
Long-term disability	410	-	408	2	2	-
Annuities payable	5,212	103	515	4,800	439	4,361
Health insurance	6,451	34,795	35,346	5,900	5,900	-
Automobile and property self insurance	116	316	116	316	316	-
Retiree health benefits trust	48,597	9,276	151	57,722	-	57,722
Federal loan programs	21,425	465	768	21,122	-	21,122
Workers compensation	21,000	4,601	4,556	21,045	5,332	15,713
Compensated absences	6,500	1,155	-	7,655	517	7,138
Arbitrage rebate	2	375	2	375	375	-
Unamortized bond premium	9,269	4,253	986	12,536	986	11,550
Unemployment compensation	639	804	773	670	670	-
Other	2,950	4,053	2,928	4,075	1,000	3,075
Total other liabilities	<u>151,426</u>	<u>62,277</u>	<u>51,711</u>	<u>161,992</u>	<u>18,271</u>	<u>143,721</u>
Total	<u>\$ 883,376</u>	<u>\$ 99,510</u>	<u>\$ 141,472</u>	<u>\$ 841,414</u>	<u>\$ 75,943</u>	<u>\$ 765,471</u>

Long-term liabilities as of June 30, 2011, and long-term liability activity for the year ended June 30, 2011, are summarized as follows (in thousands):

	June 30, 2010	Additions	Reductions	June 30, 2011	Current Portion	Non-Current Portion
<u>Bonds, notes and capital leases</u>						
General receipts notes	\$ 321,050		\$ 12,745	\$ 308,305	\$ 13,775	\$ 294,530
General receipts bonds	160,515	\$ 25,325	2,830	183,010	3,290	179,720
Educational buildings bonds	93,595	-	10,835	82,760	8,545	74,215
Capital leases and other long-term obligations	153,159	13,873	33,140	133,892	29,986	103,906
Notes payable	25,856	600	2,473	23,983	2,105	21,878
Total bonds, notes and capital leases	<u>754,175</u>	<u>39,798</u>	<u>62,023</u>	<u>731,950</u>	<u>57,701</u>	<u>674,249</u>
<u>Other liabilities</u>						
Medical malpractice	31,674	22,314	25,133	28,855	5,353	23,502
Long-term disability	411	-	1	410	410	-
Annuities payable	4,869	343	-	5,212	511	4,701
Health insurance	10,096	34,141	37,786	6,451	6,451	-
Retiree health liability	358	-	358	-	-	-
Automobile and property self insurance	1,088	-	972	116	116	-
Retiree health benefits trust	26,638	21,959	-	48,597	-	48,597
Federal loan programs	21,777	497	849	21,425	-	21,425
Workers compensation	20,400	4,901	4,301	21,000	5,899	15,101
Compensated absences	5,329	1,171	-	6,500	491	6,009
Arbitrage rebate	330	208	536	2	-	2
Unamortized bond premium	9,797	104	632	9,269	631	8,638
Unemployment compensation	507	922	790	639	639	-
Other	642	2,950	642	2,950	-	2,950
Total other liabilities	<u>133,916</u>	<u>89,510</u>	<u>72,000</u>	<u>151,426</u>	<u>20,501</u>	<u>130,925</u>
Total	<u>\$ 888,091</u>	<u>\$ 129,308</u>	<u>\$ 134,023</u>	<u>\$ 883,376</u>	<u>\$ 78,202</u>	<u>\$ 805,174</u>

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 5.0 percent to 10.8 percent.

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

Bonds payable consist of general receipts bonds, general receipts notes and Consolidated Educational Building Revenue bonds (CEBRB) in the original amount of \$687,275,000 dated May 1, 2001 through June 26, 2012, which bear interest at 1.50 percent to 4.66 percent. The bonds are payable in annual installments through November 1, 2039. 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. Capital leases are due in periodic installments through November 20, 2028 and bear interest at 1.43 percent to 4.45 percent.

The indenture agreements require that certain funds be established with the trustee and with the Commonwealth of Kentucky. In addition, CEBRB bonds require a debt service reserve equal to the highest annual aggregate debt service payment due during the remaining lives of the bonds. Currently this amount is \$7,168,000.

On June 26, 2012, \$25,370,000 of University Kentucky General Receipts Bonds Series 2012A were issued at a net interest cost of 2.48%, representing a full refunding of CEBRB Series S and T bonds. These bonds were sold with a delivery date of June 26, 2012 and will reduce the University's total debt service payments over the

next 12 years by approximately \$6,262,000, representing an economic gain (difference between the present value of the debt service payments on the old and the new bonds) of approximately \$5,507,000.

Principal maturities and interest on bonds, notes and capital leases for the next five fiscal years and in subsequent five-year fiscal periods as of June 30, 2012, are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 57,672	\$ 29,982	\$ 87,654
2014	46,070	27,846	73,916
2015	41,985	26,126	68,111
2016	37,267	24,520	61,787
2017	54,892	22,757	77,649
2018-2022	181,966	86,377	268,343
2023-2027	168,060	44,376	212,436
2028-2032	46,915	16,485	63,400
2033-2037	26,305	9,072	35,377
2038-2040	18,290	1,590	19,880
Total	<u>\$ 679,422</u>	<u>\$ 289,131</u>	<u>\$ 968,553</u>

At June 30, 2012, assets with a fair market value of approximately \$80,698,000 have been placed on deposit with trustees to totally defease bonds with a par amount of \$77,410,000. The liability for these fully defeased bonds is not included in the financial statements.

#### 8. COMPONENTS OF RESTRICTED EXPENDABLE NET ASSETS

Restricted expendable net assets are 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, 2012 and June 30, 2011, respectively, restricted expendable net assets were composed of the following (in thousands):

	<u>2012</u>	<u>2011</u>
Appreciation (depreciation) on permanent endowments	\$ 38,637	\$ 57,949
Term endowments	6,209	6,439
Quasi-endowments initially funded with restricted assets	40,560	42,094
Funds restricted for capital projects and debt service	64,152	58,023
Funds restricted for noncapital purposes	82,621	89,034
Loan funds (primarily University funds required for federal match)	9,978	9,885
Total	<u>\$ 242,157</u>	<u>\$ 263,424</u>

## 9. DESIGNATIONS OF UNRESTRICTED NET ASSETS

Unrestricted net assets are designated for specific purposes by action of the Board of Trustees or management or may otherwise be limited by contractual agreements. Commitments for the use of unrestricted net assets as of June 30, 2012 and June 30, 2011, respectively, are as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Working capital requirements	\$ 35,130	\$ 75,768
Budget appropriations for future year fiscal operations	125,007	121,379
Designated for capital projects	43,696	26,917
Designated for renewal and replacement of capital assets	19,380	17,730
Hospital System	260,108	269,428
Affiliated corporations and component units	<u>93,948</u>	<u>95,524</u>
Total	<u>\$ 577,269</u>	<u>\$ 606,746</u>

## 10. PLEDGED REVENUES

Under the University's General Receipts Trust Indenture, substantially all of the unrestricted operating and nonoperating revenues of the University are pledged to secure the payment of debt. For the years ended June 30, 2012 and June 30, 2011, respectively, pledged revenues are as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Student tuition and fees	\$ 244,682	\$ 222,904
Nongovernmental grants and contracts	985	1,334
Recoveries of facilities and administrative costs	51,818	53,086
Sales and services	40,741	39,126
Hospital services	906,607	794,085
Auxiliary enterprises - housing and dining	47,730	43,263
Auxiliary enterprises - other	32,179	28,176
Other operating revenue	976	1,036
State appropriations	297,580	296,472
Gifts and grants	5,012	4,543
Investment income	<u>2,441</u>	<u>4,778</u>
	<u>\$ 1,630,751</u>	<u>\$ 1,488,803</u>

## 11. INVESTMENT INCOME

Components of investment income (loss) for the years ended June 30, 2012 and June 30, 2011 are as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Interest and dividends earned on endowment investments	\$ 15,632	\$ 6,159
Realized and unrealized gains and losses on endowment investments	(21,606)	135,405
Interest and dividends on cash and non-endowment investments	2,688	1,737
Realized and unrealized gains and losses on non-endowment investments	1,498	2,955
Investment income from external trusts	<u>1,556</u>	<u>1,684</u>
Total	<u>\$ (232)</u>	<u>\$ 147,940</u>

## 12. FUNDS HELD IN TRUST BY OTHERS

The University is the income beneficiary of various trusts that are held and controlled by external trustees. For the years ended June 30, 2012 and 2011, the University received income from these trusts of approximately \$1,556,000 and \$1,684,000, respectively. The market value of the external trust assets as of June 30, 2012 and June 30, 2011 was approximately \$49,652,000 and \$52,639,000, 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.

## 13. PLEDGES AND DEFERRED GIFTS

At June 30, 2012, pledges are expected to be collected primarily over the next ten years, as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Operating purposes	\$ 10,950	\$ 12,588
Capital projects	<u>50,947</u>	<u>43,108</u>
Total	61,897	55,696
Less discounts and allowances	<u>(33,538)</u>	<u>(24,856)</u>
Total	<u>\$ 28,359</u>	<u>\$ 30,840</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 years ended June 30, 2012 and 2011, the University recorded the discounted value of operating and capital pledges using a rate of three percent and four percent, respectively.

Deferred gifts through insurance, known bequests and irrevocable trusts in which the University has a remainder interest are estimated to be approximately \$106,247,000 at June 30, 2012. The University records these amounts as revenue when the cash is received.

#### 14. GRANTS AND CONTRACTS AWARDED

At June 30, 2012, grants and contracts of approximately \$191,499,000 have been awarded to the University and the University of Kentucky Research Foundation, but not expended. These amounts will be recognized in future periods.

#### 15. PENSION PLANS

Regular full-time employees, including faculty, are participants in the University of Kentucky Retirement Plan, a defined contribution plan. The University of Kentucky Retirement 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 University of Kentucky Retirement 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 ten percent 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/College Retirement Equities Fund (TIAA/CREF)
- Fidelity Investments Institutional Services Company

Under the fully funded University of Kentucky Retirement 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 five years. The University's contributions and costs for 2012 and 2011 were approximately \$86,212,000 and \$75,288,000, respectively. Employees contributed approximately \$42,653,000 in 2012 and \$37,184,000 in 2011. The University's total payroll costs were approximately \$1,103,624,000 and \$1,046,451,000, respectively, for the years ended June 30, 2012 and 2011. The payroll for employees covered by the retirement plan was approximately \$862,116,000 and \$752,881,000 for the years ended 2012 and 2011, respectively.

In addition to retirement benefits provided from the group retirement plan, the University provides supplemental retirement income benefits to certain eligible employees in each of the retirement groups (see Note 16).

#### 16. MINIMUM ANNUAL RETIREMENT BENEFITS AND SUPPLEMENTAL RETIREMENT INCOME

Employees in retirement groups I, II and III, referred to in Note 15 above, who were age 40 or older prior to the date of establishment of each group plan, and who were employed by the University prior to that date, qualify for the minimum annual retirement benefit provisions of the retirement plan. Benefits for these eligible

employees are based upon a percentage, determined through years of service, of the participant's annual salary in the last year of employment prior to retirement. Retirement benefits as determined are funded by each individual retiree's accumulation in the group retirement plan, with the balance, if necessary, provided by the University as supplemental retirement income. No active employees were eligible for this benefit for the years ended June 30, 2012 and 2011.

The Legislature of the Commonwealth of Kentucky appropriates funds to the University which the University has used for payment of supplemental retirement income benefits since adoption of the group retirement plans, and is expected to continue this practice. However, the Constitution of the Commonwealth of Kentucky prohibits the commitment of future revenues beyond the end of the current biennium. The University does not recognize the liability for supplemental retirement income benefits during the service life of covered employees, but recognizes its costs when funds are appropriated by the Legislature and payments are made. The University intends to continue paying supplemental retirement income benefits. Supplemental retirement benefit payments were approximately \$1,943,000 and \$2,136,000 for the years ended June 30, 2012 and 2011, respectively.

The latest actuarial valuation was prepared as of July 1, 2012, by TIAA CREF. The actuarial present value of accumulated supplemental retirement income benefits as determined by this valuation, utilizing an assumed rate of return of seven percent, was approximately \$8,188,000.

## **17. HEALTH INSURANCE BENEFITS FOR RETIREES**

The University administers a single-employer defined benefit healthcare plan including medical and prescription drug benefits. The plan provides lifetime healthcare 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 healthcare plan on an "access only" basis upon retirement, but must pay 100 percent 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. Human Resources Policies and Procedures define retiree health benefits and can be amended by the President of the University as delegated by the University's Board of Trustees. Employees who were hired before August 1, 1965 are also eligible for \$5,000 of life insurance coverage upon retirement.

The retiree health plan does not issue a publicly available financial report, but is included in this report of the University using the economic resources measurement focus and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measureable. Investments are reported at fair market value and based on published prices and quotations from major investment brokers at current exchange rates, as available.

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 percent 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 percent of the "true retiree" cost of the post-65 medical plan. For fiscal year 2012, the University contributed \$19.4 million to the plan. Plan members receiving benefits contributed 26.5 percent of the premium costs, an average for combined single and family coverage. In fiscal year 2012, total member contributions were approximately \$3.7 million.

The University has established a trust fund to segregate plan assets, and currently plans to contribute amounts to the trust fund sufficient to fully fund the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The University plans to continue to finance retiree benefits by pre-funding benefits and contributing the ARC into a segregated, protected trust fund and will amortize the initial unfunded accrued liability (UAL) over a thirty-year closed period. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The

current ARC of \$19.8 million is 3.5 percent of annual covered payroll. There are no long-term contracts for contributions to the plan.

The following table presents the other postemployment benefits (OPEB) cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2012 (in thousands):

Annual required contribution	\$ 19,798
Contributions made	<u>(19,447)</u>
Increase in net OPEB obligation/(asset)	351
Net OPEB obligation/(asset) - Beginning of year	<u>(508)</u>
Net OPEB obligation/(asset) - End of year	<u>\$ (157)</u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2012, 2011 and 2010, were as follows (in thousands):

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2010	\$ 23,300	96.9%	\$ 354
6/30/2011	\$ 23,999	103.6%	\$ (508)
6/30/2012	\$ 19,798	98.2%	\$ (157)

As of July 1, 2012, the actuarial accrued liability (AAL) for benefits was \$239.1 million, with an actuarial value of assets of \$57.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$181.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$560.1 million and the ratio of the UAAL to the covered payroll was 32.4 percent at June 30, 2012. The University implemented the University of Kentucky Other Postemployment Benefits (OPEB) Trust in July 2007, after the July 1, 2007 actuarial valuation date. As of June 30, 2012, net trust fund assets totaled \$57.7 million.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The projection of benefits for financial reporting purposes is based on the substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects for legal or contractual funding limitations on the pattern of cost sharing between the employer and plan member in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an eight percent discount rate based on the University's funding policy (ARC funding) based on the expected long-term return on the separate trust assets that will be used to finance the payment of plan benefits. The projected annual healthcare trend rate is nine percent for the pre-65 members and eight percent for the post-65 members initially, reduced in decrements to an ultimate rate of six percent after seven years and three percent for pre-65 members and five percent for post 65 members after nine years. The expected long-term payroll growth rate was assumed to be three percent per year. The initial UAAL is being amortized as a level percent of pay amount on a closed basis. The remaining amortization period at July 2011 was 26 years.

## 18. LONG-TERM DISABILITY BENEFIT PLAN

The University is self insured for a long-term disability income program and has established a trust for the purpose of paying claims and establishing necessary reserves. Regular employees with a full-time equivalent of .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 percent 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 percent of their basic salary for the first six months and 60 percent thereafter. Benefits end when 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 ten percent of pre-disability salary per year for applications filed on or after October 1, 2006 and 15 percent of pre-disability salary per year for applications filed before October 1, 2006.

The long-term disability plan does not issue a publicly available financial report, but is included in this report of the University using the economic resources measurement focus and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned and become measurable. Investments are reported at fair market value and based on published prices and quotations from major investment brokers at current exchange rates, as available. The coverage of the long-term disability benefits is established and may be amended by the President of the University.

The University currently plans to contribute amounts to the trust fund sufficient to fully fund the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The University plans to continue to finance long-term disabilities by pre-funding benefits and contributing to the ARC into a segregated, protected trust fund and will amortize the initial unfunded accrued liability (UAL) over a thirty year closed period. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of \$2.0 million is 0.4 percent of annual covered payroll. There are no long-term contracts for contributions to the plan. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2012 (in thousands):

Annual required contribution	\$ 1,953
Contributions made	<u>(2,361)</u>
Increase in net OPEB obligation/(asset)	(408)
Net OPEB obligation/(asset) - Beginning of year	<u>410</u>
Net OPEB obligation/(asset) - End of year	<u><u>\$ 2</u></u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2012, 2011 and 2010 were as follows (in thousands):

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2010	\$ 2,759	85.8%	\$ 400
6/30/2011	\$ 2,842	99.7%	\$ 410
6/30/2012	\$ 1,953	120.9%	\$ 2

As of July 1, 2012, the actuarial accrued liability (AAL) for benefits was \$20.9 million and the actuarial value of assets was \$11.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$9.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$532.3 million and the ratio of the UAAL to the covered payroll was 1.7 percent at June 30, 2012.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Major factors affecting all long-term disability benefits are the rate at which people become disabled and how quickly they are expected to recover from disability. These rates will improve or deteriorate over time, for example with the state of the economy, with technological development and health related events. Other factors that could also impact the liability include salary inflation, changes in utilization patterns, changes to government programs and technological advances, such as new drugs or equipment. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The projection of benefits for financial reporting purposes is based on the substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an eight percent discount rate based on the University's funding policy (ARC funding) based on the expected long-term return on the separate trust assets that will be used to finance the payment of plan benefits. The projected elimination period is six months; termination (mortality and recovery from disability) and gender and age-related disability incidence rates are based on the 1987 Commissioner's Group Long-Term Disability Table. Benefits end when members recover, die, terminate employment or retire. For long-term disabilities arising at age 64 or later, the duration of LTD payments is limited to 12 months. Payments are assumed to be made until the later of (a) age 65 or (b) five years after date of disability. An employee approved for LTD benefits receives primary and supplemental payment benefits based on the employee's basic regular monthly salary at the time of 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 other employers 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, workers' compensation or other similar government programs, veterans' or other governmental disability payments, or other employer-sponsored disability benefits.

