

# University of Kentucky

## 2014 Financial Statements



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University of Kentucky  
A Component Unit of the Commonwealth of Kentucky  
Financial Statements  
Years Ended June 30, 2014 and 2013

TABLE OF CONTENTS

Message from the President	i
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position	18
Statements of Revenues, Expenses and Changes in Net Position	19
Statements of Cash Flows	20
Notes to Financial Statements	21
Supplementary Information	
Required Supplementary Information	58
Governing Board	

## MESSAGE FROM THE PRESIDENT



Three years ago, before a gathering of faculty, staff, alumni, friends, family and stakeholders, we declared in “the cadence of a common voice that we are resolute in seeing that the University’s promise will endure.”

Thoughtfully, but with a fierce sense of urgency, we have embarked upon a remarkable revitalization of our campus, a place that puts students first and that gives our faculty and staff the tools they need to continue and expand their path-breaking work.

Our success has been the result of mutual interest in our future, an honest and open dialogue that included the voices of all university and community constituents, and the persistence of a deeply devoted Wildcat family.

Two independent and external evaluations, in particular, underscore the leadership and vision provided by the Board of Trustees; affirm our efforts; and demonstrate our progress.

Reaffirming our course, UK executed a successful reaffirmation visit from the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) in April 2013.

The second affirmation comes from conclusions reached by Standard and Poor’s Rating Services (S&P) and Moody’s Investors Service in February 2014 – two independent examinations of our financial strength.

S&P revised its outlook of the University’s financial condition from “stable” to “positive” and Moody’s analysis maintains our current strong credit rating – even as much of higher education has been given a “negative” outlook. The S&P also cited as strengths our growth in enrollment, health care and financial management.

The praise we received from SACSCOC and the rating agencies – made possible through the work of the UK family – is evident across campus:

- At 29,385 students, UK broke its enrollment record for the fourth year in a row; and enrolled a more selective and higher yield class in research and professional practice graduate programs.
- The mean ACT Composite for the Fall 2013 first-year class was 25.3 and included 417 students from the Governor’s School for the Arts/Governor’s Scholars Program.
- The first-year class included 105 National Merit, National Achievement and National Hispanic Scholars, placing UK in the top 10 of public universities with these scholars.
- In Fall 2013, minority and international student enrollment accounted for 19 percent of the total headcount with a record 1,658 African American and 607 international undergraduate students.
- In Fall 2014, UK experienced an increase of more than one percentage point in our first-to-second year retention rates and significant, multi-percentage-point increases in our third- and fourth-year rates.
- In 2013-2014, UK awarded 6,095 degrees including 888 research and professional doctorates.
- In FY 2013-14, UK received \$259.3 million in external research grants and contracts -- signifying that we are a major player among research institutions in the country.
- UK completed a historic year in philanthropy, securing records in both cash receipts of \$105 million, topping \$100 million for the first time, and in new commitments received of over \$145 million. UK received over 91,000 gifts from 53,724 donors.

To build on our progress as one university, we drafted a budget that invests in our priorities by:

- Holding the institution’s annual tuition and fee increase to five percent – extending our goal of maintaining affordability and access.
- Supporting our students with more than \$11 million in additional financial aid and scholarships.

- Investing and rewarding our faculty and staff with a two percent merit salary pool – building on the five percent merit pool in the previous year.

The University’s public/private partnership with EdR continues to make progress. In August, we opened the doors to Champions Court I & II, Woodland Glen I & II and Haggin Hall, adding nearly 2,400 modern resident beds and 100 new academic learning spaces.

Currently, Phases II-B and II-C are underway. In total, the completed and approved projects will add 5,700 beds across 12 facilities by Fall 2016. The investment thus far – nearly \$348 million – is transforming the way we house, educate and build community for our students.

Thanks to the support of the state lawmakers, donors, private partners and our strategic priorities, we are making progress on important capital projects that further enhance our campus community and institutional mission:

- The construction of three facilities authorized by House Bill 7 is underway: a \$65 million renovation and expansion of the Gatton College of Business and Economics; a new \$112 million Academic Science Building; and the \$120 million renovation of Commonwealth Stadium.
- Three facilities authorized during the 2014 General Session: a \$175 million renovation and expansion of the Student Center; the \$150 million continued fit-up of UK HealthCare’s Pavilion A; and \$65 million for the revitalization of the College of Law.
- We are also self-financing a \$22 million investment in various projects for the College of Fine Arts and a \$45 million renovation and expansion of the Nutter Training Center.

In total, over the last three years, UK has self-financed more than \$1 billion in capital investment to enhance the academic, research, service and health care missions of the institution while maintaining a strong balance sheet and not placing a financial burden on the state.

Our investment in a modern campus environment - one that stimulates collaboration and creativity – is focused on building communities that benefit and support the UK family. With that philosophy as a guiding doctrine, we entered into a new partnership for campus dining services.

At the end of the Spring 2014 semester, the University of Kentucky negotiated a 15-year, nearly \$250 million contract with Aramark for dining. The partnership will improve service, provide healthier food options at a lower cost, invest millions in facilities,

enhance our commitment to locally sourced food and support employee development.

We continued to make progress on two important initiatives that speak to our vision and how we will make it a reality. The Financial Model of Accountability and the “see tomorrow.” Strategic Plan involved extensive campus conversation throughout the respective planning processes.

As we look toward our sesquicentennial, we can reflect with pride on what we accomplished together, and we can confront – with vigor – that which we still must accomplish. Building on the progress in our research enterprise, we must – and we will – encourage innovative approaches to complex challenges. Research is at the center of our institution, and it calls upon us to answer still lingering questions while daring to pioneer the questions yet asked.

Together, as a UK family, we will build collaborative communities on campus that – in entrepreneurial ways – continue their dedicated service to the communities we touch. A robust environment for creative scholarship and educating our world’s next generation of pioneers will be the cornerstone of our work.

Because of the lives we touch and teach, we remain anchored in our mission to Kentucky – to educate, innovate and serve. To be sure, our complex, multi-faceted mission looks different today in many ways than it did in 1865. However, our sense of responsibility to our communities on campus and across the region is resolute. The mission has evolved and grown. The vision of service to our Commonwealth and the world beyond remains the same. They remain our compass – the soul of the University of Kentucky.



Eli Capilouto  
President

## Independent Auditor's Report

Board of Trustees  
University of Kentucky  
Lexington, Kentucky

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the University of Kentucky (University), a component unit of the Commonwealth of Kentucky, which are comprised of statements of net position as of June 30, 2014 and 2013, and statements of revenues, expenses and changes in net position and of cash flows and the related notes to the basic financial statements for the years ended June 30, 2014 and 2013, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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 \$134,891 and \$113,368 as of June 30, 2014 and 2013, respectively, and total revenues of \$230,289 and \$207,099, respectively, for the years then ended (dollars in thousands). Those statements were audited by other auditors whose report thereon 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 auditors. 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 from 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, during 2014, the University implemented the provisions of Governmental Accounting Standards Board No. 65, *Items Previously Reported as Assets and Liabilities*, which changed its method of accounting for bond issuance costs through retroactive application to prior years' financial statements. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and postemployment and long-term disability benefit plan information 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.

***Other Information***

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014, 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* in considering the University's internal control over financial reporting and compliance.

*BKD, LLP*

Louisville, Kentucky  
October 3, 2014

# 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, 2014 and 2013. 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
- Personal and institutional responsibility and accountability
- Shared governance
- A sense of community
- 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 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 – 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.

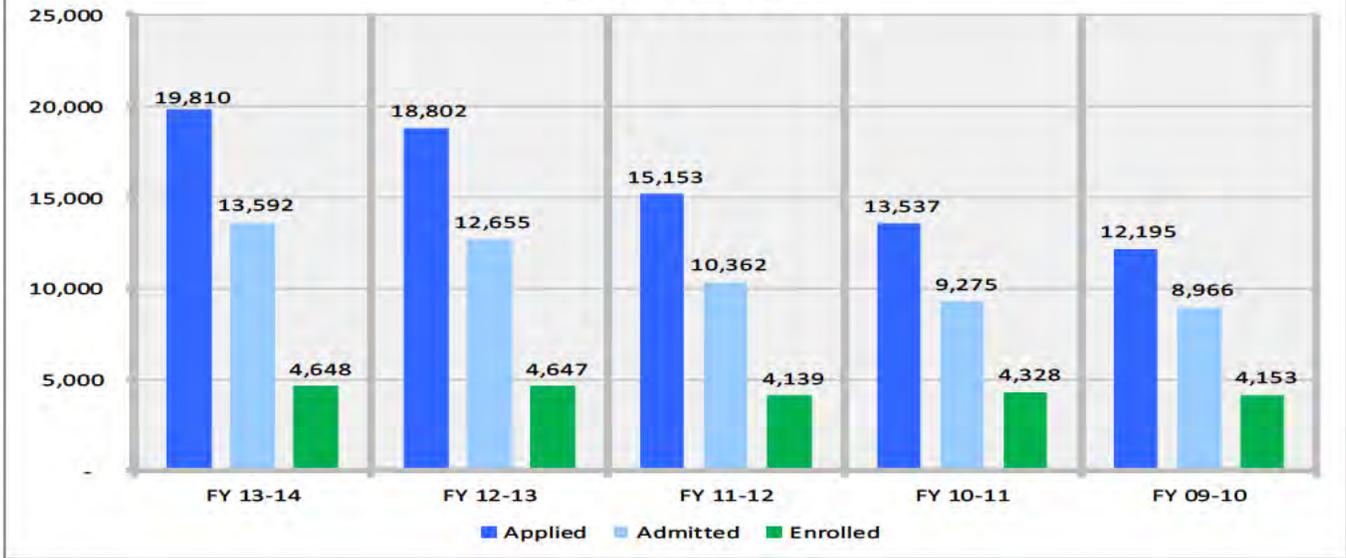
Work is currently underway to develop the **Strategic Plan for 2014-2020 “see tomorrow”**. More than 100 faculty, staff and students have been appointed to committees and working groups to help develop the Strategic Plan which will support the vision to be a nationally recognized public institution with global reach and a commitment to the Commonwealth. Following the Board of Trustees approval, an implementation committee will be appointed to monitor the strategies, tactics and metrics within the plan to ensure smooth implementation.