The University provides supplemental payment benefits for 42 months following the date of disability onset based on the following schedule (*for current LTD participants OR employees approved for LTD benefits prior to October 1, 2006*):

Months	Percentage of Salary
1-6	100%
7-18	90%
19-30	80%
31-42	70%
43-End of Benefit	60%

Claimants that file applications and who are approved for benefits on October 1, 2006 or after will have benefits based on the following schedule:

Months	Percentage of Salary
1-6	100%
7-End of Benefit	60%

The projected long-term income benefit is based on actual net benefit currently being paid with social security offset. For people who have been disabled for less than 24 months and are currently not entitled to a social security offset, it was assumed that the offset will eventually be approved according to the following table:

Months Since Disability	Proportion
<12	5%
12-17	40%
18-23	40%
24+	80%

The future salary increase for active members was assumed to be three percent per year. The UAAL is being amortized as a level percent of pay amount on a closed basis. The remaining amortization period at July 1, 2011 was 26 years.

## 19. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and 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 Fund), (2) Sovereign Immunity and the State Board of Claims, or (3) in the case of risks not covered by the Fund and Sovereign Immunity, commercial insurance, participation in insurance risk retention groups or self-insurance.

The Fund covers losses to property from fire, wind, earthquake, flood and most other causes of loss between \$250,000 and \$500,000 per occurrence. Losses in excess of \$500,000 are insured by commercial carriers up to \$1.00 billion per occurrence with buildings insured at replacement cost and contents on an actual cash value basis. As a state agency, the University is vested with Sovereign Immunity and is subject to the provisions of the Board of Claims Act, under which the University's liability for certain negligence claims is limited to \$200,000 for any one person or \$350,000 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 2011 to 2012. 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 of Kentucky. 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 six percent. The

malpractice liability as of June 30, 2011 is based on the requirements of GASB Statement No. 10, 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, 2012.

The University also self-insures certain employee benefits, including health insurance, worker's compensation and unemployment claims to the extent not covered by insurance. The University has recorded an estimate for asserted claims at June 30, 2012.

## 20. 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.

## 21. 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 the Bill, include support of efforts by the University of Kentucky to attain status as a top-20 public research university. The RCTF Endowment Match Program provides state funds on a dollar-for-dollar 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 2008-2010 budget of the Commonwealth, the 2008 General Assembly authorized \$50 million in General Fund supported bonds in 2008-2009 for the Research Challenge Trust Fund (RCTF) to support the Endowment Match Program and a newly created Research Capital Match Program. In accordance with KRS 164.7917, these funds were allocated two-thirds to the University of Kentucky (\$33.3 million) and one-third to the University of Louisville (\$16.7 million). At its June 9, 2009 Board Meeting, the University of Kentucky Board of Trustees approved the allocation of UK's Research Challenge Trust Fund appropriation as follows: \$21,927,000 to the Research Capital Match Program and \$11,406,000 to the Endowment Match Program.

The status of the RCTF endowed funds as of June 30, 2012, is summarized as follows (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	\$ 255
2008 Biennium: Capital Projects	21,927	21,927	21,927	3,644
2008 Biennium: RCTF	28,073	11,406	11,406	1,518
Total	<u>\$ 350,000</u>	<u>\$ 235,524</u>	<u>\$ 235,524</u>	<u>\$ 5,417</u>

Interest income of approximately \$2.2 million earned on the state matching funds is included in the University's share of the 2000 biennium funding.

The University expects to fully realize all outstanding matching pledges; however, it may 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 with other eligible gifts.

A payment schedule of the outstanding pledges is shown below (in thousands):

	2002 Biennium	2008 Biennium: Capital Projects	2008 Biennium: RCTF
Pledges due in fiscal year 2012 or prior	\$ 255	\$ 234	\$ 68
Pledges due in fiscal year 2013	-	1,769	557
Pledges due in fiscal year 2014	-	1,641	578
Pledges due in fiscal year 2015	-	-	315
Total	<u>\$ 255</u>	<u>\$ 3,644</u>	<u>\$ 1,518</u>

## 22. CANCER RESEARCH MATCHING FUND

The Kentucky General Assembly created the Cancer Research Institutions Matching Fund, which is funded by a one-cent surtax levied on each 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, 2012 and June 30, 2011, respectively, follows (in thousands):

	2012	2011
Funds from private sources approved for match	\$ 3,789	\$ 1,835
Cigarette excise tax funds distributed	2,275	2,172
Total cancer research matching fund revenues	<u>\$ 6,064</u>	<u>\$ 4,007</u>
Cancer research matching fund expenses	<u>\$ 7,111</u>	<u>\$ 7,758</u>

## 23. STUDENT HOUSING PARTNERSHIP

### Phase I:

The University has signed an agreement with a third party developer, Education Realty Trust (EdR), to construct two four-story buildings, which will comprise a 600-bed living-learning community with classrooms and meeting space on the former site of Haggin Field. The project, which is estimated to cost \$28.6 million, is on land owned by the University and leased to EdR 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 EdR 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 current net book value or \$10. Ground rent will be equal to at least ten percent of gross revenues, with the potential for additional increments if additional beds are contracted with EdR and when EdR's internal rate of return is greater than nine percent in a given year. The University will account for the ground lease as an operating lease. The new housing facility is expected to open for the Fall 2013 semester.

### Phase II:

Phase II of the proposed housing plan includes multiple projects to occur between October 2012 and July 2015. The University has received authorization from the Kentucky legislature of \$175 million for the new projects, which the Commonwealth must approve statutorily even though EdR, not the University, is financing the projects. EdR is expected to eventually manage all of the University's housing operations.

## 24. NATURAL CLASSIFICATION

The University's operating expenses by natural classification were as follows for the years ended June 30, 2012 and June 30, 2011, respectively (in thousands):

	2012	2011
Salaries and wages	\$ 1,115,457	\$ 1,057,806
Employee benefits	352,820	323,792
Supplies and services	583,982	536,700
Depreciation	122,219	111,859
Student scholarships and financial aid	46,985	45,088
Purchased utilities	47,290	49,524
Other, various	76,273	71,885
Total	<u>\$ 2,345,026</u>	<u>\$ 2,196,654</u>

## 25. RECLASSIFICATIONS

Certain reclassifications to fiscal year 2011 comparative amounts have been made to conform to the fiscal year 2012 financial statement classifications. Certain transactions previously reported as an investment in stock are now being reported as an investment in pooled equity and certain transactions previously reported as restricted expendable other net assets are now being reported as restricted expendable capital projects net assets in the Statements of Net Assets. Certain transactions previously reported as student tuition and fees and sales and services are now being reported in Other Auxiliary revenue; and certain transactions previously reported as instruction and public service expenses are now being reporting in other auxiliary expenses in the Statements of Revenues, Expenses and Changes in Net Assets. Such classifications had no effect on the change in net assets.

## 26. CURRENT ECONOMIC CONDITIONS

The current economic situation continues to present the University with difficult circumstances and challenges, which in some cases has left an uncertain future for public and federal support for higher education. The financial statements have been prepared using values and information currently available to the University.

The continuing uncertainty has made it challenging for many donors to continue to contribute to not-for-profit organizations. The last fiscal year has seen a decline in the fair value of investments due to current cash flow needs as well as a decline in current market conditions which has impacted the University's operating position. However, the recession left a deep chasm in the global marketplace and the unprecedented growth that existed prior to the recession is unlikely to return for the foreseeable future. As the Commonwealth continues to manage the impact of the recession on the global economy, public support for higher education and federal support for research remains uncertain. The University of Kentucky must meet the demands of the apparent paradigm shift in higher education finance. A significant decline in the fair value of investments, as well as contribution revenue could have an adverse impact on the University's future operating results.

On March 23, 2010, President Obama signed into law the healthcare reform bill, the Patient Protection and Affordable Care Act (PPACA). This legislation plus the Health Care and Education Reconciliation Act of 2010, makes sweeping changes to the U.S. health care system. The actual implementation of these Acts will happen over many years but UK Healthcare has begun to see the impact of the changes. The majority of the measures are designed to change the care delivery system but also includes changes to insurance markets and pricing transparency.

In addition, the rising unemployment rate has made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on UK Healthcare's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the continued volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values; allowances for contribution and patient receivables; and the valuation of intangibles that could negatively impact the University's ability to meet debt covenants or maintain sufficient liquidity.

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

**1. HEALTH INSURANCE BENEFITS FOR RETIREES**

The University of Kentucky's (the University) Other Postemployment Benefit Plan (OPEB Plan) is administered through the University's OPEB Trust Fund as an irrevocable trust. Assets of the trust fund are dedicated to providing post-retirement health insurance coverage to current and eligible future university retirees. Only employees hired prior to January 1, 2006 are eligible to receive post-retirement health insurance benefits.

The following schedules present the University's actuarially determined funding progress and required contributions for the University's Other Postemployment Benefits Trust using the projected unit credit actuarial cost method:

Schedule of Funding Progress by Valuation Date  
(In thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ 26,638	\$ 253,318	\$ 226,680	10.5%	\$ 562,887	40.3%
July 1, 2011	\$ 48,597	\$ 223,971	\$ 175,374	21.7%	\$ 573,894	30.6%
July 1, 2012	\$ 57,722	\$ 239,068	\$ 181,346	24.1%	\$ 560,092	32.4%

Schedule of Employer Contributions  
(In thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2010	\$ 23,305	96.9%
June 30, 2011	\$ 24,004	103.6%
June 30, 2012	\$ 19,798	98.2%

**2. LONG-TERM DISABILITY BENEFIT PLAN**

The University is self insured for a long-term disability income program and has established a trust for the purpose of paying claims and establishing necessary reserves. Regular employees with a full-time equivalent of .75 or greater who have completed 12 months of service are automatically enrolled in the plan.

The following schedules present the University's actuarially determined funding progress and required contributions for the University's long-term disability benefit trust fund using the projected unit credit actuarial cost method:

Schedule of Funding Progress by Valuation Date  
(In thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ 8,132	\$ 24,838	\$ 16,706	32.7%	\$ 453,429	3.7%
July 1, 2011	\$ 11,112	\$ 19,909	\$ 8,797	55.8%	\$ 451,970	2.0%
July 1, 2012	\$ 11,883	\$ 20,898	\$ 9,015	56.9%	\$ 532,303	1.7%

Schedule of Employer Contributions  
(In thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2010	\$ 2,761	85.7%
June 30, 2011	\$ 2,844	99.7%
June 30, 2012	\$ 1,953	120.9%

UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
STATEMENT OF NET ASSETS SCHEDULE  
JUNE 30, 2012  
(in thousands)

	UK	Research Foundation	The Fund	Gluck Equine Research Foundation	Athletic Association	Humanities Foundation	Mining Engineering Foundation	Center on Aging	Central Kentucky Management Services	Kentucky Medical Services Foundation	Total
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and cash equivalents	\$ 211,452	\$ 36,713	\$ 8,199	\$ 8	\$ 22,107	\$ 63	\$ 15	\$ 11	\$ 555	\$ 1,483	\$ 280,606
Notes, loans and accounts receivable, net	181,413	43,344	2,158	14	387					26,785	254,101
Investments		351								8,057	8,408
Inventories and other	29,163	2,462			3,652				12	56	35,345
Total current assets	422,028	82,870	10,357	22	26,146	63	15	11	567	36,381	578,460
<b>Noncurrent Assets</b>											
Restricted cash and cash equivalents	54,067						50				54,117
Endowment investments	933,091	3,598	190	7,505	265	1,160	1,574				947,383
Other long-term investments	99,184	1,472								43,363	144,019
Notes, loans and accounts receivable, net	40,142			14						892	41,048
Other noncurrent assets	15,898	2,250								170	18,318
Capital assets, net	1,920,486	15,092			1,804				224	37,347	1,974,953
Total noncurrent assets	3,062,868	22,412	190	7,519	2,069	1,160	1,624	-	224	81,772	3,179,838
Total assets	3,484,896	105,282	10,547	7,541	28,215	1,223	1,639	11	791	118,153	3,758,298
<b>LIABILITIES</b>											
<b>Current Liabilities</b>											
Accounts payable and accrued liabilities	147,184	17,815	436		2,109				567	9,534	177,645
Deferred revenue	17,341	33,799	67		11,645						62,852
Long-term liabilities - current portion	71,742	1,096			1,000					2,105	75,943
Total current liabilities	236,267	52,710	503	-	14,754	-	-	-	567	11,639	316,440
<b>Noncurrent Liabilities</b>											
Long-term liabilities	740,683	1,778			1,925					21,085	765,471
Total noncurrent liabilities	740,683	1,778	-	-	1,925	-	-	-	-	21,085	765,471
Total liabilities	976,950	54,488	503	-	16,679	-	-	-	567	32,724	1,081,911
<b>INTERFUND BALANCES</b>											
	(36,449)	3,520	839		6,995					25,095	-
<b>NET ASSETS</b>											
Invested in capital assets, net of related debt	1,267,580	13,907			1,804				224	15,734	1,299,249
<b>Restricted</b>											
Nonexpendable	551,053	755	31	4,607		616	650				557,712
Expendable	232,888	3,510	892	2,934	326	607	989	11			242,157
Total restricted	783,941	4,265	923	7,541	326	1,223	1,639	11	-	-	799,869
<b>Unrestricted</b>											
	492,874	29,102	8,282		2,411					44,600	577,269
Total net assets	\$ 2,544,395	\$ 47,274	\$ 9,205	\$ 7,541	\$ 4,541	\$ 1,223	\$ 1,639	\$ 11	\$ 224	\$ 60,334	\$ 2,676,387

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(in thousands)**

	UK	Research Foundation	The Fund	Gluck Equine Research Foundation	Athletic Association	Humanities Foundation	Mining Engineering Foundation	Center on Aging	Central Kentucky Management Services	Kentucky Medical Services Foundation	Total
<b>OPERATING REVENUES</b>											
Student tuition and fees, net	\$ 244,682										\$ 244,682
Federal grants and contracts	(148)	\$ 178,613									178,465
State and local grants and contracts	32,642	73,843	\$ 691								107,176
Nongovernmental grants and contracts	(4,271)	28,045	5,256								29,030
Recoveries of facilities and administrative costs	275	51,543									51,818
Sales and services	25,534	10,230	13,313					\$ 20	\$ 6,967		56,064
Federal appropriations	16,529										16,529
County appropriations	17,457										17,457
Professional clinical service fees	2,653									\$ 217,980	220,633
Hospital services	906,607										906,607
Auxiliary enterprises:											
Housing and dining, net	47,730										47,730
Athletics					\$ 69,307						69,307
Other auxiliaries	32,179										32,179
Other operating revenues	976									1,655	2,631
Total operating revenues	1,322,845	342,274	19,260	-	69,307	-	-	20	6,967	219,635	1,980,308
<b>OPERATING EXPENSES</b>											
Educational and general:											
Instruction	258,122	12,729	825			\$ 6	\$ 75				271,757
Research	87,344	173,393	227	\$ 5							260,969
Public service	139,102	132,776	1,082								272,960
Libraries	20,166		4								20,170
Academic support	77,900	2,678	4,426								85,004
Student services	34,273	31	184			1					34,489
Institutional support	53,399	996	360					149	6,933		61,837
Operations and maintenance of plant	66,982	453									67,435
Student financial aid	25,818	1,719	1,880			41					29,458
Depreciation	69,599	1,427							86		71,112
Total educational and general	832,705	326,202	8,988	5	-	48	75	149	7,019	-	1,175,191
Clinical operations (including depreciation of \$1,816)										171,664	171,664
Hospital (including depreciation of \$45,643)	862,252		48								862,300
Auxiliary enterprises:											
Housing and dining (including depreciation of \$3,162)	45,254										45,254
Athletics (including depreciation of \$486)	(1,192)				71,372						70,180
Other auxiliaries	19,335										19,335
Other expenses	1,102										1,102
Total operating expenses	1,759,456	326,202	9,036	5	71,372	48	75	149	7,019	171,664	2,345,026
Net income (loss) from operations	(436,611)	16,072	10,224	(5)	(2,065)	(48)	(75)	(129)	(52)	47,971	(364,718)
<b>NONOPERATING REVENUES (EXPENSES)</b>											
State appropriations	297,580										297,580
Gifts and grants	87,998	131	151	95		1	6	86			88,468
Investment income (loss)	(477)	203	8	(58)	12	(9)	(12)		1	100	(232)
Interest on capital asset-related debt	(30,910)	(77)								(1,164)	(32,151)
Grant to/(from) the University for non-capital purposes	60,967	(8,570)	(11,699)	(364)	10,532	(4)	(4)			(50,858)	-
Other nonoperating revenues and expenses, net	4,051	1,285			2,318						7,654
Net nonoperating revenues (expenses)	419,209	(7,028)	(11,540)	(327)	12,862	(12)	(10)	86	1	(51,922)	361,319
Net income (loss) before other revenues, expenses, gains, or losses	(17,402)	9,044	(1,316)	(332)	10,797	(60)	(85)	(43)	(51)	(3,951)	(3,399)
Capital grants and gifts	16,638	23,471			1					(88)	40,022
Additions to permanent endowments	11,579	2									11,581
Grant to/(from) the University for capital purposes	48,326	(28,367)	(1,357)	(152)	(18,450)						-
Other, net	(3,491)	(482)			51					(56)	(3,978)
Total other revenues	73,052	(5,376)	(1,357)	(152)	(18,398)	-	-	-	-	(144)	47,625
<b>INCREASE (DECREASE) IN NET ASSETS</b>	55,650	3,668	(2,673)	(484)	(7,601)	(60)	(85)	(43)	(51)	(4,095)	44,226
<b>NET ASSETS, beginning of year</b>	2,488,745	43,606	11,878	8,025	12,142	1,283	1,724	54	275	64,429	2,632,161
<b>NET ASSETS, end of year</b>	\$ 2,544,395	\$ 47,274	\$ 9,205	\$ 7,541	\$ 4,541	\$ 1,223	\$ 1,639	\$ 11	\$ 224	\$ 60,334	\$ 2,676,387

**University of Kentucky**  
**Governing Board as of June 30, 2012**

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UNIVERSITY OF  
KENTUCKY<sup>®</sup>

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**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
Single Audit Reports and  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012



**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Single Audit Reports and Schedule of Expenditures of Federal Awards**  
**June 30, 2012**

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# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
<b>RESEARCH AND DEVELOPMENT</b>			
<b>DEPARTMENT OF AGRICULTURE</b>			
Agricultural Research Basic and Applied Research		10.001	1,376,608
Through Mississippi State University	012000-322348-01	10.001	38,976
US Department of Agriculture Contract	09-CS-11080226-013	10.09-CS-11080226-013	351
US Department of Agriculture Contract	09-CS-11132422-229	10.09-CS-11132422-229	25,457
US Department of Agriculture Contract	09-JV-11242307-111	10.09-JV-11242307-111	116
US Department of Agriculture Contract	10-JV-11330152-119	10.10-JV-11330152-119	32,314
US Department of Agriculture Contract	10-PA-11080222-029	10.10-PA-11080222-029	2,853
Through Kentucky Department of Agriculture	PO2 035 1000005643 2	10.170	(702)
Through Kentucky Department of Agriculture	PON2 035 1100001313 3	10.170	5,295
Through Kentucky Department of Agriculture	PON2 035 1100001315 3	10.170	(593)
Through Kentucky Department of Agriculture	PON2 035 1100001316 5	10.170	33,076
Through Kentucky Department of Agriculture	PON2 035 1100001317 3	10.170	13,983
Through Kentucky Department of Agriculture	PON2 035 1100001390 2	10.170	5,800
Through Kentucky Department of Agriculture	PON2 035 1200000906 1	10.170	2,339
Through Kentucky Department of Agriculture	PON2 035 1200000907 1	10.170	1,864
Grants for Agricultural Research, Special Research Grants		10.200	1,062,019
Through University of Florida	1000061650	10.200	228
Through Iowa State University	416-30-05A	10.200	2,178
Through Cornell University	62094-9562	10.200	392
Through University of Florida	PO 1000061392	10.200	243
Through University of Florida	PO 1000061472	10.200	87
Through University of Florida	PO 1100068328	10.200	5,186
Cooperative Forestry Research		10.202	420,978
Payments to Agricultural Experiment Stations		10.203	5,590,176
Grants for Agricultural Research Competitive Research Grants		10.206	736,229
Through Ohio State University	60013559	10.206	21,214
Through West Virginia University	PO 50012039	10.206	(2)
Animal Health and Disease Research		10.207	37,685
Through Insect Pest Management Development	2004-33610-14373	10.212	(11)
Through Kentucky State University	2010-38821-21522	10.216	8,735
Biotechnology Risk Assessment Research		10.219	57,731
Agricultural and Rural Economic Research		10.250	(2,582)
Through Washington State University	112890_G002645	10.303	160,575
Through University of Florida	UF IFAS 00069557	10.304	41,345
International Science and Education Grants		10.305	15,936
Through Iowa State University	416-30-06B	10.307	94,412
Through University of Illinois	2010-03728-02	10.309	21,657
Agriculture and Food Research Initiative (AFR)		10.310	644,706
Through University of California Davis	201015718-14	10.310	12,271
Through Pennsylvania State University	4382-UK-USDA-0017	10.310	28,109
Through University of Connecticut	FRS #561425	10.310	1,274
Through University of Minnesota	H001340202	10.310	16,515
Through Regents of the University of California	S-000480	10.310	14,812
Through University of Florida	UF10040; 00086631	10.310	31,719

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

		<b>FEDERAL CFDA NUMBER</b>	<b>FEDERAL EXPENDITURES</b>
Biomass Research and Development Initiative		10.312	\$1,000,723
Value-Added Producer Grants		10.352	5,598
Cooperative Extension Service		10.500	227,846
Through National Institute for Hometown Security	02-09-UK	10.500	36,301
Through University of Massachusetts	11-006323 G 00	10.500	739
Through West Virginia University	98-228A-UKRF	10.500	35,579
Through University of Florida	UF11274	10.500	10,015
Through Binational Agricultural Research and Development	US-4318-10 R	10.600	30,474
Forestry Research		10.652	47,254
Through University of Montana	PG12-64736-01	10.652	10,025
Through Slow the Spread Foundation	05-01-02	10.664	22
Through Slow the Spread Foundation	11-01-02	10.664	46,570
Through Slow the Spread Foundation	12-01-02	10.664	994
Forest Health Protection		10.680	46,481
ARRA-Recovery Act of 2009: Capital Improvement		10.687	6,161
Soil and Water Conservation		10.902	147,932
Soil Survey		10.903	54,230
Environmental Quality Incentives Program		10.912	9,364
Through University of Tennessee	8500025673	10.912	1,144
ARRA-Emergency Watershed Protection Program		10.923	921
<b>SUBTOTAL DEPARTMENT OF AGRICULTURE</b>			<b>12,279,927</b>
<b>DEPARTMENT OF COMMERCE</b>			
Through Kentucky Highlands Investment Corp	EDA 04-79-06480	11.307	132,352
Cooperative Fishery Statistics		11.434	35,928
Through University of Southern Mississippi	USM-GR04061-001	11.472	20,179
ARRA-Measurement and Engineering Research and Standards		11.609	588,209
Congressionally-Identified Projects		11.617	54,552
Through AMT Nano LLC Coldstream Center	SB134111SE0864	11.SB134111SE0864	9,768
<b>SUBTOTAL DEPARTMENT OF COMMERCE</b>			<b>840,988</b>
<b>DEPARTMENT OF DEFENSE</b>			
Through Universal Technology Co	10-S587-0094-01-C3	12.10-S587-0094-01-C3	7,256
Through South Carolina Research Authority	2011-203	12.2011-203	73,688
Through Tuskegee University	30 22420 136 66122	12.30 22420 136 66122	1
Basic and Applied Scientific Research		12.300	674,051
Through Battelle Memorial Institute Columbus Operations	TCN 06011	12.300	(2)
Through Oak Ridge National Laboratory	4000100727	12.4000100727	278,966
Through Kentucky Department of Military Affairs	PO2 095 0600000291 1	12.401	2
Through Kentucky Department of Military Affairs	PO2 095 1000006783 1	12.401	10,622
Through Lockheed	4100316121	12.4100316121	1,923
Military Medical Research and Development		12.420	1,335,678
Through Denver Research Institute	005	12.420	84,657
Basic Scientific Research		12.431	806,810
Through Tulane University	TUL-590-09/10	12.431	313,731
Through Materials Sciences Corp	4478-AB51-105-04	12.4478-AB51-105-04	188,539
Through Materials Sciences Corp	497-SD21-121-02	12.497-SD21-121-02	4,175

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Materials Sciences Corp	5036-SD20-001-24	12.5036-SD20-001-24	\$35,789
Through Materials Sciences Corp	5129-SD21-111-01	12.5129-SD21-111-01	8,002
Through University of Florida	UF-EIES-1102017-UKY	12.800	69,453
Mathematical Sciences Grants Program		12.901	14,936
Research and Technology Development		12.910	184,268
Through Adaptive Intelligent Systems LLC	DOD042008	12.910	21,470
Through Adaptive Intelligent Systems LLC	DOD062008	12.910	30,290
Through VSee Lab	DOD092009	12.910	39,573
Through NanoSonic Inc	A2-0041	12.A2-0041	(9)
Through Flashscan 3D	DOD122008	12.DOD122008	9,406
Through ObjectVideo Incorporated	FA8650-12-C-7212	12.FA8650-12-C-7212	7,159
Through HyPerComp Incorporated	FA9550-10-C-0121	12.FA9550-10-C-0121	283
Through Innovative Productivity Inc	IPI-11-N029	12.IPI-11-N029	38,930
Through Alliant Techsystems Incorporated	MP00044249	12.MP00044249	21,671
Department of Defense Contract	N00173-11-P-1033	12.N00173-11-P-1033	47,794
Through Covalent Group One Glenhardie Corporate Center	RBV A/B-01	12.RBV A/B-01	(16,892)
Through PPD Development Inc	RF1V-02(A)	12.RF1V-02(A)	120,067
Through ERC Incorporated	RS110485	12.RS110485	37,500
Through ERC Incorporated	RS111042	12.RS111042	103,664
Through Charles River Analytics Inc	SC1007201 / PO1100255	12.SC1007201 / PO1100255	115,319
Through Charles River Analytics Inc	SC1105201	12.SC1105201	30,765
Through Creative Electron Incorporated	USAF022011	12.USAF022011	14,767
Department of Defense Contract	W56HZV-07-C-0721	12.W56HZV-07-C-0721	237,018
Department of Defense Contract	W9113M-11-C-0044	12.W9113M-11-C-0044	1,308,705
Department of Defense Contract	W911S0-06-P-0011	12.W911S0-06-P-0011	1,085,984
Through Wake Forest University	WFUHS 10183	12.WFUHS 10183	571,536
<b>SUBTOTAL DEPARTMENT OF DEFENSE</b>			<b>7,917,545</b>
<b>CENTRAL INTELLIGENCE AGENCY</b>			
Central Intelligence Agency	2011-11070800001	13.2011-11070800001	62,704
<b>SUBTOTAL CENTRAL INTELLIGENCE AGENCY</b>			<b>62,704</b>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Community Outreach Partnership Center Program		14.511	2
<b>SUBTOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>2</b>
<b>DEPARTMENT OF THE INTERIOR</b>			
Wildland Fire Research and Studies Program		15.232	92,186
Applied Science Program Coop Agreements		15.255	44,199
Through Commerce Cabinet Dept of Fish and Wildlife	KDFW-MOA-61406	15.611	22
Through Commerce Cabinet Dept of Fish and Wildlife	PO2 660 100000380 1	15.611	(3)
Through Commerce Cabinet Dept of Fish and Wildlife	PON2 660 1000003365 2	15.611	49,234
Through Commerce Cabinet Dept of Fish and Wildlife	PON2 660 1000003913 1	15.611	(360)
Through Commerce Cabinet Dept of Fish and Wildlife	PON2 660 1100002851 1	15.611	88,685
Through Commerce Cabinet Dept of Fish and Wildlife	PON2 660 1000003346 1	15.634	(3,073)
Through Commerce Cabinet Dept of Fish and Wildlife	PON2 660 1000003353 2	15.634	(2,492)

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Assistance to State Water Resources Research Institutes		15.805	\$70,755
Earthquake Hazards Reduction Program		15.807	131,570
U.S. Geological Survey Research and Data Collection		15.808	48,632
National Cooperative Geologic Mapping Program		15.810	217,916
Through Kentucky Heritage Council	FY11-10-PA-101	15.904	26,200
Through Kentucky Heritage Council	GRANT 21-10-21924	15.904	2,356
American Battlefield Protection		15.926	6,664
Cooperative Research and Training Programs		15.945	10,679
Department of the Interior Contract	H5000095041	15.H5000095041	84,619
Department of the Interior Contract	H5000095041/J5536090200	15.H5000095041/J5536090200	16,912
Department of the Interior Contract	P11AT50437	15.P11AT50437	22,144
Department of the Interior Contract	PO #1443C5010070912	15.PO #1443C5010070912	30,602
Through University of Southern California	Y82308	15.Y82308	2,698
<b>SUBTOTAL DEPARTMENT OF THE INTERIOR</b>			<b>940,145</b>
<b>DEPARTMENT OF JUSTICE</b>			
Through American Bar Association	6690	16.528	8
Department of Justice Contract	A0N005195	16.A0N005195	21,894
Department of Justice Contract	A1N103291	16.A1N103291	44,057
<b>SUBTOTAL DEPARTMENT OF JUSTICE</b>			<b>65,959</b>
<b>DEPARTMENT OF LABOR</b>			
Through University of Baltimore	KENTUCKY-ADARE 2	17.248	16,309
Through Kentucky Department of Education	M-05463785	17.261	(1,186)
<b>SUBTOTAL DEPARTMENT OF LABOR</b>			<b>15,123</b>
<b>DEPARTMENT OF STATE</b>			
Through National Council for Eurasian and East European	825-12	19.300	21,089
Through Partnership for Energy & Environment Research	STATE 120903	19.STATE 120903	135,384
<b>SUBTOTAL DEPARTMENT OF STATE</b>			<b>156,473</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Through Kentucky Transportation Cabinet	FRT 118	20.205	(3)
Through Kentucky Transportation Cabinet	FRT 126	20.205	353
Through Kentucky Transportation Cabinet	FRT 137	20.205	23,201
Through Kentucky Transportation Cabinet	FRT 141	20.205	(1)
Through Kentucky Transportation Cabinet	FRT 142	20.205	673
Through Kentucky Transportation Cabinet	FRT 143	20.205	2,646
Through Kentucky Transportation Cabinet	FRT 157	20.205	10,877
Through Kentucky Transportation Cabinet	FRT 158	20.205	44,024
Through Kentucky Transportation Cabinet	FRT 159	20.205	19,793
Through Kentucky Transportation Cabinet	FRT 160	20.205	28,184
Through Kentucky Transportation Cabinet	FRT 161	20.205	3,607
Through Kentucky Transportation Cabinet	FRT 179	20.205	98,177
Through Kentucky Transportation Cabinet	FRT 180	20.205	197
Through Kentucky Transportation Cabinet	FRT 182	20.205	5,397

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Kentucky Transportation Cabinet	FRT 183	20.205	\$19,450
Through Kentucky Transportation Cabinet	FRT 184	20.205	33,216
Through Kentucky Transportation Cabinet	FRT 186	20.205	46,592
Through Kentucky Transportation Cabinet	FRT 188	20.205	47,916
Through Kentucky Transportation Cabinet	FRT 189	20.205	45,198
Through Kentucky Transportation Cabinet	FRT 190	20.205	42,072
Through Kentucky Transportation Cabinet	FRT 192	20.205	50,529
Through Kentucky Transportation Cabinet	FRT 193	20.205	6,277
Through Kentucky Transportation Cabinet	FRT 194	20.205	11,485
Through Kentucky Transportation Cabinet	KHIT 51	20.205	5,653
Through Kentucky Transportation Cabinet	KHIT 52	20.205	422
Through Kentucky Transportation Cabinet	KHIT 58	20.205	45,848
Through Kentucky Transportation Cabinet	KHIT 71	20.205	12,997
Through Kentucky Transportation Cabinet	M-04230541	20.205	233,515
Through Kentucky Transportation Cabinet	RSS 13	20.205	10,999
Through Kentucky Transportation Cabinet	TA 27	20.205	4,907
Through Kentucky Transportation Cabinet	TASK 30	20.205	119
Through Kentucky Transportation Cabinet	TASK 31	20.205	1,207
Through Kentucky Transportation Cabinet	TASK 33	20.205	82,341
Through Kentucky Transportation Cabinet	TASK 34	20.205	29,994
Through Kentucky Transportation Cabinet	TASK 35	20.205	39,336
Through Kentucky Transportation Cabinet	TASK 36	20.205	13,512
Through Kentucky Transportation Cabinet	TASK 40	20.205	14,900
Through Kentucky Transportation Cabinet	TASK 41	20.205	14,900
Through Kentucky Transportation Cabinet	TASK 43	20.205	15,027
Through Kentucky Transportation Cabinet	TASK 44	20.205	34,761
Through Kentucky Transportation Cabinet	FRT 88	20.215	24,021
Through Kentucky Transportation Cabinet	M-99135293	20.215	32
Through Kentucky Transportation Cabinet	RSF 20	20.217	63,148
Through Kentucky Transportation Cabinet	RSF 25	20.217	(186)
Through Kentucky Transportation Cabinet	RSF 27	20.217	31,367
Through Kentucky Transportation Cabinet	RSF 30	20.217	151,557
Through Kentucky Transportation Cabinet	RSF 33	20.217	4,994
Through Battelle Memorial Institute Columbus Operations	276477	20.276477	7,337
Through Kentucky Transportation Cabinet	TASK 37	20.505	17,944
Through Kentucky Transportation Cabinet	TASK 38	20.505	39,997
Through Kentucky Transportation Cabinet	C-02327148	20.515	(5,250)
Through Kentucky Transportation Cabinet	KCTRP 04-24	20.515	105,448
Through Kentucky Transportation Cabinet	KYSPR 06-322	20.515	3,190
Through Kentucky Transportation Cabinet	KYSPR 09-372	20.515	24,781
Through Kentucky Transportation Cabinet	KYSPR 09-373	20.515	16,374
Through Kentucky Transportation Cabinet	KYSPR 09-374	20.515	13,481
Through Kentucky Transportation Cabinet	KYSPR 09-377	20.515	19,489
Through Kentucky Transportation Cabinet	KYSPR 09-379	20.515	19,801
Through Kentucky Transportation Cabinet	KYSPR 09-381	20.515	10,877
Through Kentucky Transportation Cabinet	KYSPR 10-388	20.515	52,475
Through Kentucky Transportation Cabinet	KYSPR 10-393	20.515	65,625
Through Kentucky Transportation Cabinet	KYSPR 10-394	20.515	49,924
Through Kentucky Transportation Cabinet	KYSPR 10-395	20.515	28,393