The University is identified as a “Research University (very high research activity)” by the Carnegie Commission on Higher Education. There are 108 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 2022. In addition, several degree programs and individual units are accredited by agencies appropriate to specific professions or fields.

**Students.** In Fall 2013, the University had 29,385 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 2,800 students (11%) since Fall 2004.

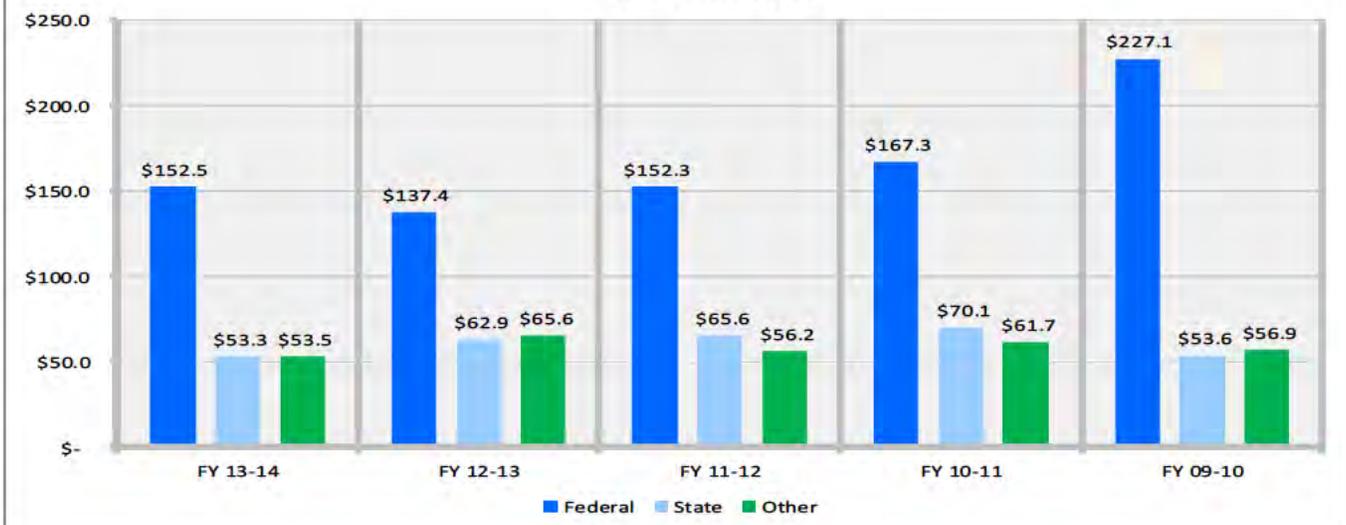
### First Year Students Applied, Admitted and Enrolled (Fall Term)



**Programs.** The University offers more than 200 majors and degree programs in 17 academic and professional colleges that are supported by a comprehensive research library system. UK is one of only eight public universities nationally to house colleges of Agriculture, Engineering, Medicine and Pharmacy on a single contiguous campus.

**Research.** Total research expenditures, as reported to the National Science Foundation, totaled \$339.8 million for fiscal year 2012-13, compared to \$360.8 million in 2011-12. Research awards received during fiscal year 2013-14 total \$259.3 million, a 2.5% decrease from the prior year amount of \$265.9 million. The University's annual research awards peaked in fiscal year 2009-10 as result of the temporary stimulus funding available as part of the American Recovery and Reinvestment Act.

### Grant and Contract Awards (In Millions)



**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, a trademarked brand used by the University of Kentucky for its health care services, is uniquely equipped to provide advanced subspecialty care to the people of Kentucky. The academic medical center and health system provides patient care on par – in terms of both volume and complexity – with the nation's top 25% of academic medical centers. In October 2013, UK HealthCare was named a "Rising Star" by the University HealthSystem Consortium (UHC) for gains made in quality, safety, efficiency and equity of care. This and other notable achievements are listed at <http://ukhealthcare.uky.edu/quality/awards/>.

UK HealthCare Hospital System operates two hospital units under one Joint Commission Accreditation and two licenses in addition to ambulatory services. The major service units include Albert B. Chandler Hospital, Good Samaritan Hospital and the Kentucky Clinic. The hospitals have a combined total of 825 licensed beds with an average daily census of 670 patients. On a monthly basis, the system provides over 1,200 inpatient surgeries, 1,280 outpatient surgeries, 29,360 radiology procedures, 7,595 emergency department visits and 98,335 hospital based outpatient clinic visits.

Under a management contract entered into with the Kentucky Cabinet for Health and Family Services (CHFS), UK HealthCare Hospital System also operates and manages Eastern State Hospital, a 300,000 square-foot facility located on the university's Coldstream Research Campus. The new psychiatric facility, opened in September 2013, provides a modern setting for both acute and long-term inpatient psychiatric treatment for adults living within Fayette County and the 50 surrounding counties.

UK HealthCare's Markey Cancer Center remains the state's only cancer center designated by the National Cancer Institute (NCI), which reflects UK's position as a frontrunner in cancer treatment and research. UK HealthCare is one of an elite group of only 22 medical centers in the United States that have NCI designation, a federally funded Center on Aging, and a highly prized Clinical and Translational Science Award grant (CTSA).

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

**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 \$4.49 billion, liabilities of \$1.34 billion and deferred inflows of resources of \$3.5 million as of June 30, 2014. Net position, which represents the University's residual interest in assets after liabilities and deferred inflows of resources are deducted, was \$3.14 billion (70% of total assets).

- Total assets increased \$545.9 million (14%), primarily due to increases in cash and cash equivalents, endowment investments and other investments.
- Total liabilities increased \$266.1 million (25%), primarily due to increases in bonds and capital lease obligations and accounts payable and accrued liabilities and a decrease in unearned revenue.

- Deferred inflows of resources decreased \$1.5 million (30%) due to amortized refunding bond premium and the amendment of the Forward Delivery Agreement.
- Total net position increased \$281.3 million (10%). Restricted net position increased \$120.1 million mainly due to investment gains on endowments. Unrestricted net position increased \$118.3 million and net investment in capital assets increased \$42.9 million.
- Operating revenues were \$2.15 billion and operating expenses were \$2.44 billion, resulting in a loss from operations of \$292.4 million. Nonoperating and other revenues, net of nonoperating expenses, were \$573.8 million, including \$283.9 million in state appropriations.

### **Using the Financial Statements**

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

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

### **Reporting Entity**

The University is a component unit of the Commonwealth of Kentucky (Commonwealth). 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.
- The Fund for Advancement of Education and Research in the University of Kentucky Medical Center
- University of Kentucky Gluck Equine Research Foundation, Inc.
- University of Kentucky Humanities Foundation, Inc.
- University of Kentucky Mining Engineering Foundation, Inc.
- University of Kentucky Center on Aging Foundation, Inc.
- Central Kentucky Management Services, Inc.
- Kentucky Medical Services Foundation, Inc.

### **Statement of Net Position**

The Statement of Net Position is the University’s balance sheet. It reflects the total assets, liabilities, net position (equity), and deferred outflows and inflows of resources of the University as of June 30, 2014, with comparative information as of June 30, 2013. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as noncurrent. Net position (i.e. the difference between total assets and total liabilities and deferred inflows and outflows of resources) are an important indicator of the University’s current financial condition, while the change in net position is an indicator of whether the overall financial position has improved or worsened during the year. Generally, assets and liabilities and deferred inflows and outflows of resources 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, deferred inflows of resources, and net position as of June 30, 2014, 2013 and 2012 follows:

**Condensed Statements of Net Position (in thousands)**

	<u>2014</u>	<u>2013 (Restated)</u>	<u>2012 (Restated)</u>
<b>ASSETS</b>			
Current assets	\$ 694,839	\$ 661,164	\$ 591,287
Capital assets, net	1,979,404	1,955,731	1,986,562
Other noncurrent assets	1,816,476	1,327,891	1,189,866
Total assets	<u>4,490,719</u>	<u>3,944,786</u>	<u>3,767,715</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Current liabilities	358,060	324,085	329,145
Noncurrent liabilities	985,317	753,178	761,014
Deferred inflows of resources	3,490	5,017	4,844
Total liabilities and deferred inflows of resources	<u>1,346,867</u>	<u>1,082,280</u>	<u>1,095,003</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,347,778	1,304,887	1,307,738
Restricted			
Nonexpendable	573,995	567,676	557,712
Expendable	428,045	314,237	241,602
Unrestricted	<u>794,034</u>	<u>675,706</u>	<u>565,660</u>
Total net position	<u>\$ 3,143,852</u>	<u>\$ 2,862,506</u>	<u>\$ 2,672,712</u>

**Assets.** As of June 30, 2014, total assets amounted to \$4.49 billion. The largest asset class was capital assets, net, that totaled \$1.98 billion or 44% of total assets. Endowment investments were \$1.22 billion, or 27% of total assets and cash and cash equivalents totaled \$680.9 million, or 15% of total assets. During the year, total assets increased by a net \$545.9 million primarily because of an increase in cash and cash equivalents of \$229.0 million, endowment investments of \$160.8 million, other long-term investments of \$86.5 million, notes loans and accounts receivable, net of \$22.7 million, current investments of \$19.5 million and capital assets, net, of \$23.7 million.

**Liabilities.** As of June 30, 2014, total liabilities amounted to \$1.34 billion. Bonds and notes payable, capital leases and other long-term obligations issued for educational buildings, housing, the UK HealthCare Hospital System, athletics football stadium, and equipment totaled \$838.2 million, or 62% of total liabilities. During the year, total liabilities increased by \$266.1 million primarily as a result of the issuance of new debt comprised of \$239.0 million in general receipts bonds and \$2.8 million in capital leases offset by principal payments, an increase in accounts payable and accrued liabilities and a decrease in unearned revenue.

**Deferred Inflows of Resources.** The University's deferred inflows of resources totaled \$3.5 million, which represents the deferred gains on refunding debt. During the year, deferred inflows of resources decreased \$1.5 million due to the amortization of deferred gains on refunding debt and the amendment of the Forward Delivery Agreement, which eliminated the hedging instrument that provided a specified rate of return on certain debt service instruments.

**Net Position.** The University's equity of \$3.14 billion as of June 30, 2014 is reported on the Statement of Net Position in three net position categories: net investment in capital assets, \$1.35 billion (43%); restricted nonexpendable, \$574.0 million (18%) and restricted expendable, \$428.0 million (14%); and unrestricted, \$794.0 million (25%).

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

Total net position increased \$281.3 million during the year ended June 30, 2014. Net investment in capital assets increased \$42.9 million due to excess of additions of capital assets and principal payments of capital debt offset by depreciation expense. Restricted net position increased \$120.1 million principally as a result of gain on endowment investments due to a positive return on the endowment pool. Unrestricted net position increased \$118.3 million, primarily due to an increase in operating revenues of \$166.3 million offset by an increase in operating expenses of \$141.7 million. Additionally, the positive return on the endowment pool contributed to an increase in quasi endowment net position of \$37.6 million.

**2013 Versus 2012.** During the year ended June 30, 2013:

- Total assets increased by a net \$177.1 million primarily due to an increase in cash and cash equivalents of \$103.7 million, endowment investments of \$107.1 million offset by a decrease in capital assets of \$30.8 million.
- Liabilities decreased \$12.9 million primarily due to 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 offset by increases in accounts payable and accrued liabilities and unearned revenue.
- Total net position increased \$189.8 million during the year ended June 30, 2013. Net investment in capital assets decreased \$2.9 million due to depreciation expense and demolition of residential halls for the Education Realty Trust (EdR) housing project in excess of additions of capital assets and principal payments of capital debt. Restricted net position increased \$82.6 million principally as a result of gain on endowment investments due to a positive return on the endowment pool. Unrestricted net position increased \$110.0 million primarily due to an increase in operating revenues of \$33.0 million along with a decrease in operating expenses of \$13.0 million. Additionally, the positive return on the endowment pool caused an increase in quasi endowment net position of \$24.3 million.

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

The Statement of Revenues, Expenses and Changes in Net Position is the University's income statement. It details how net position has changed during the year ended June 30, 2014, with comparative information for the year ended June 30, 2013. This statement is prepared on the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Items that increase or decrease net position appear on the Statement of Revenues, Expenses and Changes in Net Position as revenues, expenses, gains or losses.

Financial activities are reported as either operating or nonoperating. GASB Statement No. 35 requires state appropriations, gifts, and investment income to be classified as nonoperating revenues. Accordingly, the University 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.

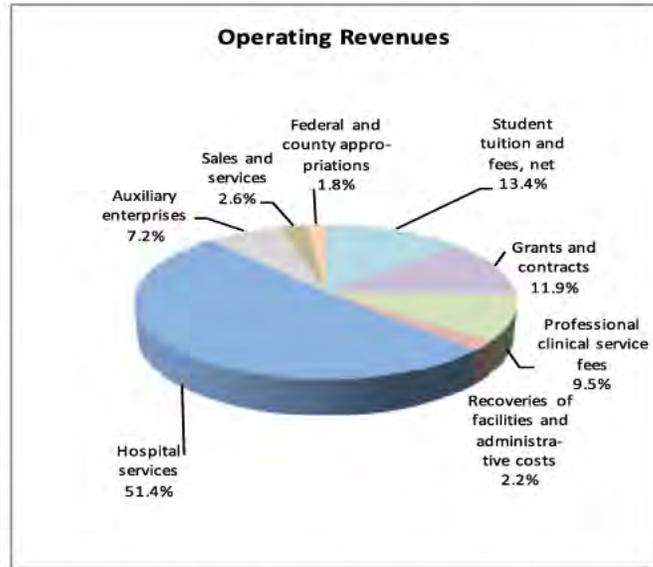
A summarized comparison of the University's revenues, expenses and changes in net position for years ended June 30, 2014, 2013 and 2012 follows:

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

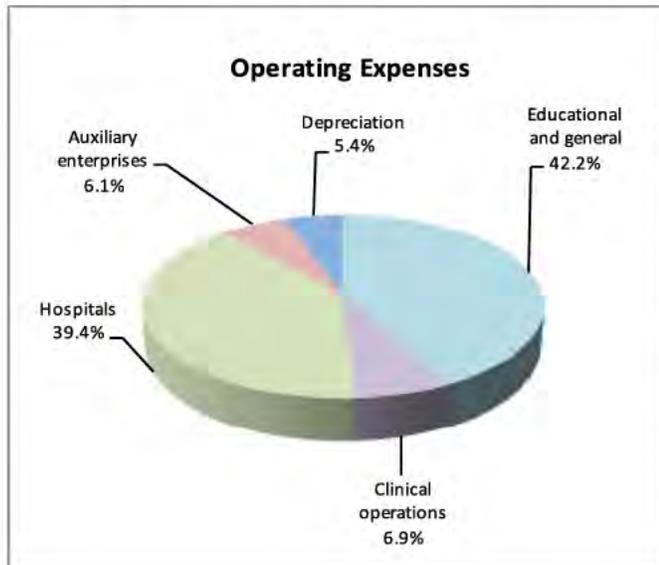
	<u>2014</u>	<u>2013 (Restated)</u>	<u>2012 (Restated)</u>
<b>OPERATING REVENUES</b>			
Student tuition and fees, net of scholarship allowances	\$ 287,517	\$ 265,293	\$ 243,364
Grants and contracts	256,179	283,378	317,722
Hospital services	1,101,662	945,885	906,607
Professional clinical service fees	203,721	196,974	195,412
Auxiliary enterprises, net of scholarship allowances	155,393	153,006	149,216
Recoveries of facilities and administrative costs	47,159	47,862	51,818
Sales and services	54,765	50,473	49,131
Federal and county appropriations	38,259	36,202	33,986
Other operating revenues	4,516	3,772	2,631
Total operating revenues	<u>2,149,171</u>	<u>1,982,845</u>	<u>1,949,887</u>
<b>OPERATING EXPENSES</b>			
Educational and general, excluding depreciation	1,029,208	999,332	1,068,280
Clinical operations, excluding depreciation	168,934	184,794	164,506
Hospital and clinics, excluding depreciation	961,165	839,744	823,421
Auxiliary enterprises, excluding depreciation	149,630	142,300	133,344
Depreciation	131,262	133,066	122,219
Other operating expenses	1,384	682	1,102
Total operating expenses	<u>2,441,583</u>	<u>2,299,918</u>	<u>2,312,872</u>
<b>NET LOSS FROM OPERATIONS</b>	<u>(292,412)</u>	<u>(317,073)</u>	<u>(362,985)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	283,869	283,869	297,580
Capital grants and gifts	54,068	30,672	40,022
Gifts and non-exchange grants	96,771	98,418	86,735
Investment income (loss)	155,547	104,748	(232)
Interest on capital asset-related debt	(30,288)	(29,244)	(32,151)
Additions to permanent endowments	7,578	10,225	11,581
Other, net	6,213	8,179	3,626
Total nonoperating revenues (expenses)	<u>573,758</u>	<u>506,867</u>	<u>407,161</u>
Total increase in net position	281,346	189,794	44,176
Net position, beginning of year, as previously reported	-	-	2,632,161
Cumulative effect of adoption of accounting principle	-	-	(3,625)
Net position, beginning of year, as restated	<u>2,862,506</u>	<u>2,672,712</u>	<u>2,628,536</u>
Net position, end of year	<u>\$ 3,143,852</u>	<u>\$ 2,862,506</u>	<u>\$ 2,672,712</u>

Total operating revenues were \$2.15 billion for the year ended June 30, 2014, an increase of \$166.3 million (eight percent). The primary components of operating revenues were student tuition and fees of \$287.5 million; grants, contracts and recoveries of facilities and administrative costs of \$303.3 million; hospital services of \$1.10 billion; and professional clinical service fees of \$203.7 million.