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Kentucky Transportation Cabinet	KYSPR 10-396	20.515	\$124,983
Through Kentucky Transportation Cabinet	KYSPR 10-404	20.515	87,826
Through Kentucky Transportation Cabinet	KYSPR 10-406	20.515	47,994
Through Kentucky Transportation Cabinet	KYSPR 10-408	20.515	60,770
Through Kentucky Transportation Cabinet	KYSPR 10-409	20.515	85,730
Through Kentucky Transportation Cabinet	KYSPR 11-411	20.515	47,465
Through Kentucky Transportation Cabinet	KYSPR 11-416	20.515	62,772
Through Kentucky Transportation Cabinet	KYSPR 11-417	20.515	59,559
Through Kentucky Transportation Cabinet	KYSPR 11-418	20.515	34,146
Through Kentucky Transportation Cabinet	KYSPR 11-419	20.515	95,079
Through Kentucky Transportation Cabinet	KYSPR 11-420	20.515	49,969
Through Kentucky Transportation Cabinet	KYSPR 11-421	20.515	44,996
Through Kentucky Transportation Cabinet	KYSPR 11-422	20.515	72,962
Through Kentucky Transportation Cabinet	KYSPR 11-423	20.515	24,999
Through Kentucky Transportation Cabinet	KYSPR 11-424	20.515	62,359
Through Kentucky Transportation Cabinet	KYSPR 11-425	20.515	75,015
Through Kentucky Transportation Cabinet	KYSPR 11-426	20.515	192,513
Through Kentucky Transportation Cabinet	KYSPR 11-427	20.515	84,036
Through Kentucky Transportation Cabinet	KYSPR 11-428	20.515	27,801
Through Kentucky Transportation Cabinet	KYSPR 11-451	20.515	40,031
Through Kentucky Transportation Cabinet	KYSPR 11-56	20.515	255
Through Kentucky Transportation Cabinet	KYSPR 12-429	20.515	98,539
Through Kentucky Transportation Cabinet	KYSPR 12-430	20.515	84,997
Through Kentucky Transportation Cabinet	KYSPR 12-431	20.515	41,762
Through Kentucky Transportation Cabinet	KYSPR 12-432	20.515	54,995
Through Kentucky Transportation Cabinet	KYSPR 12-433	20.515	72,150
Through Kentucky Transportation Cabinet	KYSPR 12-434	20.515	66,979
Through Kentucky Transportation Cabinet	KYSPR 12-435	20.515	48,188
Through Kentucky Transportation Cabinet	KYSPR 12-436	20.515	19,969
Through Kentucky Transportation Cabinet	KYSPR 12-437	20.515	76,994
Through Kentucky Transportation Cabinet	KYSPR 12-438	20.515	58,072
Through Kentucky Transportation Cabinet	KYSPR 12-439	20.515	80,640
Through Kentucky Transportation Cabinet	KYSPR 12-440	20.515	74,984
Through Kentucky Transportation Cabinet	KYSPR 12-441	20.515	74,957
Through Kentucky Transportation Cabinet	KYSPR 12-442	20.515	54,970
Through Kentucky Transportation Cabinet	KYSPR 12-443	20.515	74,740
Through Kentucky Transportation Cabinet	KYSPR 12-444	20.515	49,561
Through Kentucky Transportation Cabinet	KYSPR 12-445	20.515	71,045
Through Kentucky Transportation Cabinet	KYSPR 12-446	20.515	70,994
Through Kentucky Transportation Cabinet	KYSPR 12-447	20.515	29,980
Through Kentucky Transportation Cabinet	KYSPR 12-448	20.515	66,475
Through Kentucky Transportation Cabinet	KYSPR 12-449	20.515	77,334
Through Kentucky Transportation Cabinet	KYSPR 12-51	20.515	223,883
Through Kentucky Transportation Cabinet	KYSPR 12-56	20.515	1,443,904
Through Kentucky Transportation Cabinet	KYSPR 85-107	20.515	98,568
Through Kentucky Transportation Cabinet	PLANNING STUDY 20	20.515	119,970
Through Kentucky Transportation Cabinet	K9-12-02	20.600	7,238
Through Kentucky Transportation Cabinet	OP-11-05	20.600	46,785
Through Kentucky Transportation Cabinet	OP-12-05	20.600	50,254

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Kentucky Transportation Cabinet	PT-11-53	20.600	\$19,964
Through Kentucky Transportation Cabinet	RS-11-01	20.600	43,158
Through Kentucky Transportation Cabinet	RS-12-01	20.600	45,599
Through Kentucky Transportation Cabinet	RSF 14	20.600	69,438
Through Kentucky Transportation Cabinet	RSF 31	20.600	70,225
Through Kentucky Transportation Cabinet	RSF 32	20.600	60,718
Through Kentucky Transportation Cabinet	TA 39	20.600	18,535
Through Kentucky Transportation Cabinet	TR-11-03	20.600	20,294
Through Kentucky Transportation Cabinet	K9-11-04	20.610	19,208
Through University of Illinois	2012-02061-01	20.701	50,885
Through Marshall University Research Corporation	2012-087 / 212134	20.701	93,624
Through University of Tennessee	102130	20.761	1,077
Department of Transportation Contract	DTMC75-09-H-00016	20.DTMC75-09-H-00016	5,961
<b>SUBTOTAL DEPARTMENT OF TRANSPORTATION</b>			<b>7,083,990</b>
<b>APPALACHIAN REGIONAL COMMISSION</b>			
Through Morehead State University	2011-12-007-001	23.001	123,960
Appalachian Research, Technical Assistance		23.011	60,220
<b>SUBTOTAL APPALACHIAN REGIONAL COMMISSION</b>			<b>184,180</b>
<b>NATIONAL AERONAUTICS &amp; SPACE ADMINISTRATION</b>			
Aerospace Education Services Program		43.001	234,893
Through Space Telescope Science Institute	HST-AR-12125.01-A	43.001	90,630
Through Western Kentucky University	WKURF 516204-08-01	43.001	105,374
Technology Transfer		43.002	426,321
Through National Space Biomedical Research Institute	NCC9-58-183	43.002	121
Education		43.008	191,259
National Aeronautics Space Commission Contract	1355922	43.1355922	69
National Aeronautics Space Commission Contract	1401954	43.1401954	55,127
Through University of Wisconsin	180K924	43.180K924	170,370
Through Western Kentucky University	596304-10-001	43.596304-10-001	17,921
Through Space Telescope Science Institute	HST-GO-12309.02-A	43.HST-GO-12309.02-A	283
Through National Space Biomedical Research Institute	NCC9-58-183	43.NCC9-58-183	(1,053)
Through University of Pennsylvania	NNA04CK46G	43.NNA04CK46G	(2)
National Aeronautics Space Commission Contract	NNG06GJ35G	43.NNG06GJ35G	1,924
National Aeronautics Space Commission Contract	NNX10AD39G	43.NNX10AD39G	106,459
National Aeronautics Space Commission Contract	NNX10AL96H	43.NNX10AL96H	657,787
National Aeronautics Space Commission Contract	NNX10AN01A	43.NNX10AN01A	265,979
National Aeronautics Space Commission Contract	NNX10AV39A	43.NNX10AV39A	105,406
National Aeronautics Space Commission Contract	RFP-12-001-006	43.RFP-12-001-006	9,848
National Aeronautics Space Commission Contract	RFP-12-001-012	43.RFP-12-001-012	5,938
National Aeronautics Space Commission Contract	RSA NO: 1430426	43.RSA NO: 1430426	21,819
Through CFD Research Corporation	SUBCONTRACT # 1485	43.SUBCONTRACT # 1485	22,363
Through University of Louisville	ULRF 11-0774-01	43.ULRF 11-0774-01	14,944
Through Western Kentucky University	WKU 596198-04-10	43.WKU 596198-04-10	(17)
Through Western Kentucky University	WKURF 516212-09-01	43.WKURF 516212-09-01	104,447
Through Western Kentucky University	WKURF 596285-10-001	43.WKURF 596285-10-001	32,935

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Western Kentucky University	WKURF 596868-08-01	43.WKURF 596868-08-01	\$6
<b>SUBTOTAL NATIONAL AERONAUTICS &amp; SPACE ADMINISTRATION</b>			<b>2,641,151</b>
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			
Through St Louis University	NEH112010	45.169	9,755
Librarians for the 21st Century		45.313	81,759
<b>SUBTOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			<b>91,514</b>
<b>NATIONAL SCIENCE FOUNDATION</b>			
Engineering Grants		47.041	1,645,901
Through Michigan State University	61-2561UK	47.041	15,059
Through Optical Dynamics Co	NSF022009	47.041	3,057
Through American Acoustical Products	NSF072011	47.041	50,000
Through Direct i2i Technologies Inc	NSF082008	47.041	34,138
Mathematical and Physical Sciences		47.049	3,437,078
Through University of Pennsylvania	2529162	47.049	15,959
Through University of Louisville	ULRF 11-0817-02	47.049	15,547
Through Incorporated Research Institutions for Seismology	80-15	47.050	19,689
Computer and Information Science and Engineering		47.070	1,045,360
Through BBN Technologies The GENI Project Office	9500009448	47.070	61,552
Biological Sciences		47.074	1,702,060
Through University of Delaware	27181	47.074	1,320
Through Boyce Thompson Institute for Plant Research	BTI 07-05	47.074	331
Through Duke University	EF-0830093	47.074	111,641
Through Kansas State University	S12051	47.074	32,086
Social, Behavioral, and Economic Sciences		47.075	554,233
Through Duke University	12-NSF-1085	47.075	61,520
Through Ohio State University	60027792-01	47.075	82,366
Education and Human Resources		47.076	345,208
Through Tennessee Technological University	1022934	47.076	30,226
Through Kentucky Science and Technology Corp	KSTC123-ESR0086188-04-01	47.076	1
Through University of Louisville	ULRF08-0891-04	47.076	105,840
International Science and Engineering (OISE)		47.079	140,922
Office of Experimental Program to Stimulate Competitive		47.081	2,722,600
ARRA-TRANS-NSF Recovery Act Research Support		47.082	3,620,754
Through ARRA-Columbia University	1(ACCT #5-24688)	47.082	73,848
Through ARRA-DePaul University	500733SG067	47.082	15,656
Through ARRA-BBN Technologies The GENI Project Office	PO # 9500010143	47.082	180,953
Through ARRA-University of Southern Mississippi	USM-GR03690-001	47.082	22,118
National Science Foundation	CCF-1049360	47.CCF-1049360	75,217
Through University of Colorado	NSF06062012	47.NSF06062012	277
Through West Virginia University	WVURC PO#50068397	47.WVURC PO#50068397	11,064
<b>SUBTOTAL NATIONAL SCIENCE FOUNDATION</b>			<b>16,233,581</b>
<b>DEPARTMENT OF VETERANS AFFAIRS</b>			
Veterans Administration Contract	C15910	64.C15910	(35)

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Veterans Administration Contract	VA012011	64.VA012011	\$5,538
<b>SUBTOTAL DEPARTMENT OF VETERANS AFFAIRS</b>			<b>5,503</b>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Targeted Watershed Grants		66.439	43,901
Through Kentucky Energy and Environment Cabinet	PON2 129 1100001694 2	66.454	8,760
Through Kentucky Energy and Environment Cabinet	PO2 590 0700010583 2	66.460	20,940
Through Kentucky Energy and Environment Cabinet	PON2 129 1100001573 1	66.460	23,884
Through Kentucky Energy and Environment Cabinet	PON2 129 1100001694 2	66.460	26,930
Science To Achieve Results (STAR) Research Program		66.509	678,178
Office of Research and Development Consolidated Research		66.511	101,520
P3 Award: National Student Design Competition		66.516	2,841
Through Consortium for Plant Biotechnology Research, Inc	EPA82947901-237	66.600	(2)
<b>SUBTOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<b>906,952</b>
<b>DEPARTMENT OF ENERGY</b>			
Through ARRA-University of Georgia	RU267-507/4693218	81.003	27,118
Through ARRA-Kentucky Energy and Environment Cabinet	PO2 127 1000004299 1	81.041	2,555,817
Office of Science Financial Assistance Program		81.049	1,972,632
Through Duke University	08-SC-NICCR-1073	81.049	71,764
Through Green Technology Limited Company	DE-SC0006378	81.049	30,027
Through Cornell University	SUBAWARD #: 63079-9708	81.049	71,296
Through University of Chicago	SUBAWARD 39683	81.049	17,151
Through South Dakota State University	3TD152	81.079	16,936
Through University of Louisville	ULRF 05-1231F	81.079	(1,361)
Through University of Louisville	ULRF 05-1231G	81.079	(968)
Renewable Energy Research and Development		81.087	479,791
Through West Virginia University	10-733-UKRF	81.087	337,614
Through Morehead State University	2010-11-072-001	81.087	36,200
Through South Dakota State University	3TE153	81.087	26,511
Through Consortium for Plant Biotechnology Research, Inc	GO12026-325	81.087	108,671
Fossil Energy Research and Development		81.089	1,712,655
Through Battelle Memorial Institute Columbus Operations	202290	81.089	37,898
Through Virginia Polytechnic Institute and State University	429307-19660	81.089	106,403
Through Illinois State Geological Survey	A5507	81.089	74,739
Through Virginia Polytechnic Institute and State University	CR-19109-C-429231	81.089	6,863
Through Center for Advanced Separation	DE-FE0000699	81.089	115,852
Through CoalTek Incorporated	DE-FE0005293	81.089	139,653
Through Novozymes North America Inc.	DE-FE0007741	81.089	16,280
Environmental Restoration		81.092	822,963
Through Idaho State University	09-265E TASK ORDER 00079	81.09-265E TASK ORDER 00079	84,813
Through Kentucky Energy and Environment Cabinet	PON2 129 1000003622 1	81.104	35,058
Through Kentucky Energy and Environment Cabinet	PON2 129 1100001969 1	81.104	47,308
Stewardship Science Grant Program		81.112	145,221
Through University of Houston	R-10-0030	81.117	348,393
Through ARRA-Kentucky Public Service Commission	PON2 123 1000002932 1	81.122	4
Through ARRA-Kentucky Public Service Commission	PON2 123 1000002983 1	81.122	70,563

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES	
Through ARRA-University of Illinois	2010-00636-01	A2349	81.132	\$36,345
ARRA-Advanced Research and Projects Agency			81.135	387,876
Through University of California Berkely	00007863		81.135	57,448
Through ARRA-Pennsylvania State University	4199-UK-DOE-0092		81.135	115,208
Through Texas AgriLife Research	570792		81.135	36,728
Through Battelle Memorial Institute Columbus Operations	228857		81.228857	39,270
Through University of Michigan	3001318173		81.3001318173	39,155
Through Oak Ridge National Laboratory	4000100512		81.4000100512	850
Through Oak Ridge National Laboratory	4000103052		81.4000103052	9,804
Through Oak Ridge National Laboratory	4000103637		81.4000103637	85,670
Through Kentucky Cabinet for Health and Family Services	M-05148006		81.502	1
Through Los Alamos National Laboratory	65335-001-08		81.65335-001-08	5,063
Department of Energy Contract	DE-NT0005988		81.DE-NT0005988	463,072
Through NEI Corporation	DOE092008		81.DOE092008	282
Through Argonne National Laboratory	OF33642/DEAC0206CH111357		81.OF33642/DEAC0206CH111357	8,578
Through TDA Research Incorporated	UKRF 11.01		81.UKRF 11.01	185,175
<b>SUBTOTAL DEPARTMENT OF ENERGY</b>				<b>10,984,390</b>
<b>DEPARTMENT OF EDUCATION</b>				
Through Kentucky Council on Postsecondary Ed	PO2 415 1000005779 1		84.002	(405)
Through Kentucky Content Literacy Consortium Danville Schools	6946		84.048	23
Through Kentucky Content Literacy Consortium Danville Schools	DOED 031510		84.048	87,096
Through Morehead State University	11223197 P116Z040152		84.116	739
Education Research, Development and Dissemination			84.305	87,467
Through Duke University	10-ED-1097		84.305	100,380
Research in Special Education			84.324	282,502
Through University of South Carolina	12-2108 PO#42179		84.324	25,142
Special Education Personnel Preparation to Improve Services			84.325	92,663
Through University of Oregon	223811A		84.327	127,776
Through Western Kentucky University	WKURF 543604-06-46		84.336	(21)
Through Kentucky Department of Education	M-04155120		84.367	(16,396)
Through Kentucky Council on Postsecondary Education	PO2 415 1000003144 1		84.367	(161)
Through Kentucky Council on Postsecondary Education	PO2 415 1100002582 2		84.367	100,944
Through Kentucky Department of Education	PON2 540 1100001001 5		84.371	121,454
Through Kentucky Education Professional Standards Board	PO2 183 1000004913 1		84.372	26,396
Through University of Minnesota	T3039214501		84.373	1,730
Through ARRA-University of Utah	10018883-KY/PRIME 101760		84.397	(66)
<b>SUBTOTAL DEPARTMENT OF EDUCATION</b>				<b>1,037,263</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Through VaxGen Inc.	03-BMT-150		93.03-BMT-150	13,417
Through Kentucky Cabinet for Health and Family Services	M-05411849		93.051	(7)
Through National Institute for Pharmaceutical Technology	NIPTE-U01-KY-001-2012		93.103	28,414
Biological Response to Environmental Health Hazards			93.113	1,235,802
Through Columbia University	5-37761		93.113	9,040
Through Science Applications International Co	11XS031		93.11XS031	2,191
Oral Diseases and Disorders Research			93.121	205,663