The major increase was in hospital service revenue of \$155.8 million primarily caused by an increase in rates and the overall case mix. The Eastern State Hospital management contract also increased hospital service revenue. Other significant increases in operating revenues related to net student tuition and fees of \$22.2 million due to tuition and fee rate increases as well as increased enrollment; professional clinical service fees of \$6.7 million due to increased patient activity and improved reimbursements associated with the decline in the uninsured self-pay population due to Medicaid expansion; sales and services of \$4.3 million and auxiliary enterprises net of scholarship allowances of \$2.4 million. Grants and contracts decreased \$27.2 million primarily resulting from decreases of state and local grants and contracts of \$19.4 million resulting from a decrease in Department of Corrections Health Care Network grant and federal grants and contracts of \$4.8 million due to the reduction in funding from the American Recovery and Reinvestment Act of 2009.



Operating expenses totaled \$2.44 billion, an increase of \$141.7 million (six percent). Of this amount, \$1.03 billion (excluding depreciation) was expended for educational and general programs, including instruction, research and public service. Hospital and clinics expenses, excluding depreciation, amounted to \$961.2 million and clinical operations expenses, excluding depreciation, were \$168.9 million. Depreciation expense for the year amounted to \$131.3 million.



Education and general programs expenses, excluding depreciation, increased \$29.9 million due primarily to increases in instruction of \$14.3 million, operations and maintenance of plant of \$16.6 million and student financial aid of \$11.8 million. Offsetting these increases was a decrease in research expenses of \$2.2 million, public service expenses of \$18.3 million and institutional support of \$3.4 million. Clinical operations expenses, excluding depreciation, decreased \$15.9 million primarily due to the increased use of funds provided by professional supplemental payments revenue and corresponding expenses reflected within the public service expenses. Hospital and clinics expenses, excluding depreciation, increased \$121.4 million primarily due to additional staffing and supplies required for increased patient activities and Eastern State Hospital management contract expenses. Auxiliary enterprise expenses, excluding depreciation, increased \$7.3 million primarily in the athletics department for coaches' salaries and benefits. Depreciation expense decreased \$1.8 million due to a significant amount of equipment that had been fully depreciated.

The net loss from operations for the year was \$292.4 million. Nonoperating and other revenues, net of expenses, totaled \$573.8 million and included: state appropriations of \$283.9 million. Capital grants and gifts totaled \$54.1 million – an increase of \$23.4 million; investment income of \$155.5 million – an increase of \$50.8 million; additions to permanent endowments of \$7.6 million – a decrease of \$2.6 million; and gifts and non-exchange grants of \$96.8 million – a decrease of \$1.6 million.

**2013 Versus 2012.** Total operating revenues were \$1.98 billion for the year ended June 30, 2013, including: student tuition and fees of \$265.3 million (13%); grants, contracts, and recoveries of facilities and administrative costs of \$331.2 million (16%); professional clinical service fees of \$197.0 million (10%); and hospital services of \$945.9 million (47%). Operating revenues for fiscal year 2013 increased \$33.0 million or two percent over fiscal year 2012, primarily due to increases in hospital services revenue of \$39.3 million resulting from an increase in rates, the overall case mix and patient discharges; student tuition and fees of \$21.9 million due to tuition and fees rate increases as well as increased enrollment; and professional clinical service fees of \$1.6 million due to increased patient activity offset by declining reimbursements; and auxiliary enterprises net of scholarship allowances of \$3.8 million while grants and contracts decreased \$34.3 million due to the closure of the Department of Corrections Health Care Network grant and a reduction in funding from the American Recovery and Reinvestment Act of 2009.

Operating expenses totaled \$2.30 billion in fiscal year 2013. Of this amount, \$999.3 million, excluding depreciation, or 43% was expended for educational and general programs, including instruction, research and public service. Hospital and clinics expenses, excluding depreciation, totaled \$839.7 million, (36%) of the total expenses, and clinical operations expenses, excluding depreciation, were \$184.8 million (eight percent). Depreciation amounted to \$133.1 million (six percent). Operating expenses for fiscal year 2013 decreased \$13.0 million (less than one percent) compared to fiscal year 2012 primarily due to a decrease in education and general program expenses of \$68.9 million (six percent) offset by increases in hospital and clinics expenses, excluding depreciation of \$16.3 million (two percent); clinical operations expenses, excluding depreciation, of \$20.3 million (12%); auxiliary enterprises expenses of \$9.0 million (seven percent) and depreciation expense of \$10.8 million (nine percent).

The net loss from operations for the 2013 fiscal year totaled \$317.1 million. Nonoperating and other revenues, net of expenses, totaled \$506.9 million, resulting in an increase in net position of \$189.8 million for the year. Nonoperating revenue included state appropriations of \$283.9 million, which decreased \$13.7 million from June 30, 2012 to June 30, 2013.

### **Statement of Cash Flows**

The Statement of Cash Flows details how cash has increased or decreased during the fiscal year ended June 30, 2014, with comparative financial information for the fiscal year ended June 30, 2013. 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 position 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, 2014, 2013 and 2012 follows:

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>CASH PROVIDED (USED) BY:</b>			
Operating activities	\$ (150,202)	\$ (152,097)	\$ (271,163)
Noncapital financing activities	409,650	402,433	416,254
Capital and related financing activities	81,163	(127,067)	(253,701)
Investing activities	(111,587)	(19,582)	77,004
Net increase (decrease) in cash and cash equivalents	229,024	103,687	(31,606)
<b>Cash and cash equivalents, beginning of year</b>	451,867	348,180	379,786
<b>Cash and cash equivalents, end of year</b>	\$ 680,891	\$ 451,867	\$ 348,180

The University's cash and cash equivalents increased \$229.0 million in fiscal year 2014. Total cash provided by operating and noncapital financing activities was \$259.4 million, an increase of \$9.1 million compared to fiscal year 2013. Total cash provided by capital financing activities was \$81.2 million, reflecting both capital funding sources (debt proceeds) and uses (purchases of capital assets and debt service). Total cash used by investing activities was \$111.6 million.

Major sources of cash received from operating activities were student tuition and fees of \$288.9 million; hospital services of \$1.10 billion; grants, contracts, and recoveries of facilities and administrative costs of \$293.4 million; and professional clinical service fees of \$212.4 million. Major uses of cash for operating activities were payments to employees for salaries and benefits of \$1.53 billion and to vendors and contractors of \$721.1 million.

Noncapital financing activities include state appropriations from the Commonwealth of \$283.9 million; gifts of \$96.3 million and other noncapital financing receipts of \$30.3 million.

Capital and related financing activities include proceeds of capital debt of \$251.9 million and capital grants and gifts of \$47.0 million. Cash of \$140.0 million was expended for construction and acquisition of capital assets and \$79.4 million was expended for principal and interest payments on debt.

Investing activities include proceeds from sales and maturities of investments of \$717.5 million and interest and dividends on investments of \$13.7 million. Cash of \$842.8 million was used to purchase investments.

**2013 Versus 2012.** Cash balances are higher when comparing fiscal year 2013 to fiscal year 2012. The \$103.7 million net increase in cash was created from less cash used by operating and capital and related financing activities, offset by less cash provided by noncapital activities and more cash used for investing activities.

## Capital Asset and Debt Administration

### Capital Assets

Capital assets, net of accumulated depreciation, totaled \$1.98 billion at June 30, 2014, a increase of \$23.7 million. Capital assets as of June 30, 2014, 2013 and 2012, and significant changes in capital assets during the years ended June 30, 2013 and 2014 follow (in millions):

	Balance June 30, 2012	Net Additions (Deletions) FY 12-13	Balance June 30, 2013	Net Additions (Deletions) FY 13-14	Balance June 30, 2014
Land and land improvements	\$ 163	\$ 17	\$ 180	\$ 5	\$ 185
Buildings, fixed equipment and infrastructure	2,311	58	2,369	32	2,401
Equipment, vehicles and capitalized software	688	22	710	25	735
Library materials and art	158	2	160	2	162
Certificate of need license	12	-	12	-	12
Construction in progress	58	(23)	35	57	92
Accumulated depreciation	(1,403)	(107)	(1,510)	(98)	(1,608)
<b>Total</b>	<b>\$ 1,987</b>	<b>\$ (31)</b>	<b>\$ 1,956</b>	<b>\$ 23</b>	<b>\$ 1,979</b>

At June 30, 2014, the University had capital construction projects in progress totaling approximately \$475.5 million in scope. Major projects include the renovation and expansion of Commonwealth Stadium and Nutter Training Center, the renovation and expansion of the Gatton College of Business and Economics, the construction of the Academic Science Building and the fit-up of the 8<sup>th</sup> floor of the Patient Care Facility. The estimated cost to complete the projects in progress was approximately \$381.3 million.

### Debt

At June 30, 2014, capital debt amounted to \$838.2 million, summarized by trust indenture and type as follows (in millions):

	2014	2013	2012
General Receipts bonds and notes	\$ 698	\$ 479	\$ 500
Consolidated Educational Buildings Revenue Bonds	33	38	42
Capital lease obligations	86	109	115
Notes payable	21	22	22
<b>Total</b>	<b>\$ 838</b>	<b>\$ 648</b>	<b>\$ 679</b>

Debt increased \$190.4 million during the year primarily due to the issuance of General Receipts Bonds 2014 Series A, B and C for \$239.0 million and additional capital leases of \$2.8 million, offset by a net decrease from principal payments of the University's debt obligations of \$51.4 million.