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Health Decision Technologies LLC	1R3DE021327-01	93.121	\$65
Through Oraceuticals Inc	1R41DE016172	93.121	(1)
Through Oraceuticals Inc	NIHR412011	93.121	16,533
Through Rice University	YR2 FUNDING SUB R21731	93.121	175,070
Centers for Research and Demonstration for Health Promotion		93.135	124,649
Injury Prevention and Control Research and State		93.136	472,176
NIEHS Superfund Hazardous Substances Basic Research		93.143	2,238,837
Research Related to Deafness and Communication Disorders		93.173	1,325,197
Through University of Michigan	3001396589	93.173	74,175
Through Georgia State University	DLN22-01	93.173	6
Department of Health and Human Services Contract	200-2009-30678	93.200-2009-30678	263,966
Department of Health and Human Services Contract	200-2011-40628	93.200-2011-40628	113,017
Research and Training in Complementary and Alternative		93.213	377,385
Through Ohio State University	60035714 / R01AT004922	93.213	19,208
Through Naprogenix AgTeCC	NAPROGENIX-UKRF 10-01-10	93.213	56,486
Through Akeso Health Sciences LLC	NIH092009	93.213	36,540
Through Ohio State University	RF01208463/60026485	93.213	91,493
National Center on Sleep Disorders Research		93.233	43,190
Policy Research and Evaluation Grants		93.239	28,314
Mental Health Research Grants		93.242	824,078
Through University of Notre Dame	201705	93.242	44,851
Through Medical University of South Carolina	MUSC11-026	93.242	105,252
Through Community Action Council for Lexington Fayette	121934	93.243	12,095
Through Catholic Social Services of the Diocese	5H79SM059210-02	93.243	6,997
Through Catholic Social Services of the Diocese	5H79SM059210-03	93.243	21,198
Through HOPE Center of Lexington	CSAT-MEN	93.243	60,247
Through Kentucky Cabinet for Health and Family Services	PO2 729 1000005251 2	93.243	38,679
Through Kentucky Cabinet for Health and Family Services	PO2 729 1100005272 1	93.243	6,154
Through Kentucky Administrative Office of the Courts	PON2 025 0900012888 3	93.243	20,718
Through Kentucky Administrative Office of the Courts	PON2 025 0900012900 3	93.243	11,203
Occupational Safety and Health Program		93.262	1,266,659
Through University of Louisville	02-0806	93.262	(3,470)
Through Colorado State University	G-46241-1	93.262	278
Alcohol Research Programs		93.273	2,533,604
Through Naprogenix AgTeCC	1R43AA018226-01A2	93.273	55,408
Through University of Mississippi	66100080712-UKY01	93.273	14,056
Through University of Tennessee	9000008357	93.273	20,954
Through Naprogenix AgTeCC	NAPROGENIX-UKRF 10-1-08	93.273	131,279
Through Naprogenix AgTeCC	NAPROGENIX-UKRF 8-01-07	93.273	68,872
Through Northern Kentucky University	NKU-UKRF-4000644-01	93.273	42,977
Through University of Georgia	RR274-346/3503288	93.273	26,659
Drug Abuse and Addiction Research Programs		93.279	7,437,893
Through University of Cincinnati	007073	93.279	21,515
Through University of Arkansas	39672/PO G120105727	93.279	40,358
Through University of Arkansas	39672/PO G120105728	93.279	16,426
Through Boston University	4500000109	93.279	191,493
Through University of Cincinnati	COEUS# 7073, 3U10DA01373	93.279	103,444
Through Alcomed Incorporated	NIH052011	93.279	132,040
Through Alcomed Incorporated	NIH052012	93.279	6,464

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Alcomed Incorporated	NIH092010	93.279	(\$1,993)
Through University of Tennessee	R073223387	93.279	91,106
Through University of Georgia	RR274-332/3506508	93.279	25,414
Through University of Georgia	RR274-381/4785666	93.279	16,043
Through University of Georgia	RR274-403/4895506	93.279	7,175
Through University of Louisville	ULRF 10-0085	93.279	22,523
Through Kentucky Cabinet for Health and Family Services	PO2 728 0800017491 1	93.283	3
Through Kentucky Cabinet for Health and Family Services	PON2 728 1000003926 1	93.283	(600)
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002142 1	93.283	119,781
Discovery and Applied Research for Technological Innovations		93.286	321,748
Minority Health and Health Disparities Research		93.307	1,006,902
Through University of Michigan	3000691501-RPT	93.310	146,280
Through Duke Clinical Research Institute	3449 REVEAL SITE 333	93.3449 REVEAL SITE 333	850
Through ParaTechs Corp	8R44OD010958-03	93.351	14,881
Nursing Research		93.361	465,414
Through NACC/University of Washington	725910	93.361	14,995
Through NACC/University of Washington	737298	93.361	4,757
Through University of Missouri	C00036084-2	93.361	20,529
National Center for Research Resources		93.389	12,450,314
Through Miami University	HERSHBERGER-NIH-UKRF	93.389	13,914
Through University of Louisville	OGMB090109B1-UKY	93.389	299,109
Through Marshall University Research Corporation	P1200434	93.389	85,958
Through Washington University	WU-11-204	93.389	2,913
Cancer Cause and Prevention Research		93.393	2,152,602
Through University of Massachusetts	6114214/RFS900200	93.393	49,600
Through University of Miami	M158945	93.393	38,750
Through University of Miami	M162542	93.393	32,816
Through Pennsylvania State University	UKY-CA140335	93.393	25,739
Cancer Detection and Diagnosis Research		93.394	353,862
Cancer Treatment Research		93.395	2,298,340
Through National Childhood Cancer Foundation	020742	93.395	112,389
Through American College of Radiology	0526	93.395	34,767
Through St Jude Childrens Research Hospital	111495018-7384667	93.395	(8,840)
Through St Jude Childrens Research Hospital	111495020-7425086	93.395	27,597
Through National Childhood Cancer Foundation	18503	93.395	46
Through National Childhood Cancer Foundation	18796	93.395	11
Through National Childhood Cancer Foundation	19548	93.395	1,234
Through National Childhood Cancer Foundation	21001	93.395	7,170
Through The Gynecologic Oncology Group	27469-060	93.395	185,915
Through Southwest Oncology Group	CA32102	93.395	4,199
Through Exatherm LLC	NIH072011	93.395	138,179
Through MC3 Inc	NIH122010	93.395	12
Through NSABP Foundation	TIND 182	93.395	17,834
Cancer Biology Research		93.396	1,735,117
Through University of Connecticut Health Center	UCH6-26256088	93.396	40,433
Cancer Centers Support Grants		93.397	499,401
Cancer Research Manpower		93.398	306,165
Through Southwest Oncology Group	CA37429	93.399	(86)
Through NSABP Foundation	PFED26-KEN-01	93.399	9,622

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

		FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Washington University	WU-HT-11-14 PO 2911004P	93.399	\$6,427
Through Washington University	WU-HT-12-20 PO2917246T	93.399	2,179
Through University of Pittsburgh	402417-04	93.402417-04	7,081
Through Kentucky Cabinet for Health and Family Services	PO2 724 1100003258 1	93.525	82,918
Through Eastern Kentucky University	452134-11-163	93.558	(302)
Through Eastern Kentucky University	452319-12-118	93.558	17,875
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003631 1	93.558	5,526,565
Refugee and Entrant Assistance Wilson/Fish Program		93.583	257,782
Department of Health and Human Services Contract	5R01AI078756-05	93.5R01AI078756-05	302,913
Head Start		93.600	24,514
Through Kentucky Cabinet for Health and Family Services	PO2 729 1000004763 1	93.630	135,502
Through Eastern Kentucky University	452319-12-118	93.658	11,590
ARRA-Non-Construction Grants		93.701	13,678,344
Through ARRA-University of Texas Health Science Center	0007209-A	93.701	23,655
Through ARRA-University of Florida	00081712 UF09174	93.701	222,249
Through ARRA-University of Pittsburgh	0015124 PROJECT # 116763	93.701	3,151
Through ARRA-University of New Mexico	028176-87K8	93.701	10,038
Through ARRA-West Virginia University	09-726ARRA-UKRF	93.701	67,986
Through ARRA-Duke Clinical Research Institute	173530	93.701	1,493
Through ARRA-East Tennessee State University	220561-01-2 5R03CA139876	93.701	1,178
Through ARRA-University of California San Diego	23-UKL ADNI-GO	93.701	2,490
Through ARRA-University of Michigan	3001413335-PNT	93.701	72,482
Through ARRA-Indiana State University	HHS56 1R01GM084229-01A2	93.701	187
Through ARRA-National Development and Research	NDRI PROJ 612B PO 47820	93.701	56,264
Through ARRA-Davidson College	OGC2009-22	93.701	2,738
Through ARRA-University of Miami	PO# M159067	93.701	33,297
Through ARRA-University of Texas Health Science Center	00075121	93.728	64,757
Heart and Vascular Diseases Research		93.837	4,968,669
Through University of California San Francisco	4528SC	93.837	14,646
Through Medarray Inc	NHLBI012012	93.837	88,061
Through W-Z Biotech LLC	NIH122011	93.837	48,670
Through Carl T. Hayden Medical Research Foundation	R01HL094775	93.837	5,660
Lung Diseases Research		93.838	2,062,623
Blood Diseases and Resources Research		93.839	548,461
Through University of North Carolina	5-34426	93.839	(1,245)
Arthritis, Musculoskeletal and Skin Diseases Research		93.846	2,216,124
Through Johns Hopkins University	2001073065	93.846	38,733
Through Ohio State University	60032679/R01AR055563	93.846	42,540
Through Ohio State University	60032699/R01AR055563	93.846	9,787
Through University of Iowa	PO# 1000885508	93.846	24,289
Diabetes, Endocrinology and Metabolism Research		93.847	5,225,393
Through Southern Illinois University	520339	93.847	22,921
Through University of North Carolina	5-31706	93.847	2,970
Through University of South Florida	HHSN267200800019C	93.847	358
Through University of North Texas Health Science Center	RN0065-2012-001	93.847	24,165
Extramural Research Programs in the Neurosciences		93.853	7,011,333
Through Massachusetts General Hospital	2003A009773/214300	93.853	30,354
Through University of Michigan	3000691501-RPT	93.853	(14)
Through University of Michigan	3000770498-ALIAS	93.853	76,808

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through University of Michigan	3001300372-PIII	93.853	\$101,735
Through University of Michigan	3002112003-SHN	93.853	1,371
Through University of Michigan	5000002954	93.853	5,514
Through University of California San Francisco	558055-24034	93.853	62,847
Through Yale University	A06760/1 R01 NS044876-02	93.853	76,413
Through Yale University	A07868 (M07A00656)	93.853	434
Through Yale University	A08082 (M10A10562)	93.853	21,148
Through University of North Carolina	DOBBS092010	93.853	(9,943)
Through University of British Columbia	F09-04888	93.853	43,282
Through Yale University	M07A00656 (A08383)	93.853	32,362
Through Yale University	M10A10562 (A08580)	93.853	29,138
Through Texas A&M Research Foundation	S080082 447732 03001	93.853	(1,100)
Through Columbia University	U01 NS043975	93.853	1,740
Allergy, Immunology and Transplantation Research		93.855	3,044,640
Through University of Pittsburgh	0011210, 115316-1	93.855	350,783
Through University of Chicago	37045	93.855	103,649
Through University of North Carolina	5-32387	93.855	40,129
Through University of North Carolina	UNC-CH5-31181	93.855	113,479
Through Washington University	WU-09-57 PO290491	93.855	247,518
Microbiology and Infectious Diseases Research		93.856	44,895
Through Planet Biotechnology Incorporated	NIH082011	93.856	22,717
Biomedical Research and Research Training		93.859	2,224,104
Through ParaTechs Corp	1R43GM090342-01A1	93.859	26,246
Through University of Minnesota	P657611701	93.859	78,064
Through AM Biotechnologies LLC	RNASBIR-2	93.859	28,505
Genetics and Developmental Biology Research		93.862	(89)
Child Health and Human Development Extramural Research		93.865	2,191,740
Through University of Illinois	2010-06423-01-00	93.865	34,629
Through NACC/University of Washington	736904	93.865	1,957
Through Medical University of South Carolina	MUSC11-011	93.865	22,660
Through Alkymos Inc	NIH082011	93.865	116,502
Aging Research		93.866	9,495,719
Through University of Pittsburgh	0010382	93.866	108,327
Through Arizona State University	08-913	93.866	98,779
Through University of Illinois	2008-03931-06-03	93.866	316,229
Through University of California San Diego	23-00	93.866	21,352
Through Boston University	4500000855 / 9500234634	93.866	10,071
Through Scout Diagnostics, LLC	5R24AG030239-03	93.866	114,971
Through NACC/University of Washington	5U01AG016976-13	93.866	24,738
Through University of California San Diego	ADC-030	93.866	17,142
Through University of California San Diego	ADC-035	93.866	2,876
Through University of California San Diego	ADC-039	93.866	139,174
Through Seattle Institute for Biomedical and Clinical Research	BW22-KENTUCKY 2	93.866	129,825
Through Seattle Institute for Biomedical and Clinical Research	BW22-KENTUCKY 3	93.866	24,537
Through University of California San Diego	CSSA 23-UKL-IGIV M-00-AD	93.866	102,081
Through University of California San Diego	S9000021	93.866	23,789
Through University of Maryland	SR00001586	93.866	30,002
Vision Research		93.867	2,218,714
Through University of Connecticut Health Center	110204	93.867	26,346

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through St Lukes Roosevelt Institute for Health Sciences	NIH032012	93.867	\$155
Grants for Training in Primary Care Medicine and Dentistry		93.884	96,685
Specially Selected Health Projects		93.888	11,388
Through Trover Clinic Foundation	HRSA082011	93.912	91,676
Through CHARM Inc	CDC0411	93.943	3,660
Through Kentucky Cabinet for Health and Family Services	M-03444108	93.952	(1)
Through Kentucky Cabinet for Health and Family Services	PO2 279 0700007755 1	93.959	20
Through Kentucky Cabinet for Health and Family Services	PO2 729 1100005272 1	93.959	57,063
Through Kentucky Cabinet for Health and Family Services	PO2 728 1100000176 1	93.994	(954)
Through Kentucky Cabinet for Health and Family Services	PO2 728 1100004842 1	93.994	5,405
Department of Health and Human Services Contract	HHSN261200700019C	93.HHSN261200700019C	118,345
Department of Health and Human Services Contract	HHSN266200500045P	93.HHSN266200500045P	241,493
Department of Health and Human Services Contract	HHSN271201100710P	93.HHSN271201100710P	85,139
Department of Health and Human Services Contract	HHSN276201000725P	93.HHSN276201000725P	19,913
Through National Institute for Pharmaceutical Technology	KY0001	93.KY0001	7,156
Through National Childhood Cancer Foundation	NCI071508	93.NCI071508	1,298
Through University of Louisville	OGMB090109C1-UKY-A	93.OGMB090109C1-UKY-A	166
Through Bavarian Nordic	POX-MVA-008	93.POX-MVA-008	31,752
Through Bavarian Nordic	POX-MVA-010	93.POX-MVA-010	6,043
Through Bavarian Nordic	POX-MVA-024	93.POX-MVA-024	36,256
Through Duke University Medical Center	SPS 102970	93.SPS 102970	5,613
Through Institute for Genomic Research	TIGR-04-010/N01-A1-15547	93.TIGR-04-010/N01-A1-15547	(709)
Department of Health and Human Services Contract	U01CA151648	93.U01CA151648	131,605
<b>SUBTOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>109,387,664</b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Through National Institute for Hometown Security	01-10-UK	97.01-10-UK	48,145
Through National Institute for Hometown Security	02-09-UK	97.02-09-UK	284,390
Through National Institute for Hometown Security	02-10-UK	97.02-10-UK	687,016
Through National Institute for Hometown Security	03-09-UK	97.03-09-UK	317,113
Through National Institute for Hometown Security	04-09-UK	97.04-09-UK	459,634
Through University of Southern California	160002	97.061	31,722
Through University of Minnesota	P001955409	97.061	174,184
Through Kansas State University	S11199	97.061	39,744
Through National Institute for Hometown Security	08-07-UK	97.08-07-UK	278,552
Through National Institute for Hometown Security	08-09-UK	97.08-09-UK	44,722
Through University of Louisville	090446Z01	97.090446Z01	171,444
Through National Institute for Hometown Security	09-07-UK	97.09-07-UK	246,282
Through National Institute for Hometown Security	10-07-UK	97.10-07-UK	236,426
Through National Institute for Hometown Security	11-07-UK	97.11-07-UK	278,644
Through National Institute for Hometown Security	12-07-UK	97.12-07-UK	858,422
Through National Institute for Hometown Security	16-07-UK	97.16-07-UK	77,012
Through National Institute for Hometown Security	17-07-UK	97.17-07-UK	1,947
Through Flashscan 3D	HSHQDC-11-C-00115	97.HSHQDC-11-C-00115	24,290
Through University of Louisville	ULRF 08-0292-01	97.ULRF 08-0292-01	153,971
Through Western Kentucky University	WKURF 547103-10-001	97.WKURF 547103-10-001	127,601
<b>SUBTOTAL DEPARTMENT OF HOMELAND SECURITY</b>			<b>4,541,261</b>