### Economic and Other 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. 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 continues to suffer from fiscal stress in spite of modest increases in revenue. The Kentucky General Assembly enacted reductions in state general funds for many state agencies of five percent and a 1.5% reduction for public colleges and universities for fiscal year 2014-15. The enacted budget generally reflects no change in state appropriations for state agencies and public colleges and universities for fiscal year 2015-16. The Consensus Forecasting Group noted several areas of risk to the Commonwealth including:
  - Highly dependent on improvement in new home construction
  - Recognition of a range of outcomes regarding future Tobacco Master Settlement Agreement payments to the Commonwealth
  - Downside risk from coal severance funding
- State support as a percentage of the total budget is expected to continue to decline. Over the past 10 years, state support has decreased from 20% of the operating budget in 2004-05 to nine percent for 2014-15. In spite of significant enrollment growth and inflationary cost increases, state support for 2014-15 will be \$8.3 million less than it was in 2004-05 at \$287.9 million.
- Student demand is expected to remain high in the coming years. Even though tuition rates for fiscal year 2014-15 reflect a five percent increase for Kentucky residents, the University is expected to enroll the largest, most diverse and one of the best prepared incoming freshmen classes in the institution's history. Applications for the Fall 2014 incoming class increased over five percent to 19,810 as compared to the prior fall of 18,802. Preliminary numbers indicate that the Fall 2014 entering freshmen class will total 5,188 students – an increase of 504 students, or 11%, compared to last fall. The tuition rate increases, the higher percentage of non-resident undergraduate students, and projected enrollment are expected to generate additional operating revenues of \$28.6 million compared to the fiscal year 2013-14 original budget.
- The University is undergoing a momentous physical transformation. The multi-phase housing project to revitalize UK's on-campus housing includes five new residence halls which came online in August 2014 adding 2,381 beds to the housing stock. Three additional residence halls are expected online in August 2015 (1,610 beds). The total plan includes increasing the current on-campus housing stock up to 9,000 beds by 2018. 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.
- To meet the needs of the University's growing student body; improve the quality of academic programs, scientific research, and creative scholarship; and expand access and ensure affordability, the University sought and received authorization from the 2013 Kentucky General Assembly to self-finance three building projects:
  - A \$65.0 million renovation and expansion of the Gatton College of Business and Economics, financed by private gifts
  - A new \$112.0 million Academic Science Building financed by the University. The University Department of Intercollegiate Athletics (Athletics) will fund \$65.0 million of the project cost.
  - A \$120.0 million renovation and expansion of Commonwealth Stadium financed completely by Athletics
- More recently, the University received authorization from the 2014 Kentucky General Assembly for the following three building projects:
  - A \$175.0 million renovation and expansion of the Student Center financed by the University
  - A \$150.0 million renovation and upgrade of the UK HealthCare facilities financed completely by UK HealthCare
  - A \$65.0 million renovation and expansion of the College of Law building financed by \$35.0 million of state bonds and \$30.0 million of private gifts
- As of June 30, 2014, grants and contracts of approximately \$177.7 million, a decrease of approximately \$11.4 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.
- Health care 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 Hospital

System 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.
- Fiscal year 2014-15 is a pivotal year of transition as the University moves from a traditional incremental budget approach to the values-based financial model. The new model is designed to focus on aligning resources with academic decision-making authority and accountability. A values-based model creates incentives in two fundamentally important ways:
  - Making the financial aspects of operations more transparent and the system more nimble
  - Empowering Colleges to make informed decisions about investing in priorities
- In July 2014, the University created a public/private partnership with Aramark that will transform the dining services provided for students, faculty, staff, and the community. The 15 year partnership provides for \$70 million in facilities investments by Aramark, including \$40 million in new facilities, subject to board approval, to be completed by 2017-18. Aramark will construct a new K Lair at Haggin Hall and make substantial upgrades to the Student Center Food Court, both to be completed for use in Fall 2014, and a newly constructed Commons for Fall 2015.

Economic challenges will continue to have an impact on the future. However, management believes the University will be able to sustain its sound financial position and continue its progress toward becoming a nationally recognized public institution.

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**STATEMENTS OF NET POSITION (in thousands)**  
**JUNE 30, 2014 AND 2013**

	2014	2013 (Restated - Note 1)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 387,863	\$ 391,975
Notes, loans and accounts receivable, net	240,088	226,327
Investments	26,452	6,944
Inventories and other assets	40,436	35,918
Total current assets	<u>694,839</u>	<u>661,164</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	293,028	59,892
Endowment investments	1,215,226	1,054,448
Other long-term investments	248,108	161,574
Notes, loans and accounts receivable, net	59,412	50,478
Other noncurrent assets	702	1,499
Capital assets, net	1,979,404	1,955,731
Total noncurrent assets	<u>3,795,880</u>	<u>3,283,622</u>
Total assets	<u>4,490,719</u>	<u>3,944,786</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	227,576	189,636
Unearned revenue	60,017	64,552
Long-term liabilities - current portion	70,467	69,897
Total current liabilities	<u>358,060</u>	<u>324,085</u>
<b>Noncurrent Liabilities</b>		
Accounts payable and accrued liabilities	2,476	-
Long-term liabilities	982,841	753,178
Total noncurrent liabilities	<u>985,317</u>	<u>753,178</u>
Total liabilities	1,343,377	1,077,263
<b>Deferred Inflows of Resources</b>		
Total liabilities and deferred inflows of resources	<u>1,346,867</u>	<u>1,082,280</u>
<b>NET POSITION</b>		
<b>Net investment in capital assets</b>	<u>1,347,778</u>	<u>1,304,887</u>
<b>Restricted</b>		
Nonexpendable		
Scholarships and fellowships	134,731	131,743
Research	268,265	267,594
Instruction	78,597	76,649
Academic support	83,904	83,741
Other	8,498	7,949
Total restricted nonexpendable	<u>573,995</u>	<u>567,676</u>
Expendable		
Scholarships and fellowships	77,594	57,802
Research	95,614	57,605
Instruction	57,031	44,562
Academic support	56,801	38,889
Loans	10,445	10,531
Capital projects	101,357	77,165
Debt service	774	1,042
Auxiliary	15,198	11,763
Other	13,231	14,878
Total restricted expendable	<u>428,045</u>	<u>314,237</u>
Total restricted	<u>1,002,040</u>	<u>881,913</u>
<b>Unrestricted</b>		
Total net position	<u>\$ 3,143,852</u>	<u>\$ 2,862,506</u>

See notes to financial statements.

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands)**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013 (Restated - Note 1)
<b>OPERATING REVENUES</b>		
Student tuition and fees	\$ 385,989	\$ 364,547
Less: Scholarship allowances	(98,472)	(99,254)
Net tuition and fees	287,517	265,293
Federal grants and contracts	160,384	165,214
State and local grants and contracts	67,755	87,143
Nongovernmental grants and contracts	28,040	31,021
Recoveries of facilities and administrative costs	47,159	47,862
Sales and services	54,765	50,473
Federal appropriations	17,921	16,890
County appropriations	20,338	19,312
Professional clinical service fees	203,721	196,974
Hospital services	1,101,662	945,885
Auxiliary enterprises:		
Housing and dining	58,346	57,793
Less: Scholarship allowances	(7,193)	(7,367)
Net housing and dining	51,153	50,426
Athle ics	73,957	72,033
Other auxiliaries	30,283	30,547
Other operating revenues	4,516	3,772
Total operating revenues	<u>2,149,171</u>	<u>1,982,845</u>
<b>OPERATING EXPENSES</b>		
Educational and general:		
Instruction	271,857	257,516
Research	245,313	247,550
Public service	211,479	229,757
Libraries	21,070	19,487
Academic support	71,482	64,765
Student services	36,790	34,106
Institutional support	49,295	52,702
Operations and maintenance of plant	79,823	63,198
Student financial aid	42,099	30,251
Depreciation	66,224	69,508
Total educational and general	1,095,432	1,068,840
Clinical operations (including depreciation of \$2,021 in 2014 and \$1,995 in 2013)	170,955	186,789
Hospital and clinics (including depreciation of \$51,460 in 2014 and \$51,261 in 2013)	1,012,625	891,005
Auxiliary enterprises:		
Housing and dining (including depreciation of \$5,823 in 2014 and \$5,020 in 2013)	52,416	47,531
Athle ics (including depreciation of \$5,734 in 2014 and \$5,282 in 2013)	91,322	84,036
Other auxiliaries	17,449	21,035
Other operating expenses	1,384	682
Total operating expenses	<u>2,441,583</u>	<u>2,299,918</u>
Net loss from operations	<u>(292,412)</u>	<u>(317,073)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	283,869	283,869
Gifts and non-exchange grants	96,771	98,418
Investment income (loss)	155,547	104,748
Interest on capital asset-related debt	(30,288)	(29,244)
Other nonoperating revenues and expenses, net	7,449	9,856
Net nonoperating revenues (expenses)	513,348	467,647
Net income (loss) before other revenues, expenses, gains or losses	220,936	150,574
Capital grants and gifts	54,068	30,672
Additions to permanent endowments	7,578	10,225
Other, net	(1,236)	(1,676)
Total other revenues (expenses)	<u>60,410</u>	<u>39,221</u>
<b>INCREASE IN NET POSITION</b>	<u>281,346</u>	<u>189,795</u>
<b>NET POSITION, beginning of year, as previously reported</b>	-	2,676,387
<b>Cumulative effect of adoption of accounting principle</b>	-	(3,676)
<b>NET POSITION, beginning of year, as restated</b>	<u>2,862,506</u>	<u>2,672,711</u>
<b>NET POSITION, end of year</b>	<u>\$ 3,143,852</u>	<u>\$ 2,862,506</u>

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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 288,922	\$ 265,136
Grants and contracts	247,522	281,214
Recoveries of facilities and administrative costs	45,917	49,348
Sales and services	53,836	51,035
Federal appropriations	17,117	14,858
County appropriations	21,400	18,935
Payments to vendors and contractors	(721,086)	(667,570)
Student financial aid	(42,082)	(30,169)
Salaries, wages and benefits	(1,529,995)	(1,462,989)
Professional clinic service fees	212,424	199,317
Hospital services	1,096,977	973,830
Auxiliary enterprise receipts	153,659	153,741
Loans issued to students	(21,188)	(17,137)
Collection of loans to students	19,818	16,422
Self insurance receipts	51,230	45,035
Self insurance payments	(48,217)	(43,921)
Other operating receipts (payments), net	3,544	818
Net cash provided (used) by operating activities	<u>(150,202)</u>	<u>(152,097)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	283,869	283,869
Gifts and grants received for other than capital purposes:		
Gifts received for endowment purposes	7,554	10,225
Gifts received for other purposes	88,716	80,516
Agency and loan program receipts	225,252	210,958
Agency and loan program payments	(226,011)	(210,594)
Other noncapital financing receipts (payments), net	30,270	27,459
Net cash provided (used) by noncapital financing activities	<u>409,650</u>	<u>402,433</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital grants and gifts	46,989	36,249
Purchases of capital assets	(139,955)	(102,520)
Proceeds from capital debt	251,920	30,832
Payments to refunding bond agents	-	(5,633)
Principal paid on capital debt and leases	(50,900)	(56,419)
Interest paid on capital debt and leases	(28,460)	(29,535)
Other capital and related financing receipts (payments), net	1,569	(41)
Net cash provided (used) by capital and related financing activities	<u>81,163</u>	<u>(127,067)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	717,482	741,159
Interest and dividends on investments	13,723	15,476
Purchase of investments	(842,792)	(776,217)
Net cash provided (used) by investing activities	<u>(111,587)</u>	<u>(19,582)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>229,024</u>	<u>103,687</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>451,867</u>	<u>348,180</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 680,891</u>	<u>\$ 451,867</u>
<b>Reconciliation of net loss from operations to net cash used by operating activities:</b>		
Net loss from operations	\$ (292,412)	\$ (317,073)
Adjustments to reconcile net loss from operations to net cash used by operating activities:		
Depreciation expense	131,262	133,066
Change in assets and liabilities:		
Notes, loans and accounts receivable, net	(11,745)	26,580
Inventories and other assets	(4,472)	1,442
Accounts payable and accrued liabilities	26,255	1,967
Unearned revenue	(4,510)	1,676
Long-term liabilities	5,420	245
<b>Net cash provided (used) by operating activities</b>	<u>\$ (150,202)</u>	<u>\$ (152,097)</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 (the Commonwealth) and is included in the basic financial statements of the Commonwealth. The financial statements of the University include the operations of the University and its affiliated non-profit corporations (entities for which the University is financially accountable as defined by Statement No. 14 and amended by Statements No. 39 and No. 61 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 Gluck Equine Research Foundation, Inc.; University of Kentucky Humanities Foundation, Inc.; University of Kentucky Mining Engineering Foundation, Inc.; University of Kentucky Center on Aging Foundation, Inc.; and Central Kentucky Management Services, Inc. The affiliates are presented as blended component units since University management has operational responsibility for each affiliated corporation. 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. KMSF is included within the University reporting entity as a blended component unit as KMSF provides its services entirely to the University. The financial statements also include the operations of the UK HealthCare Hospital System (the System), the Department of Intercollegiate Athletics (Athletics), and the Kentucky Tobacco Research and Development Center (KTRDC), organizational units 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 position categories:

- Net investment in capital assets: 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 position subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the principal of the University's permanent endowment funds.  
  
*Expendable* – Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.
- Unrestricted: Net position whose use by the University is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

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

The University has established a "hybrid" spending policy, which includes both the market value of the endowment and the current level of inflation in determining spending each year. Annual spending will be calculated by taking a weighted average comprising 60% of the prior year's spending, adjusted for inflation, and 40% of the amount that results when the target annual spending rate of four percent is applied to the average market value of the endowment over the preceding 36 months. The spending amount determined by the formula will be constrained so that the calculated rate is at least three percent, and not more than six percent, of the current endowment market value. The hybrid spending policy will be phased in over two years with the new policy fully implemented in the year ending June 30, 2015. The year ended June 30, 2014 served as a transition year to the new policy and spending was based on four percent of the average market value for the preceding 60 months. For the year ended June 30, 2013, the University's endowment standard spending rule provided for annual distributions of 4.25% of the 60 month moving average market value of fund units.

Additionally, for the fiscal year ended June 30, 2014, spending and management fee withdrawals were suspended on all endowments with a market value less than the contributed value by more than 20% at December 31<sup>st</sup> of the prior year. Endowments with a market value less than the contributed value by more than 10% went through a formal review to determine the appropriate level of spending in accordance with various factors set forth in UPMIFA. For fiscal year 2013, reduced spending rules were also established for

certain endowments whose market value was less than the contributed value as of December 31<sup>st</sup> of the prior year.

For the years ended June 30, 2014 and 2013, the University's annual endowment management fee was 0.25%; however, endowments whose market value was less than the contributed value as of December 31<sup>st</sup> were exempt from the management fee in the subsequent fiscal year.

The components of the University's spending policy distribution and management fee for the years ended June 30, 2014 and 2013 are as follows (in thousands):

	2014	2013
Gross spending policy distribution	\$ 36,381	\$ 36,289
Reinvested spending policy distribution	(16,640)	(16,216)
Net spending policy distribution	<u>\$ 19,741</u>	<u>\$ 20,073</u>
Management fee	<u>\$ 2,525</u>	<u>\$ 1,949</u>

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 Position. 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, 2014 and 2013, as adjusted by cash receipts, cash disbursements, and securities distributions through June 30, 2014 and 2013, at a total estimated fair value of \$154.1 million and \$114.3 million, respectively. Other alternative investments are carried at estimated fair values as of December 31, 2013 and 2012, at a total estimated value of \$1.3 million and \$1.4 million, 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 approximately \$492.9 million and \$298.7 million at June 30, 2014 and 2013. The University believes that the total carrying amount of its alternative investments valued at \$695.6 million and \$458.7 million at June 30, 2014 and 2013 is a reasonable estimate of fair value. The University's outstanding commitment to alternative investments is approximately \$122.5 million and \$116.9 million as of June 30, 2014 and 2013, 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.

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

Compensated Absences. The amount of vacation leave earned but not taken by employees at June 30, 2014 is recorded as a liability by the University. Temporary disability leave payable upon termination under the University's payout policy is also recorded as a liability. Compensated absence liabilities are computed using the pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

Deferred Inflows of Resources. A deferred inflow of resources is a gain in net position by the University that is applicable to a future reporting period. Deferred inflows of resources are reported in the statement of net position but are not recognized in the financial statements as revenue until in the related period. Deferred inflows of resources, as of June 30, 2014 and 2013, consist of deferred gains on refunding debt, \$3.5 million and \$4.4 million, respectively, and the fair value of a derivative, \$0 and \$561,000, respectively, which is defined as a hedging instrument, providing a specified rate of return on certain debt service instruments.

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 a provision for doubtful accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient 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% and 24%, respectively, of the System's net patient services revenues before the provision for doubtful accounts for the year ended June 30, 2014 and approximately 24% and 23%, respectively for the year ended June 30, 2013. 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 physicians and hospitals that demonstrate meaningful use of certified electronic health records technology. Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs is contingent on the System and KMSF 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 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 2014, the System was in the third year under the Medicare programs and recorded \$1.7 million, which is included in net patient service revenue within operating revenues in the Statement of Revenues, Expenses, and Changes in Net Position. In fiscal year 2013, the System was in the second year of the programs but did not attest to completion of the second phase and recorded no revenue.

In fiscal year 2014, the System completed the third year requirements under the Medicaid program and recorded revenue of approximately \$564,000, which is included in net patient service revenue within operating revenues in the Statement of Revenues, Expenses, and Changes in Net Position. In fiscal year 2013, the System recorded \$2.2 million in revenue.

In addition, during the years ended June 30, 2014 and 2013, KMSF applied for and received \$269,000 and \$1.9 million, respectively, in Medicaid health information technology (HIT) funds and \$1.0 million and \$124,000, respectively, in Medicare HIT funds.

Income Taxes. The University is an agency and instrumentality of the Commonwealth, 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 Position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, gifts and investment income, are recorded as nonoperating revenues in accordance with GASB Statement No. 35.