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
<b>US AGENCY FOR INTERNATIONAL DEVELOPMENT</b>			
Through Vanderbilt University	18815-S2	98.18815-S2	2,427
<b>SUBTOTAL US AGENCY FOR INTERNATIONAL DEVELOPMENT</b>			<b>2,427</b>
<b>TOTAL RESEARCH AND DEVELOPMENT</b>			<b>175,378,742</b>
<b>STUDENT FINANCIAL AID</b>			
<b>DEPARTMENT OF EDUCATION</b>			
Federal Supplemental Educational Opportunity Grants		84.007	441,317
Federal Work-Study Program		84.033	1,135,268
Federal Perkins Loan Cancellations		84.038	22,137,128
Federal Pell Grant Program		84.063	20,487,191
Federal Direct Student Loans		84.268	164,817,210
Academic Competitiveness Grant (ACG)		84.375	1,415
National Science and Mathematics Access to Retain Talent		84.376	11,851
<b>SUBTOTAL DEPARTMENT OF EDUCATION</b>			<b>209,031,380</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Health Careers Opportunity Program		93.342	6,644,114
Scholarships for Health Professions Students		93.925	213,989
<b>SUBTOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>6,858,103</b>
<b>TOTAL STUDENT FINANCIAL AID</b>			<b>215,889,483</b>
<b>OTHER FEDERAL ASSISTANCE</b>			
<b>DEPARTMENT OF AGRICULTURE</b>			
Agricultural Research Basic and Applied Research		10.001	44,397
Plant and Animal Disease, Pest Control, and Animal Care		10.025	860,154
Through Kentucky Department of Agriculture	M-06086977	10.025	(3)
Through Kentucky Department of Agriculture	PON2 035 1100002785 1	10.025	19,200
Federal-State Marketing Improvement Program		10.156	6,963
Through Kentucky Department of Agriculture	GWS2L2	10.170	5,000
Through Kentucky Department of Agriculture	PO2 035 1000005460 1	10.170	16,407
Through Kentucky Department of Agriculture	PON2 035 1100001314 3	10.170	22,891
Through Kentucky Department of Agriculture	PON2 035 1200000904 1	10.170	702
Grants for Agricultural Research, Special Research Grants		10.200	198,886
Through University of Florida	1200141260	10.200	4,932
Through University of Florida	1200141704	10.200	1,884
Through Cornell University	61353-9318	10.200	25,128
Cooperative Forestry Research		10.202	(143)
Through Kentucky Energy and Environment Cabinet	PO2 128 0900023358 3	10.202	42,317
Through University of Georgia	RD309-109/4786426	10.215	14,309
Through University of Georgia	RE675-161/4694458	10.215	35,326

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

		FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Iowa State University	416-17-02	10.217	(\$181)
Through Texas A&M University	451010	10.303	71,217
Through Purdue University	8000035690-AG	10.304	60,209
International Science and Education Grants		10.305	36,824
Agriculture and Food Research Initiative (AFR)		10.310	2,496
Through Purdue University	8000041337-AG 2010-38411	10.310	51,588
Through University of Florida	UF10071	10.310	30,408
Beginning Farmer and Rancher Development Program		10.311	175,304
Cooperative Extension Service		10.500	11,373,021
Through National Four H Council	2008-45201-04715	10.500	22,976
Through University of Arkansas	21660-02	10.500	1,340
Through University of Arkansas	21661-09	10.500	11,084
Through University of Arkansas	21661-18	10.500	9,613
Through University of Nebraska	25-6329-0059-808	10.500	8,445
Through University of Nebraska	25-6365-0023-004	10.500	90,970
Through University of Nebraska	25-6365-0023-103	10.500	5,941
Through University of Nebraska	25-6365-0023-109	10.500	12,139
Through University of Nebraska	25-6365-0030-014	10.500	2,490
Through University of Nebraska	25-6365-0040-004	10.500	297,814
Through University of Nebraska	26-6365-0001-353	10.500	32,775
Through University of Nebraska	26-6365-0023-105	10.500	8,673
Through Michigan State University	61-4001A	10.500	35,146
Through Texas A&M University	622236	10.500	4,611
Through Texas A&M University	622251	10.500	1,142
Through Purdue University	8000041654	10.500	143,203
Through Purdue University	8000047941	10.500	45,714
Through University of Georgia	RE675-161/4786296	10.500	38,968
Through University of Georgia	RE675-161/4786446	10.500	3,670
Through Kansas State University	S08033	10.500	28,616
Through Kansas State University	S11141	10.500	12,090
Through Kansas State University	S12014	10.500	67,923
Through Kansas State University	S12199	10.500	25,805
Through Auburn University	10-ACES-374584-UK	10.550	2,964
Through Eastern Kentucky University	452317-12-146	10.561	544
Through Kentucky Cabinet for Health and Family Services	PO2 721 M-06077982 2	10.561	1
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003601 1	10.561	(247)
Through Kentucky Cabinet for Health and Family Services	PON2 736 1100000767 1	10.561	766,684
Through Kentucky Cabinet for Health and Family Services	PON2 736 1200000476 1	10.561	1,956,911
Through Kentucky Energy and Environment Cabinet	09-DG-11083121-005	10.664	18,300
Through Kentucky Energy and Environment Cabinet	PON2 128 1000003545 1	10.664	4
Through Kentucky Energy and Environment Cabinet	PON2 128 1000003596 1	10.664	(816)
Through Kentucky Energy and Environment Cabinet	PON2 128 1000003598 1	10.664	(893)
Through Kentucky Energy and Environment Cabinet	PON2 128 1000003600 1	10.664	2,520
Through Kentucky Energy and Environment Cabinet	PON2 128 1100001909 1	10.664	(79)
Through Kentucky Energy and Environment Cabinet	PON2 128 1200001302 1	10.664	16,030
Through Kentucky Energy and Environment Cabinet	PON2 128 1200001850 1	10.664	16,043
Rural Business Enterprise Grants		10.769	49,236
Rural Energy for America Program		10.868	56,894
Soil Survey		10.903	6,616

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Environmental Quality Incentives Program		10.912	\$4,368
Technical Agricultural Assistance		10.960	44,922
Cochran Fellowship Program -International Training-Foreign		10.962	49,133
US Department of Agriculture Contract	AG-3198-B-10-0028	10.AG-3198-B-10-0028	1,260,850
Through Altarum Institute	SC-10-013	10.SC-10-013	26,459
<b>SUBTOTAL DEPARTMENT OF AGRICULTURE</b>			<b>18,286,828</b>
<b>DEPARTMENT OF COMMERCE</b>			
Economic Development Technical Assistance		11.303	141,277
Public Telecommunications Facilities Planning and Construction		11.550	13,045
ARRA-National Institute of Standards and Technology Construction		11.618	8,102,189
<b>SUBTOTAL DEPARTMENT OF COMMERCE</b>			<b>8,256,511</b>
<b>DEPARTMENT OF DEFENSE</b>			
Through Kentucky Department of Military Affairs	PON2 095 1000004089 1	12.401	9,089
Military Medical Research and Development		12.420	28,885
Language Grant Program		12.900	131,432
Mathematical Sciences Grants Program		12.901	93
<b>SUBTOTAL DEPARTMENT OF DEFENSE</b>			<b>169,499</b>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Sustainable Communities Regional Planning Grant Program		14.703	154,201
<b>SUBTOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>154,201</b>
<b>DEPARTMENT OF THE INTERIOR</b>			
U.S. Geological Survey Research and Data Collection		15.808	(156)
National Geological and Geophysical Data Preservation Program		15.814	67,941
<b>SUBTOTAL DEPARTMENT OF THE INTERIOR</b>			<b>67,785</b>
<b>DEPARTMENT OF JUSTICE</b>			
Grants to Reduce Violent Crimes Against Women on Campus		16.525	44,560
Through Kentucky Association of Sexual Assault Programs	KASAP 072012	16.529	30,160
Edward Byrne Memorial State and Local Law Enforcement Assist		16.580	125,387
Through University of Massachusetts	S51000000010939	16.582	1,012
Through Kentucky Administrative Office of the Courts	PON2 025 1200002134 1	16.585	519
Through National Four H Council	2010-OJJDP-MNTR-22	16.726	71,834
Through Mountain Comprehensive Care Center	2010-RN-BX-0004	16.812	24,784
Through Kentucky Department of Corrections	PON2 527 1200000700 1	16.812	2,775
Through Kentucky Department of Corrections	PON2 527 1200000711 1	16.812	4,635
Department of Justice Contract	DJBPO109KF510001	16.DJBPO109KF510001	8,584
Department of Justice Contract	DJBPO109LF510001	16.DJBPO109LF510001	13,136
<b>SUBTOTAL DEPARTMENT OF JUSTICE</b>			<b>327,386</b>
<b>DEPARTMENT OF LABOR</b>			

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through ARRA-Kentucky Council on Postsecondary Education	PO2 415 1100002385 1	17.260	(\$6,006)
<b>SUBTOTAL DEPARTMENT OF LABOR</b>			<b>(6,006)</b>
<b>DEPARTMENT OF STATE</b>			
Environmental and Scientific Partnerships and Programs		19.017	47,456
Professional Exchanges Annual Open Grant		19.415	88,705
General Department of State Assistance		19.700	61,546
<b>SUBTOTAL DEPARTMENT OF STATE</b>			<b>197,707</b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Through Kentucky Transportation Cabinet	FRT 171	20.205	150,799
Through Kentucky Transportation Cabinet	FRT 185	20.205	27,475
Through Kentucky Transportation Cabinet	PO2 628 0800020505 1	20.205	50,802
Through Northwestern University	PROJ0000173	20.205	132,287
Through Kentucky Transportation Cabinet	TASK 3	20.205	7,829
Through Kentucky Transportation Cabinet	8418301N	20.215	85,572
Through Kentucky Transportation Cabinet	8622701N	20.215	47,551
Through National Academy of Sciences	HR 15-32A	20.215	12,072
Through Kentucky Transportation Cabinet	LTAP2-4	20.215	151,985
Through Kentucky Transportation Cabinet	PLANNING STUDY 2	20.215	79,507
Through Kentucky Transportation Cabinet	KYSPR 07-338	20.515	2
Through Kentucky Transportation Cabinet	KYSPR 10-392	20.515	49,875
Through Kentucky Transportation Cabinet	K9-12-05	20.601	33,738
Through University of Tennessee	OR10728-001.05	20.OR10728-001.05	34,447
<b>SUBTOTAL DEPARTMENT OF TRANSPORTATION</b>			<b>863,941</b>
<b>APPALACHIAN REGIONAL COMMISSION</b>			
Through Greenup County Health Department	KY-17095-11	23.002	10,378
Through Kentucky Cabinet for Health and Family Services	PO2 728 1100004938 1	23.002	4,903
Appalachian Research, Technical Assistance		23.011	160,836
Appalachian Regional Commission Contract	ARC11-PO38	23.ARC11-PO38	2,522
<b>SUBTOTAL APPALACHIAN REGIONAL COMMISSION</b>			<b>178,639</b>
<b>OFFICE OF PERSONNEL MANAGEMENT</b>			
Intergovernmental Personnel Act (IPA) Mobility Program		27.011	159,593
<b>SUBTOTAL OFFICE OF PERSONNEL MANAGEMENT</b>			<b>159,593</b>
<b>NATIONAL AERONAUTICS &amp; SPACE ADMINISTRATION</b>			
National Aeronautics Space Commission Contract	NNX10AL96H	43.NNX10AL96H	35
National Aeronautics Space Commission Contract	RFP-12-001-016	43.RFP-12-001-016	6,930
Through Western Kentucky University	WKU 516171-07-82	43.WKU 516171-07-82	1
<b>SUBTOTAL NATIONAL AERONAUTICS &amp; SPACE ADMINISTRATION</b>			<b>6,966</b>
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Promotion of the Arts Grants to Organizations and Individual		45.024	(\$5)
Through Kentucky Humanities Council	2012-009	45.129	1,488
Promotion of the Humanities Division of Preservation		45.149	91,615
Promotion of the Humanities Research		45.161	98,882
Through Massachusetts Historical Society	NEH022011	45.161	67,015
National Leadership Grants		45.312	12,013
<b>SUBTOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			<b>271,008</b>
<b>NATIONAL SCIENCE FOUNDATION</b>			
Engineering Grants		47.041	178,944
Mathematical and Physical Sciences		47.049	4,188
Geosciences		47.050	46,706
Computer and Information Science and Engineering		47.070	23,238
Through Computing Research Association	CIF-B-28	47.070	36,290
Through Computing Research Association	CIF-C-28	47.070	54,920
Biological Sciences		47.074	72,933
Social, Behavioral, and Economic Sciences		47.075	22,236
Education and Human Resources		47.076	1,560,013
Through Puget Sound Center for Teaching	PSCTLT-SCHEFF-08	47.076	3,694
Polar Programs		47.078	14,646
Through Clemson University	1573-206-2008707	47.081	713
ARRA-TRANS-NSF Recovery Act Research Support		47.082	136,465
National Science Foundation	BCS-0920370	47.BCS-0920370	1,207
<b>SUBTOTAL NATIONAL SCIENCE FOUNDATION</b>			<b>2,156,193</b>
<b>SMALL BUSINESS ADMINISTRATION</b>			
Congressionally Mandated Projects		59.000	43,010
Small Business Development Center		59.037	1,853,879
Small Business Administration Contract	SBAHQ-05-I-0061	59.SBAHQ-05-I-0061	(92)
<b>SUBTOTAL SMALL BUSINESS ADMINISTRATION</b>			<b>1,896,797</b>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Through Kentucky Cabinet for Health and Family Services	PON2 728 1000004109 1	66.032	(5)
Through Kentucky Cabinet for Health and Family Services	PON2 728 1000004130 1	66.032	(189)
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002143 1	66.032	53,749
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002175 1	66.032	24,742
Through Kentucky Energy and Environment Cabinet	PO2 129 0900025111 1	66.460	17,262
Through Kentucky Energy and Environment Cabinet	PON2 128 1100000652 1	66.460	27,265
Through Kentucky Energy and Environment Cabinet	PON2 128 1100000957 1	66.460	107,118
Through Kentucky Energy and Environment Cabinet	PON2 128 1200000603 1	66.460	26,704
Through Kentucky Energy and Environment Cabinet	PON2 128 1200000757 1	66.460	2,376
Through Kentucky Department of Agriculture	PON2 035 1000003657 5	66.605	30,154
Surveys, Studies, Investigations, Training Demonstrations		66.716	21,687
<b>SUBTOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<b>310,863</b>
<b>DEPARTMENT OF ENERGY</b>			

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Kentucky Energy and Environment Cabinet	PON2 127 100003776 1	81.041	(\$7)
Through Kentucky Energy and Environment Cabinet	PON2 127 1100002742 1	81.041	106,782
Through ARRA-Arizona Geological Survey	KY-EE0002850	81.086	193,617
Through Kentucky Energy and Environment Cabinet	PON2 129 1200001690 1	81.104	9,995
Energy Efficiency and Renewable Energy Information		81.117	116,430
ARRA-Electricity Delivery and Energy Reliability, Research		81.122	639,496
Advanced Research and Projects Agency		81.135	8,576
<b>SUBTOTAL DEPARTMENT OF ENERGY</b>			<b>1,074,889</b>
<b>DEPARTMENT OF EDUCATION</b>			
Through Kentucky Council on Postsecondary Education	PO2 415 1200000900 1	84.002	151,490
Special Education Grants to States		84.027	(1,441)
Through Iowa Department of Education	26305	84.027	5
Through Kentucky Department of Education	PO2 540 1100002740 1	84.027	103,406
Through Kentucky Department of Education	PON2 540 1000003653 2	84.027	143,414
Through Kentucky Department of Education	PON2 540 1100000598 1	84.027	10,830
Through Georgetown College	PON2 540 1100001687 1	84.027	11,395
Through Kentucky Department of Education	PON2 540 1100002645 2	84.027	358,865
Through Kentucky Department of Education	PON2 540 1100002755 1	84.027	239,180
Through Kentucky Department of Education	PON2 540 1200000270 1	84.027	52,635
Through Kentucky Department of Education	PON2 540 1200001558 1	84.027	9,262
TRIO Student Support Services		84.042	284,444
Through Kentucky Department of Education	PON2 531 1100000004 1	84.048	80
Through Kentucky Department of Education	PON2 531 1100002457 1	84.048	7,498
Through Kentucky Workforce Development Cabinet	PON2 531 1200001724 1	84.048	1,623
Fund for the Improvement of Postsecondary Education		84.116	52,479
Through Virginia Polytechnic Institute and State University	423017-19660	84.116	1,677
Through Education Cabinet Administrative Services	PON2 531 1000003595 3	84.126	152,174
Through Education Cabinet Administrative Services	PON2 531 1000003599 1	84.126	(308)
Through Education Cabinet Administrative Services	PON2 531 1000003599 3	84.126	452,381
Through Education Cabinet Administrative Services	PON2 531 1000003880 2	84.126	152,056
Through Education Cabinet Administrative Services	PON2 531 1100001124 1	84.126	32,106
Through Kentucky Office for the Blind	PON2 531 1100001979 1	84.126	16,562
Through Education Cabinet Administrative Services	PO2 531 0800016951 1	84.128	511
Through Education Cabinet Administrative Services	PON2 531 1000003589 1	84.128	(921)
Through Education Cabinet Administrative Services	PON2 531 1000003589 2	84.128	173,759
Rehabilitation Long-Term Training		84.129	330,741
Through Kentucky Department of Education	PON2 540 1000003592 1	84.173	4
Through Kentucky Department of Education	PON2 540 1100002017 1	84.173	175,888
Through Kentucky Department of Education	PON2 540 1000003586 1	84.180	20,588
Through Reach Out and Read Inc	U215U100003	84.215	(30)
Through University of Tennessee	14492-001-02	84.323	73,255
Through Kentucky Department of Education	M-05194797	84.323	1
Through Kentucky Department of Education	PO2 540 1000003947 1	84.323	(3,525)
Through Kentucky Department of Education	PON2 540 1100000598 1	84.323	60,878
Through Kentucky Department of Education	PON2 540 1100000908 3	84.323	13,326
Through Kentucky Department of Education	PON2 540 1200000270 1	84.323	240,527
Through Kentucky Department of Education	PON2 540 1200000278 1	84.323	129,866