The University has classified operating expenses based upon their functional classifications. Operating expenses by natural classification are presented in Note 24. During fiscal years 2014 and 2013, departmental research in nonsponsored accounts of approximately \$67.7 million and \$63.4 million, respectively, was recorded as research expense in the Statements of Revenues, Expenses and Changes in Net Position.

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

Change in Accounting Principle. During 2014, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term "deferred" in the financial statement presentations.

Adoption of GASB Statement No. 65 requires that bond issuance costs are expensed when incurred and reclassification of deferred gains on refunding debt from long-term liabilities to deferred inflows of resources, resulting in a decrease of approximately \$3.7 million in beginning net position as of July 1, 2012 and an increase in the change in net position of approximately \$213,000 for the year ended June 30, 2013 for the University.

Reclassifications. Certain reclassifications have been made to the fiscal year 2013 financial statements to conform to the fiscal year 2014 financial statement presentation.

## 2. DEPOSITS AND INVESTMENTS

The fair value of deposits and investments, by type, at June 30, 2014 and 2013 is as follows (in thousands):

	2014	2013
Cash and cash equivalents	\$ 109,551	\$ 101,490
Certificates of deposit	26,715	26,703
Common and preferred stocks	63,668	51,862
Corporate fixed income securities	56,742	25,157
Deposits with banks and the Commonwealth of Kentucky	111,619	81,513
Government agency fixed income securities	69,423	52,035
Guaranteed investment contracts	2,726	1,645
Other	152	152
Pooled absolute return funds	140,497	211,085
Pooled equity funds	353,946	407,828
Pooled fixed income funds	615,555	365,042
Pooled global tactical allocation funds	91,544	-
Pooled long/short equity funds	145,705	-
Pooled private equity funds	120,515	88,064
Pooled real estate funds	81,454	70,961
Pooled real return/diversified inflation strategy funds	115,915	88,572
Repurchase agreements	39,998	84,141
State and municipal fixed income securities	13,258	7,418
U.S. Treasury fixed income securities	11,694	11,165
	<u>\$ 2,170,677</u>	<u>\$ 1,674,833</u>
Total		
	2014	2013
Statement of Net Position classification		
Current cash and cash equivalents	\$ 387,863	\$ 391,975
Current investments	26,452	6,944
Restricted cash and cash equivalents	293,028	59,892
Endowment investments	1,215,226	1,054,448
Other long-term investments	248,108	161,574
	<u>\$ 2,170,677</u>	<u>\$ 1,674,833</u>
Total		

Alternative investments totaling approximately \$695.6 million and \$458.7 million as of June 30, 2014 and 2013, respectively, are included within pooled absolute return funds, pooled global tactical allocation funds, pooled long/short equity funds, pooled private equity funds, pooled real estate funds, and pooled real return/diversified inflation strategy 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 Treasurer of the University. Deposit and investment policies are developed to ensure 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 and other financial institutions.
- Bond revenue fund investments held by the Treasurer of the Commonwealth as required by the University's bond trust indentures and invested in pooled fixed income funds managed by the Commonwealth.
- Short-term investments managed by the University, including individual securities purchased and held by the University, short-term investments in pooled fixed income funds managed by the Commonwealth, and short term investments managed by an external manager.
- 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 Position.

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

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

- Overnight 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 (FDIC). The University's deposits are insured up to \$250,000 at each FDIC insured institution. Credit risk on deposits in excess of FDIC coverage and 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 is mitigated by the Commonwealth's requirement that providers of overnight repurchase agreements collateralize these investments at 102% 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 10%); 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%; 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. Short term investments managed by an external manager include a

portfolio of fixed income investments with a minimum of 85% of portfolio holdings rated investment grade and a minimum A- portfolio average quality, with no single credit industry exceeding 15% of the portfolio.

- 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.

At June 30, 2014, and 2013, respectively, the credit quality of the University's fixed income investments is as follows (in thousands):

2014										
<u>S&amp;P/Moody's Credit Ratings</u>										
	AAA/Aaa	AA/Aa	A	BBB/ Baa	BB/ Ba	B	Below B	Not rated	Rating Not Applicable	Total
Cash and cash equivalents	\$ 73,674	\$ -	\$ -	\$ -		\$ -	\$ -	\$ 35,877	\$ -	\$ 109,551
Certificates of deposit	-	-	-	-		-	-	26,715	-	26,715
Corporate fixed income	4,822	2,314	18,637	20,676	5,607	3,988	496	-	202	56,742
Government agency fixed income	-	68,690	-	733	-	-	-	-	-	69,423
Guaranteed investment contracts	-	121	-	-	-	-	-	2,605	-	2,726
Pooled fixed income	-	-	-	-	-	-	-	615,555	-	615,555
Repurchase agreements	-	-	-	-	-	-	-	39,998	-	39,998
State and municipal fixed income	1,840	2,600	8,818	-	-	-	-	-	-	13,258
U.S. Treasury fixed income	-	-	-	-	-	-	-	-	11,694	11,694
<b>Total fixed income investments</b>	<b>\$ 80,336</b>	<b>\$ 73,725</b>	<b>\$ 27,455</b>	<b>\$ 21,409</b>	<b>\$ 5,607</b>	<b>\$ 3,988</b>	<b>\$ 496</b>	<b>\$ 720,750</b>	<b>\$ 11,896</b>	<b>\$ 945,662</b>

2013										
<u>S&amp;P/Moody's Credit Ratings</u>										
	AAA/Aaa	AA/Aa	A	BBB/ Baa	BB/ Ba	B	Below B	Not rated	Rating Not Applicable	Total
Cash and cash equivalents	\$ 82,826	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,664	\$ -	\$ 101,490
Certificates of deposit	-	-	-	-	-	-	-	26,703	-	26,703
Corporate fixed income	-	832	16,253	2,681	-	5,391	-	-	-	25,157
Government agency fixed income	-	52,035	-	-	-	-	-	-	-	52,035
Guaranteed investment contracts	-	40	-	-	-	-	-	1,605	-	1,645
Pooled fixed income	-	-	-	-	-	-	-	365,042	-	365,042
Repurchase agreements	-	-	-	-	-	-	-	84,141	-	84,141
State and municipal fixed income	-	277	7,141	-	-	-	-	-	-	7,418
U.S. Treasury fixed income	-	-	-	-	-	-	-	-	11,165	11,165
<b>Total fixed income investments</b>	<b>\$ 82,826</b>	<b>\$ 53,184</b>	<b>\$ 23,394</b>	<b>\$ 2,681</b>	<b>\$ -</b>	<b>\$ 5,391</b>	<b>\$ -</b>	<b>\$ 496,155</b>	<b>\$ 11,165</b>	<b>\$ 674,796</b>

**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, 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 and managed by an external manager 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, 2014 and 2013, respectively, the following University deposit and investment balances held in the name of the Commonwealth included in the above significant investment types, were exposed to custodial credit risk as follows (in thousands):

	2014				
	Overnight Investments	Bond Revenue Investments	Short-term Investments	Other State Investments	Total
Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name	\$ 42,000	\$ -	\$ -	\$ -	\$ 42,000
Uninsured, not registered in the name of the University and held by the counterparty but not in the University's name	-	435,360	60,000	25,885	521,245
<b>Total</b>	<b>\$ 42,000</b>	<b>\$ 435,360</b>	<b>\$ 60,000</b>	<b>\$ 25,885</b>	<b>\$ 563,245</b>

	2013				
	Overnight Investments	Bond Revenue Investments	Short-term Investments	Other State Investments	Total
Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the University's name	\$ 91,000	\$ -	\$ -	\$ -	\$ 91,000
Uninsured, not registered in the name of the University and held by the counterparty but not in the University's name	-	179,904	60,000	25,823	265,727
<b>Total</b>	<b>\$ 91,000</b>	<b>\$ 179,904</b>	<b>\$ 60,000</b>	<b>\$ 25,823</b>	<b>\$ 356,727</b>

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 deposit insurance are required to be fully collateralized by U.S. Treasury and/or U.S. agency securities or other similar investments as provided by KRS 41.240.
- Bond revenue fund 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% of an individual pool and \$25.0 million 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 \$25.0 million 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%.

- Short term investments managed by an external manager are limited in that no single credit industry shall exceed 15% of the portfolio at purchase.
- 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 excluding sovereign debt of governments belonging in the Organization for Economic Cooperation and Development and U.S. agencies.

At June 30, 2014 and 2013, the University had 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. The portfolio duration of short-term investments managed by an external manager must be within a range of +/- 0.5 years of the Barclays 1-5 Year Government/Credit Index.
- 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 core-plus fixed income managers are limited to a duration that is within two years of the duration of the Barclays Aggregate Bond Index and new unconstrained fixed income strategies have been implemented to further protect against rising interest rates.