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Research in Special Education		84.324	\$676,349
Special Education Personnel Preparation to Improve Services		84.325	493,083
Through Kent State University	441161-P8060935	84.325	4,149
Through University of North Carolina	5-54471 H325J070007	84.325	27,021
Special Education Technical Assistance and Dissemination		84.326	1,284,733
Through Kentucky Department of Education	PON2 540 1100000745 1	84.326	52,996
Through Kentucky Department of Education	PON2 540 1200000393 1	84.326	94,290
Through Kentucky Department of Education	PON2 540 1000003384 2	84.330	1,500
Through Western Kentucky University	WKURF 543604-05-32	84.336	1,111
Through Kentucky Department of Education	PO2 540 0900024291 1	84.366	(3)
Through Kentucky Department of Education	PON2 540 1000003555 1	84.366	68,847
Through Kentucky Department of Education	PON2 540 1100000592 1	84.366	55,962
Through Kentucky Department of Education	PON2 540 1100000606 1	84.366	65,794
Through Kentucky Department of Education	PON2 540 1100001147 1	84.366	96,352
Through Kentucky Department of Education	PON2 540 1100001148 1	84.366	93,418
Through Kentucky Department of Education	PON2 540 1200000347 1	84.366	69,061
Through Kentucky Department of Education	PON2 540 1200000348 1	84.366	77,130
Through Kentucky Department of Education	PON2 540 1200000381 1	84.366	117,819
Through Kentucky Department of Education	PON2 540 1200000382 1	84.366	157,082
Through Kentucky Department of Education	PON2 540 1200001716 1	84.366	38,090
Through Kentucky Council on Postsecondary Education	PO2 415 1000003520 1	84.367	45,540
Through Kentucky Council on Postsecondary Education	PO2 415 1000003523 1	84.367	757
Through Kentucky Council on Postsecondary Education	PO2 415 1100002499 1	84.367	93,689
Through Kentucky Council on Postsecondary Education	PO2 415 1100002516 1	84.367	98,328
Through Kentucky Council on Postsecondary Education	PO2 415 1200003084 1	84.367	21,204
Through Kentucky Council on Postsecondary Education	PO2 415 1200003087 1	84.367	5,607
Through Kentucky Council on Postsecondary Education	PO2 415 1200003090 1	84.367	35,671
Special Education Technical Assistance on State Data Collection		84.373	497,038
Through University of Guam	53K610472N53233	84.373	(1)
Through University of Minnesota	A001945803	84.373	1,615,935
Through Kentucky Department of Education	PON2 540 1100001057 1	84.377	51,303
Through ARRA-Kentucky Workforce Development Cabinet	PON2 531 1000003157 1	84.390	10,947
Through ARRA-Ohio State University	60029197 / PO RF01229388	84.396	311,215
Transition Programs for Students with Intellectual		84.407	480,596
<b>SUBTOTAL DEPARTMENT OF EDUCATION</b>			<b>10,189,294</b>

### DEPARTMENT OF HEALTH AND HUMAN SERVICES

Through Kentucky Energy and Environment Cabinet	PON2 129 1200000713 1	93.070	61,962
Through University of Louisville	AHEC 2010-2011	93.107	62,209
Through University of Louisville	AHEC 2011-2012	93.107	184,487
Maternal and Child Health Federal Consolidated Programs		93.110	16,274
Through University of North Carolina	5-52965	93.110	12,142
Through Kentucky Cabinet for Health and Family Services	PO2 728 1100004938 1	93.110	2,632
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200000124 1	93.110	25,638
Through University of Arizona	Y553522	93.110	20,511
Through Ace Info Solutions Incorporated	1113-002-EMP	93.1113-002-EMP	9,672
Biological Response to Environmental Health Hazards		93.113	281,333
Through Kentucky Community & Technical College System	HRSA072010	93.127	36,798

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Lexington Fayette County Health Department	04-05-7000-51-R	93.130	(\$11)
Through Kentucky Cabinet for Health and Family Services	PON2 728 1000003968 1	93.130	(35)
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100003454 1	93.130	9,815
Centers for Research and Demonstration for Health Promotion		93.135	710,413
Through University of South Florida	6416-1012-11-A	93.135	9,468
Through University of South Florida	6416-1013-02-A	93.135	38,175
Injury Prevention and Control Research and State		93.136	542,563
Through Kentucky Association of Sexual Assault Programs	KASAP 072010	93.136	1
Through Kentucky Association of Sexual Assault Programs	KASAP 072011	93.136	2
Through Kentucky Association of Sexual Assault Programs	KASAP 072012	93.136	50,819
Through American International Health	H-F4-ZAM-08-P-PTR-ZAMI	93.145	17,382
Coordinated Services and Access to Research for Women		93.153	333,310
Grants To States for Loan Repayment Program		93.165	132,200
Research Related to Deafness and Communication Disorders		93.173	50,810
Through University of North Carolina	5-44349	93.184	15,367
Through SciMetrika LLC	200-2009-31909-UKY RESEA	93.200-2009-31909-UKY RESEA	1,477
Through University of Illinois	2010-06621-21-00	93.2010-06621-21-00	4,880
Consolidated Health Centers (Community Health Centers)		93.224	1,424,052
Through Kentucky Cabinet for Health and Family Services	PO2 728 1000005001 1	93.236	(4,204)
Through Kentucky Cabinet for Health and Family Services	PO2 728 1100004938 1	93.236	192,522
State Rural Hospital Flexibility Program		93.241	291,666
Substance Abuse and Mental Health Services Projects		93.243	404,144
Through Mountain Comprehensive Care Center	1H79TI023188-01	93.243	14,234
Through Morehead State University	2010-11-072-001	93.243	2,337
Through Morehead State University	2010-11-073-001	93.243	2,336
Through Mountain Comprehensive Care Center	5H79TI023188-02	93.243	51,132
Through Pennyroyal Regional Mental Health Mental Retardation	999	93.243	104,890
Through Kentucky Cabinet for Health and Family Services	PO2 729 1000006422 1	93.243	63
Through Kentucky Administrative Office of the Courts	PON2 025 1000000797 3	93.243	52,601
Through Kentucky Administrative Office of the Courts	PON2 025 1200002134 1	93.243	29,539
Through Kentucky River Community Care Inc	SAMHSA032011	93.243	55,892
Through Volunteers of America of Los Angeles	VOALA032510	93.243	(4)
Occupational Safety and Health Program		93.262	306,412
Nurse Faculty Loan Program (NFLP)		93.264	176,214
Alcohol National Research Service Awards for Research		93.272	41,393
Drug Abuse National Research Service Awards for Research		93.278	(18,525)
Drug Abuse and Addiction Research Programs		93.279	690,151
Through American Academy of Child	AACAP020210	93.279	4,613
Centers for Disease Control and Prevention Investigations		93.283	1,537,908
Through University of North Carolina	5-54129	93.283	3,352
Through Kentucky Cabinet for Health and Family Services	M-04162178	93.283	(2)
Through Public Health Foundation	NO ID	93.283	8,842
Through Kentucky Cabinet for Health and Family Services	PO2 728 1000005387 1	93.283	12,717
Through Kentucky Cabinet for Health and Family Services	PON2 728 1000003552 3	93.283	(395)
Through Kentucky Cabinet for Health and Family Services	PON2 728 1000003841 1	93.283	(2,525)
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002047 2	93.283	35,083
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002149 1	93.283	5,036
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002149 3	93.283	20,955
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002274 1	93.283	17,547

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002870 1	93.283	\$16,850
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200000124 3	93.283	16,743
Small Rural Hospital Improvement Grant Program		93.301	350,331
Advanced Education Nursing Traineeships		93.358	30,400
Through Vanderbilt University	VUMC35255-R	93.359	51,211
Through Vanderbilt University	VUMC35826	93.359	80,458
National Center for Research Resources		93.389	127,667
Through University of Louisville	OGMB090109B1-UKY-A	93.389	77,661
Cancer Cause and Prevention Research		93.393	85,401
Cancer Treatment Research		93.395	14,333
Through The Gynecologic Oncology Group	CA27469-31 CORPUS COMMIT	93.395	2,227
Through The Gynecologic Oncology Group	U10CA27469	93.395	10,517
Cancer Centers Support Grants		93.397	1,262,216
Through Meharry Medical College Grants Management Office	091214MKH358 04 01	93.397	30,012
Cancer Research Manpower		93.398	324,581
Cancer Control		93.399	48,944
ARRA-State Loan Repayment Program		93.402	17,500
ARRA-Equipment to Enhance Training for Health Professional		93.411	587,901
Ruminant Feed Ban Support Project		93.449	39,651
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200000124 3	93.505	23,954
Affordable Care Act (ACA) Public Health Training Centers		93.516	785,568
Through Kentucky Cabinet for Health and Family Services	PO2 728 1000004600 4	93.521	59,965
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200000444 1	93.521	8,213
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200000499 1	93.521	56,585
Through Kentucky Cabinet for Health and Family Services	PO2 724 1200003049 2	93.525	77,626
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002877 3	93.544	20,508
Through Eastern Kentucky University	451730-09-127	93.556	(60)
Through Eastern Kentucky University	452148-11-133	93.556	(2,998)
Through Eastern Kentucky University	452332-12-122	93.556	50,465
Through Eastern Kentucky University	452332-12-148	93.556	319,603
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003486 1	93.556	38
Through Kentucky Cabinet for Health and Family Services	PON2 736 1100002195 2	93.556	177,841
Through Eastern Kentucky University	452317-12-146	93.558	234
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003630 1	93.558	(560)
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003630 2	93.558	170,633
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003546 2	93.575	17,057
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003388 1	93.596	(11,361)
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003388 2	93.596	3,004,402
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003401 1	93.596	(1,296)
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003401 3	93.596	2,368,580
Through Kentucky Cabinet for Health and Family Services	M-06068863	93.630	375
Through Kentucky Council on Developmental Disabilities	PO2 729 1000004770 2	93.630	(124)
University Centers for Excellence in Developmental		93.632	527,685
Through ARRA-Macro International Co	635243-10S-1572	93.635243-10S-1572	286,131
Through Kentucky Cabinet for Health and Family Services	PO2 736 0800021104 1	93.652	1
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003636 2	93.652	(431)
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003636 3	93.652	91,073
Through Eastern Kentucky University	451706-09-128	93.658	(119)
Through Eastern Kentucky University	451910-10-156	93.658	(27)

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Through Eastern Kentucky University	452126-11-146	93.658	(\$362)
Through Eastern Kentucky University	452126-11-148	93.658	(3,211)
Through Eastern Kentucky University	452126-11-150	93.658	(300)
Through Eastern Kentucky University	452127-11-135	93.658	(36)
Through Eastern Kentucky University	452127-11-191	93.658	(2)
Through Eastern Kentucky University	452129-11-136	93.658	4,110
Through Eastern Kentucky University	452312-12-115	93.658	326,607
Through Eastern Kentucky University	452312-12-116	93.658	6,141
Through Eastern Kentucky University	452312-12-117	93.658	107,405
Through Eastern Kentucky University	452312-12-119	93.658	398,691
Through Eastern Kentucky University	452312-12-144	93.658	202,691
Through Eastern Kentucky University	452314-12-143	93.658	329,170
Through Eastern Kentucky University	452317-12-146	93.658	3,123
Through Eastern Kentucky University	452327-12-121	93.658	94,668
Through Eastern Kentucky University	452143-11-174	93.669	(16)
Through Eastern Kentucky University	452327-12-121	93.669	51,544
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003597 1	93.669	(19)
Through Kentucky Cabinet for Health and Family Services	PON2 736 1000003597 2	93.669	82,266
Child Abuse and Neglect Discretionary Activities		93.670	66,117
Through National Opinion Research Center	6928-01-UK	93.6928-01-UK	10,471
ARRA-ARRA-Health Center Integrated Services Development		93.703	(5,483)
Through ARRA-Kentucky Department of Education	PON2 070 1200000600 2	93.708	247,996
ARRA-Strengthening Communities Fund		93.711	52,396
Through ARRA-Kentucky Cabinet for Health and Family Services	PON2 736 1000003388 1	93.713	(2,255)
Through ARRA-Kentucky Cabinet for Health and Family Services	PO2 728 1000004600 1	93.717	54,028
Through ARRA-Kentucky Cabinet for Health and Family Services	PO2 728 1000004600 4	93.717	8,417
ARRA-Health Information Technology Regional Extension Centers		93.718	1,766,537
Through ARRA-HealthBridge	90RC0025/01-UK	93.718	257,709
Through ARRA-Kentucky Cabinet for Health and Family Services	PO2 746 1100003903 1	93.718	198,125
Through ARRA-Kentucky Cabinet for Health and Family Services	PON2 728 1000003704 1	93.723	(1,616)
Through ARRA-Kentucky Cabinet for Health and Family Services	PON2 728 1100002149 1	93.723	40,036
Through ARRA-Kentucky Cabinet for Health and Family Services	PON2 728 1100002149 3	93.723	8,848
Through Kentucky Cabinet for Health and Family Services	PO2 746 1000004229 2	93.767	69,310
Through Eastern Kentucky University	452317-12-146	93.778	554
Through Kentucky Cabinet for Health and Family Services	PO2 746 1000004148 1	93.778	216
Through Kentucky Cabinet for Health and Family Services	PON2 729 1000003584 1	93.778	(215)
Through Kentucky Cabinet for Health and Family Services	PON2 729 1000003584 2	93.778	2,977,281
Through Kentucky Cabinet for Health and Family Services	PO2 746 1000004157 1	93.791	(4,444)
Through Kentucky Cabinet for Health and Family Services	PO2 746 1000004157 3	93.791	1,362,491
Heart and Vascular Diseases Research		93.837	416,941
Lung Diseases Research		93.838	117,636
Diabetes, Endocrinology and Metabolism Research		93.847	180,942
Extramural Research Programs in the Neurosciences		93.853	93,494
Allergy, Immunology and Transplantation Research		93.855	21,940
Biomedical Research and Research Training		93.859	501,345
Aging Research		93.866	346,159
Through University of Illinois	2010-06621-12-00	93.879	18,155
Grants for Training in Primary Care Medicine and Dentistry		93.884	208,363
Health Care and Other Facilities		93.887	1,676,244

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

	SPONSOR ID	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Specially Selected Health Projects		93.888	\$2,272,638
Through Kentucky Cabinet for Health and Family Services	PON2 728 1000004025 3	93.889	190,293
Resource and Manpower Development in the Environmental		93.894	5,539
Through Morehead State University	2007-08-044-003	93.912	19,147
Grants to States for Operation of Offices of Rural Health		93.913	189,437
Through Kentucky Cabinet for Health and Family Services	PON2 728 1000004168 1	93.917	9,716
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002514 1	93.917	725,954
Through Emory University	S450426	93.917	16,950
Through Emory University	S450427	93.917	(10)
Through Emory University	S683877	93.917	141,529
Grants to Provide Outpatient Early Intervention Services		93.918	693,588
Ryan White HIV/AIDS Dental Reimbursements		93.924	79,506
Through Indiana University	416732	93.939	(1)
Through Kentucky Cabinet for Health and Family Services	PO2 728 1000005398 1	93.941	(269)
Through Kentucky Cabinet for Health and Family Services	PO2 728 1000005398 2	93.941	98,020
Through Cicatelli Associates Incorporated	PS09-9131	93.941	20,267
Through Eastern Kentucky University	410157-12-223, PO P00214	93.958	2,670
Through Kentucky Cabinet for Health and Family Services	PO2 729 1000006422 1	93.958	(64)
Through Kentucky Cabinet for Health and Family Services	PO2 729 1100005272 1	93.958	101,843
Through Kentucky Cabinet for Health and Family Services	PO2 729 1000006422 1	93.959	480
Through Kentucky Cabinet for Health and Family Services	PO2 729 1100005272 1	93.959	625,859
Geriatric Education Centers		93.969	397,686
Through Kentucky Cabinet for Health and Family Services	PON2 728 1000003594 1	93.994	1,607
Through Kentucky Cabinet for Health and Family Services	PON2 728 1000004107 1	93.994	4,107
Through Kentucky Cabinet for Health and Family Services	PON2 728 1000004120 1	93.994	9,356
Through Kentucky Cabinet for Health and Family Services	PON2 728 1000004134 1	93.994	(249)
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002180 1	93.994	108,385
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002230 1	93.994	40,040
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100002287 1	93.994	353,769
Through Kentucky Cabinet for Health and Family Services	PON2 728 1100004908 1	93.994	222,724
Through University of Louisville	051304B 5T01HP0013970500	93.996	1
Through ARRA-Baylor University Medical Center	AHRQ022011	93.AHRQ022011	27,510
Through Association of State & Territorial Health Officials	CONTRACT # 130	93.CONTRACT # 130	23,960
Department of Health and Human Services Contract	HHSF223200840130C	93.HHSF223200840130C	(530)
Department of Health and Human Services Contract	HHSF223201110045C	93.HHSF223201110045C	34,817
Department of Health and Human Services Contract	HHSN261201000031C	93.HHSN261201000031C	1,373,383
Department of Health and Human Services Contract	N02-CO-01241	93.N02-CO-01241	(24,271)
Department of Health and Human Services Contract	N02-CO-51106	93.N02-CO-51106	16
<b>SUBTOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>39,350,046</b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Through Kentucky Cabinet for Health and Family Services	PO2 728 1000004762 1	97.002	(294)
Through Kentucky Cabinet for Health and Family Services	PO2 728 1100004992 1	97.002	210,018
Through National Institute for Hometown Security	01-09-UK	97.01-09-UK	648,008
Through Kentucky Department of Military Affairs	PO2 095 1000000982 1	97.017	(2,552)
Through Kentucky Department of Military Affairs	PO2 095 1100002411 1	97.039	47,265
Through Kentucky Department of Military Affairs	PO2 095 1100002412 1	97.039	156,523
Through Kentucky Department of Military Affairs	PON2 095 1100001421 1	97.039	7,871

# UNIVERSITY OF KENTUCKY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

		<b>FEDERAL CFDA NUMBER</b>	<b>FEDERAL EXPENDITURES</b>
Through Kentucky Department of Military Affairs	PON2 095 1100001569 1	97.039	\$6,111
Through Kentucky Department of Military Affairs	PON2 095 1100001569 2	97.039	36,495
Assistance to Firefighters Grant		97.044	108,785
Through Kentucky Office of Homeland Security	PO2 094 1100004892 1	97.078	240,568
<b>SUBTOTAL DEPARTMENT OF HOMELAND SECURITY</b>			<b>1,458,798</b>
<b>US AGENCY FOR INTERNATIONAL DEVELOPMENT</b>			
Through FHI Development 360 LLC	4273-UKY-01	98.4273-UKY-01	320,586
Through Chemonics International Inc.	AID-497-C-12-00001-UKY-0	98.AID-497-C-12-00001-UKY-0	240,168
<b>SUBTOTAL US AGENCY FOR INTERNATIONAL DEVELOPMENT</b>			<b>560,754</b>
<b>TOTAL OTHER FEDERAL ASSISTANCE</b>			<b>85,931,692</b>
<b>GRAND TOTAL</b>			<b>\$ 477,199,917</b>

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2012**

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) of the University of Kentucky (University) has been prepared in the format as set forth in the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The purpose of the Schedule is to present a consolidated summary of those expenditures of the University for the year ended June 30, 2012, which has been financed by the U.S. Government (Federal awards). For purposes of the Schedule, Federal awards include all Federal assistance and procurement relationships entered into directly and indirectly between the University and the Federal government and sub-awards from nonfederal organizations made under federally sponsored agreements.

The accounting principles followed by the University and used in preparing the Schedule are as follows:

- The Schedule includes amounts expended by the University and its affiliated corporation, the University of Kentucky Research Foundation, Inc.
- Deductions (expenditures) for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenditures include a portion of costs associated with general University activities (facilities and administrative costs) which are allocated to awards under negotiated formulas commonly referred to as indirect cost rates.

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2012**

**Note 2: Subrecipients**

Of the federal expenditures presented in the schedule, the University provided federal awards to subrecipients as follows:

<b>CFDA Description</b>	<b>CFDA Number</b>	<b>Fiscal 2012 Expenditures</b>
Grants for Agricultural Research, Special Research Grants	10.200	\$ 164,259
Grants for Agricultural Research Competitive Research Grants	10.206	135,037
Biotechnology Risk Assessment Research	10.219	4,299
Agriculture and Food Research Initiative (AFR)	10.310	54,025
Beginning Farmer and Rancher Development Program	10.311	7,702
Biomass Research and Development Initiative	10.312	159,069
Cooperative Extension Service	10.500	415,686
Rural Business Enterprise Grants	10.769	(1,800)
US Department of Agriculture Contract	10.XXX	1,078,118
Basic Scientific Research	12.431	48,190
Language Grant Program	12.900	34,842
Department of Defense Contract	12.XXX	693,095
Sustainable Communities Regional Planning Grant Program	14.703	65,114
Assistance to State Water Resources Research Institutes	15.805	5,959
Environmental and Scientific Partnerships and Programs	19.017	4,473
Program for Study of Eastern Europe and the Independent States of the Former Soviet Union	19.300	10,471
Highway Planning and Construction	20.205	156,416
Motor Carrier Safety	20.217	(126)
State and Community Highway Safety	20.600	31,864
Department of Transportation Contract	20.XXX	140
Aerospace Education Services Program	43.001	44,963
Technology Transfer	43.002	171,543
National Aeronautics Space Commission Contract	43.XXX	318,770
Engineering Grants	47.041	10,752
Mathematical and Physical Sciences	47.049	263,217
Geosciences	47.050	3,703
Education and Human Resources	47.076	365,228
Office of Experimental Program to Stimulate Competitive Research	47.081	1,578,304
TRANS-NSF Recovery Act Research Support	47.082	565,075
Small Business Development Center	59.037	640,167
Science To Achieve Results (STAR) Research Program	66.509	114,387
Office of Science Financial Assistance Program	81.049	513,897
Fossil Energy Research and Development	81.089	1,146,809
Environmental Restoration	81.092	28,532
Energy Efficiency and Renewable Energy Information Dissemination	81.117	2,814
Career and Technical Education - Basic Grants to States	84.048	5,325
Fund for the Improvement of Postsecondary Education	84.116	21,171
Special Education - State Personnel Development	84.323	39,497
Research in Special Education	84.324	233,604
Special Education Personnel Preparation to Improve Services	84.325	53,862
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	408,550
Special Education Technology and Media Services for Individuals	84.327	79,084

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2012**

<b>CFDA Description</b>	<b>CFDA Number</b>	<b>Fiscal 2012 Expenditures</b>
Mathematics and Science Partnerships	84.366	\$ 13,100
Improving Teacher Quality State Grants	84.367	69,073
Special Education Technical Assistance on State Data Collection	84.373	490,804
Transition Programs for Students with Intellectual Disabilities	84.407	39,507
Model State-Supported Area Health Education Centers	93.107	169,123
Centers for Research and Demonstration for Health Promotion	93.135	78,581
Injury Prevention and Control Research and State and Community Based Programs	93.136	148,756
NIEHS Superfund Hazardous Substances Basic Research and Education	93.143	428,275
Grants To States for Loan Repayment Program	93.165	132,200
Policy Research and Evaluation Grants	93.239	13,122
State Rural Hospital Flexibility Program	93.241	40,849
Mental Health Research Grants	93.242	134,514
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	46,688
Occupational Safety and Health Program	93.262	78,103
Alcohol Research Programs	93.273	10,691
Drug Abuse and Addiction Research Programs	93.279	708,914
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	53,117
Small Rural Hospital Improvement Grant Program	93.301	304,636
National Center for Research Resources	93.389	296,518
Cancer Cause and Prevention Research	93.393	89,036
Cancer Detection and Diagnosis Research	93.394	6,209
Cancer Treatment Research	93.395	222,773
Cancer Centers Support Grants	93.397	1,091,508
Cancer Control	93.399	31,198
ARRA - State Loan Repayment Program	93.402	17,500
Affordable Care Act (ACA) Public Health Training Centers Program, Resources Development and Academic Support to the Public Health Training Centers Program and Public Health Infrastructure and Systems Support	93.516	50,847
Temporary Assistance for Needy Families	93.558	649,035
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	2,047,068
Child Abuse and Neglect Discretionary Activities	93.670	37,764
ARRA-Non-Construction Grants	93.701	2,428,949
ARRA - Health Information Technology Regional Extension Centers Program	93.718	40,327
Heart and Vascular Diseases Research	93.837	39,310
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	22,654
Diabetes, Endocrinology and Metabolism Research	93.847	144,091
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	136,167
Allergy, Immunology and Transplantation Research	93.855	40,290
Biomedical Research and Research Training	93.859	10,892
Child Health and Human Development Extramural Research	93.865	46,270
Aging Research	93.866	1,435,065
Grants for Training in Primary Care Medicine and Dentistry	93.884	30,330
Specially Selected Health Projects	93.888	595,767
National Bioterrorism Hospital Preparedness Program	93.889	91,803
Grants to States for Operation of Offices of Rural Health	93.913	7,926
Geriatric Education Centers	93.969	272,766
Department of Health and Human Services Contract	93.XXX	3,500
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	(2,552)
Department of Homeland Security Contract	97.XXX	1,008,846
<b>TOTAL FEDERAL FUNDS PROVIDED TO SUBRECIPIENTS</b>		<b><u>\$ 23,527,997</u></b>

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2012**

**Note 3: Noncash Financial Assistance**

The following loans received by students and outstanding loan balances are included in the Schedule in accordance with OMB Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*.

Loans received by students for the year ended June 30, 2012, were as follows:

	<u>CFDA #</u>	<u>Total</u>
Federal Perkins Loan Program	84.038	\$ 3,329,503
Health Professions Primary Care	93.342	<u>1,783,983</u>
Total noncash financial assistance		<u>\$ 5,113,486</u>

Outstanding loan balances at June 30, 2012, were as follows:

	<u>CFDA #</u>	<u>Total</u>
Federal Perkins Loan Program	84.038	\$ 18,807,625
Health Professions Primary Care	93.342	<u>4,860,131</u>
Total student loans outstanding		<u>\$ 23,667,756</u>

**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
University of Kentucky  
Lexington, Kentucky

We have audited the financial statements of the University of Kentucky (University), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2012, and have issued our report thereon dated September 28, 2012, which contained a reference to the report of other accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Kentucky Medical Services Foundation, Inc. (KMSF), a component unit included in the financial statements of the University, were not audited in accordance with *Governmental Auditing Standards*. Other accountants audited the financial statements of KMSF, as described in our report on the University's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants.

**Internal Control over Financial Reporting**

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of trustees, management and others within the University and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

September 28, 2012

**Independent Accountants' Report on Compliance With Requirements  
That Could Have a Direct and Material Effect on Each  
Major Program and on Internal Control Over Compliance in Accordance With  
OMB Circular A-133 and Schedule of Expenditures of Federal Awards**

Board of Trustees  
University of Kentucky  
Lexington, Kentucky

**Compliance**

We have audited the compliance of the University of Kentucky (University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the compliance of the University based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

As described in items 12-01 and 12-02 in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding the verification and return of Title IV compliance requirements that are applicable to its Student Financial Aid program. Compliance with such requirements is necessary, in our opinion, for the University to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## **Internal Control Over Compliance**

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on the responses.

## **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the University as of and for the year ended June 30, 2012, and have issued our report thereon dated September 28, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole and a reference to the report of other auditors. The accompanying schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Trustees  
University of Kentucky  
Page 3

This report is intended solely for the information and use of the governing body, management, others within the University, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

September 28, 2012

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2012**

**Summary of Auditor's Results**

1. The opinion(s) expressed in the independent accountants' report was (were):
- Unqualified       Qualified       Adverse       Disclaimed
2. The independent accountants' report on internal control over financial reporting disclosed:
- Significant deficiency(ies)?       Yes       None reported
- Material weakness(es)?       Yes       No
3. Noncompliance considered material to the financial statements was disclosed by the audit?       Yes       No
4. The independent accountants' report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:
- Significant deficiency(ies)?       Yes       None reported
- Material weakness(es)?       Yes       No
5. The opinion(s) expressed in the independent accountants' report on compliance with requirements that could have a direct and material effect on major federal awards was (were):
- Unqualified       Qualified       Adverse       Disclaimed

**Major Programs**

Federal Student Aid Cluster – Qualified  
ARRA–NIST Construction Grant Program – Unqualified  
Cooperative Extension Service Program – Unqualified

6. The audit disclosed findings required to be reported by OMB Circular A-133?       Yes       No

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2012**

7. The Organization's major programs were:

<b>Cluster/Program</b>	<b>CFDA Number</b>
Federal Student Aid Cluster	Various
ARRA – NIST Construction Grant Program	11.618
Cooperative Extension Service Program	10.500

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$3,000,000.

9. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133?  Yes  No

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2012**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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No matters are reportable.

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2012**

**Findings Required to be Reported by OMB Circular A-133**

Reference Number	Finding	Questioned Costs
12-01	<p><b>Federal Program - Student Financial Aid Cluster, U.S. Department of Education, Program Year 2012</b></p> <p><b>Criteria or Specific Requirement:</b> Verification</p> <p><b>Condition:</b> Federal regulations provide that the University is responsible for verifying certain information on the student's application for financial aid. The University did not update certain student's award information for exceptions noted during the verification program.</p> <p><b>Context:</b> Out of a population of 3,523 students selected by the Central Processing System for verification, a sample of 25 students was selected for testing. For two students tested, the University correctly updated previously inaccurate information reported on the ISIR, but did not adjust the Pell Grant awards based on the updated Expected Family Contribution (EFC). For two other students, the University did not update the household size correctly. The Pell Grant award for one of these two students was impacted and the Pell Grant was awarded based on an incorrect EFC. These errors resulted in the University over-awarding Pell Grant awards for these three students by \$1,350 in total.</p> <p><b>Effect:</b> The incorrect amount of Pell Grant funds was awarded to three students.</p> <p><b>Cause:</b> The Financial Aid Office obtained the appropriate information to verify the information on the students' applications, but did not update the amounts awarded or application based on this information.</p> <p><b>Recommendation:</b> The University should ensure all information obtained during the verification process is used to update the student applications/financial aid awards. This could include adding a secondary review of the verification changes worksheet and information technology system.</p>	\$1,350

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2012**

Reference Number	Finding	Questioned Costs
<p><b>Views of Responsible Officials and Planned Corrective Action Plan:</b></p>	<p>Management is in agreement that at the time of the audit testing, the Pell Grant awards for three students had not been adjusted for recalculated EFCs resulting from corrections to the students' ISIR records. The incorrect Pell Grant awards and payments were corrected as soon as they were identified and prior to the close-out of the 2011–2012 Pell Grant award year.</p> <p>Management staff and appropriate supervisors will meet with verification processing staff to thoroughly review ISIR data items to be verified, verification processing procedures and Federal student aid award adjustments required as a result of changes in a student's EFC.</p> <p>The verification changes worksheet used as part of the verification process will be revised to include a list of Federal student aid funds requiring adjustment due to a change in the EFC with a signature sign off and date when the Pell Grant and/or other federal student aid award changes are entered into the Financial Aid Management System.</p> <p>A report will be developed to compare enrolled student Pell Grant awards with the scheduled Pell award by enrollment status and Pell index. Mismatches will be identified. The report will be run on a weekly basis and corrective action taken.</p>	

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2012**

Reference Number	Finding	Questioned Costs
12-02	<p><b>Federal Program - Student Financial Aid Cluster, U.S. Department of Education, Program Year 2012</b></p> <p><b>Criteria or Specific Requirement:</b> Return of Title IV Funds</p> <p><b>Condition:</b> Federal regulations provide that the University is responsible for calculating the amount of Title IV funds used by students that withdraw during the semester. The dates used to calculate the number of days students attended class during the semester were not accurate for the 2011-2012 academic year.</p> <p><b>Context:</b> Out of a population of 586 students withdrawing during the academic year, a sample of 43 students was selected for testing. For 14 students tested, incorrect dates for the class schedule were entered relative to the calculation of the Thanksgiving break.</p> <p><b>Effect:</b> The University returned more Title IV funds to the Department of Education than was required.</p> <p><b>Cause:</b> The Financial Aid Office used the Department of Education's online tool to calculate return of Title IV Funds. A template was set up with incorrect dates for the 2011-2012 class schedules, which was then used to calculate return of funds for multiple students.</p> <p><b>Recommendation:</b> The University should have an individual, separate from the person that prepares the return of funds calculation, review each calculation and any template that is used multiple times for errors.</p>	None

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2012**

Reference Number	Finding	Questioned Costs
<b>Views of Responsible Officials and Planned Corrective Action Plan:</b>	<p>Management agrees that financial aid office staff set up 2011–2012 class schedule dates incorrectly in the Federal Return of Title IV Funds template. Staff did not consider the 2011 Thanksgiving break to be a break of five consecutive days or more and therefore did not exclude these days from the Return of Title IV Funds calculations for the fall 2011 semester. The official UK Academic Calendar does not include Sunday in the break; however, since no classes are held on Sundays, this day should have been counted as part of the break for Return of Title IV Funds calculation purposes. Not excluding the five day period caused UK to return more funds than necessary for each student receiving aid and withdrawing in the fall 2011 semester as UK determined the students had earned less aid than if the five day break had been excluded. For students who were not disbursed aid that was earned, their post withdrawal disbursement was less than if the days in the Thanksgiving break had been excluded.</p> <p>The class schedule dates in the fall 2012 semester Return to Title IV Funds template have been set up correctly, excluding the five day 2012 Thanksgiving break that begins on Wednesday, November 21, 2012, and ends on Sunday, November 25, 2012. The class schedule dates in the spring 2013 semester Return to Title IV Funds template will be set up correctly, excluding the nine day 2013 spring break that begins on Saturday, March 9, 2013, and ends on Sunday, March 17, 2013.</p> <p>Management staff will ensure that setup of the class schedule dates in the Return of Title IV Funds template for all years going forward will also exclude any break of five or more consecutive calendar days.</p>	

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2012**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.