For June 30, 2014, below is the maturity distribution of the University's fixed income investments (in thousands):

Investment Type	2014						Total
	Maturities in Years					Managed based on duration	
	Less than 1	1-3	3-5	5-10	Greater than 10		
Cash and cash equivalents	\$ 109,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,551
Certificates of deposit	26,715	-	-	-	-	-	26,715
Corporate fixed income	2,305	12,305	19,004	7,592	9,395	6,141	56,742
Government agency fixed income	-	-	59,584	7,205	-	2,634	69,423
Guaranteed investment contracts	-	-	102	120	2,504	-	2,726
Pooled fixed income	-	-	-	-	-	615,555	615,555
Repurchase agreements	39,998	-	-	-	-	-	39,998
State and municipal fixed income	250	10,496	2,512	-	-	-	13,258
U.S. Treasury fixed income	10	29	47	23	-	11,585	11,694
<b>Total fixed income investments</b>	<b>\$ 178,829</b>	<b>\$ 22,830</b>	<b>\$ 81,249</b>	<b>\$ 14,940</b>	<b>\$ 11,899</b>	<b>\$ 635,915</b>	<b>\$ 945,662</b>

For June 30, 2013, below is the maturity distribution of the University's fixed income investments (in thousands):

Investment Type	2013						Total
	Maturities in Years					Managed based on duration	
	Less than 1	1-3	3-5	5-10	Greater than 10		
Cash and cash equivalents	\$ 101,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,490
Certificates of deposit	26,703	-	-	-	-	-	26,703
Corporate fixed income	-	547	200	261	-	24,149	25,157
Government agency fixed income	-	-	24,660	17,786	-	9,589	52,035
Guaranteed investment contracts	-	-	145	39	1,461	-	1,645
Pooled fixed income	-	-	-	-	-	365,042	365,042
Repurchase agreements	79,171	1,013	-	3,957	-	-	84,141
State and municipal fixed income	-	4,691	2,449	278	-	-	7,418
U.S. Treasury fixed income	2,223	10	52	45	-	8,835	11,165
<b>Total fixed income investments</b>	<b>\$ 209,587</b>	<b>\$ 6,261</b>	<b>\$ 27,506</b>	<b>\$ 22,366</b>	<b>\$ 1,461</b>	<b>\$ 407,615</b>	<b>\$ 674,796</b>

At June 30, 2014 and 2013, the University had the following investments managed based on duration (in thousands):

Investment Type	2014		2013	
	Fair Value	Modified Duration	Fair Value	Modified Duration
		(Years)		(Years)
Corporate fixed income	\$ 6,141	0.4	\$ 24,149	3.8
Government agency fixed income	2,634	2.5	9,589	4.3
Pooled fixed income				
457 Deferred Compensation Plan	-	-	63	5.6
Commonwealth of Kentucky intermediate pool	60,028	1.3	69,683	2.0
Commonwealth of Kentucky short-term pool	461,218	0.1	196,044	0.1
Kentucky Technology, Inc.	52	2.2	52	2.1
KMSF	1,860	3.6	-	-
Other endowment investments	2,283	5.4	2,139	5.5
Pooled endowment fund	90,114	0.6	97,061	3.5
U.S. Treasury fixed income	11,585	0.5	8,835	7.8
<b>Total</b>	<b>\$ 635,915</b>		<b>\$ 407,615</b>	

**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, 2014 and 2013, the following investments were subject to foreign currency risk (in thousands):

<u>Endowment Investment</u>	<u>Fair Value</u>	
	<u>2014</u>	<u>2013</u>
Common stock	\$ 51,320	\$ 43,060
Pooled private equity funds	8,712	8,034
Cash equivalents	<u>372</u>	<u>-</u>
Total	<u>\$ 60,404</u>	<u>\$ 51,094</u>

Derivative Financial Instruments. The University has entered into a forward delivery agreement (the Forward Delivery Agreement). The Forward Delivery Agreement requires the counterparty to deposit U.S. Treasury securities into the University's debt service reserve trust account and provides the University with a guaranteed rate of return. The securities that are deposited into the Consolidated Educational Building Revenue Bonds (CEBRB) debt service reserve trust accounts are required to mature prior to the scheduled debt service payment dates.

The Forward Delivery Agreement allows the University to earn a guaranteed fixed rate of return over the life of the investment. This agreement was utilized by the University to earn a rate of return in excess of a rate that would otherwise be feasible by investing in securities with a shorter term.

The original date of the Forward Delivery Agreement is June 16, 2004, with a termination date of May 1, 2024. The scheduled reserve amount varies throughout the term and was \$2.2 million as of June 30, 2013. The guaranteed rate is 4.73% and the fair market value of the Forward Delivery Agreement was \$561,000 as of June 30, 2013.

The amendment to the Forward Delivery Agreement dated June 26, 2014 amended the required reserve amount to approximately \$853,000 as of June 30, 2014, which was solely invested in cash. The required reserve balance will remain at approximately \$853,000 through June 30, 2024. The guaranteed rate is 4.73% and there is a zero fair market value of the Forward Delivery Agreement as of June 30, 2014.

The fair value of the Forward Delivery Agreement is based on the value of the future discounted cash flows expected to be received over the life of the agreement. The fair value of the Forward Delivery Agreement is classified as a noncurrent asset in the Statement of Net Position at June 30, 2013. As the Forward Delivery Agreement is an effective hedging instrument, the offsetting balance is reflected as deferred inflows of resources in the Statement of Net Position.

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

Notes, loans and accounts receivable as of June 30, 2014 and 2013 follows (in thousands):

	2014		
	Gross Receivable	Allowance	Net Receivable
Hospital patient accounts	\$ 146,604	\$ (26,042)	\$ 120,562
Hospital third-party payer settlements	6,490	-	6,490
KMSF patient accounts	29,317	(6,365)	22,952
Dentistry patient accounts	2,584	(690)	1,894
Student loans	29,701	(2,854)	26,847
Reimbursement receivable - grants and contracts	31,663	(575)	31,088
Reimbursement receivable - federal appropriations	2,699	-	2,699
Pledges receivable	76,279	(28,316)	47,963
Accrued interest receivable	2,807	-	2,807
Student receivables	22,934	(13,256)	9,678
Other	26,520	-	26,520
<b>Total</b>	<b>\$ 377,598</b>	<b>\$ (78,098)</b>	<b>\$ 299,500</b>
Current portion			\$ 240,088
Noncurrent portion			59,412
<b>Total</b>			<b>\$ 299,500</b>
	2013		
	Gross Receivable	Allowance	Net Receivable
Hospital patient accounts	\$ 153,029	\$ (34,750)	\$ 118,279
KMSF patient accounts	28,107	(5,676)	22,431
Dentistry patient accounts	2,773	(797)	1,976
Student loans	27,924	(2,467)	25,457
Reimbursement receivable - grants and contracts	30,268	(575)	29,693
Reimbursement receivable - federal appropriations	2,159	-	2,159
Pledges receivable	55,484	(18,582)	36,902
Accrued interest receivable	2,495	-	2,495
Student receivables	20,167	(11,215)	8,952
Other	28,461	-	28,461
<b>Total</b>	<b>\$ 350,867</b>	<b>\$ (74,062)</b>	<b>\$ 276,805</b>
Current portion			\$ 226,327
Noncurrent portion			50,478
<b>Total</b>			<b>\$ 276,805</b>

#### 4. CAPITAL ASSETS, NET

Capital assets as of June 30, 2014 and capital asset activity for the year ended June 30, 2014 are summarized below (in thousands):

	June 30, 2013	Additions	Deletions	June 30, 2014
Land	\$ 71,480	\$ 914	\$ -	\$ 72,394
Land improvements - nonexhaustible	40,492	2,151	-	42,643
Land improvements - exhaustible	68,472	1,788	29	70,231
Buildings	2,184,296	36,216	11,180	2,209,332
Fixed equipment - communications	90,775	5,862	58	96,579
Infrastructure	93,561	1,915	91	95,385
Equipment	553,165	46,676	28,620	571,221
Vehicles	20,684	1,344	628	21,400
Library materials	142,576	2,212	458	144,330
Nondepreciable library materials	6,618	33	-	6,651
Capitalized software	135,824	6,756	-	142,580
Art	11,148	311	-	11,459
Certificate of need license	11,609	-	-	11,609
Construction in progress	34,762	82,411	25,536	91,637
	<u>3,465,462</u>	<u>188,589</u>	<u>66,600</u>	<u>3,587,451</u>
<u>Accumulated Depreciation</u>				
Land improvements - exhaustible	52,709	2,595	26	55,278
Buildings	772,551	57,367	7,552	822,366
Fixed equipment - communications	53,382	6,023	58	59,347
Infrastructure	29,561	3,514	74	33,001
Equipment	387,387	45,289	24,608	408,068
Vehicles	17,383	1,497	628	18,252
Library materials	131,496	2,981	-	134,477
Capitalized software	65,262	11,996	-	77,258
	<u>1,509,731</u>	<u>131,262</u>	<u>32,946</u>	<u>1,608,047</u>
Capital assets, net	<u>\$ 1,955,731</u>	<u>\$ 57,327</u>	<u>\$ 33,654</u>	<u>\$ 1,979,404</u>

Capital assets as of June 30, 2013 and capital asset activity for the year ended June 30, 2013 are summarized below (in thousands):

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Land	\$ 63,666	\$ 7,814	\$ -	\$ 71,480
Land improvements - nonexhaustible	37,447	3,045	-	40,492
Land improvements - exhaustible	61,842	7,338	708	68,472
Buildings	2,135,650	58,106	9,460	2,184,296
Fixed equipment - communications	83,939	6,902	66	90,775
Infrastructure	91,507	2,090	36	93,561
Equipment	541,492	32,022	20,349	553,165
Vehicles	20,631	1,398	1,345	20,684
Library materials	140,377	2,339	140	142,576
Nondepreciable library materials	6,601	17	-	6,618
Capitalized software	126,366	9,516	58	135,824
Art	10,991	215	58	11,148
Certificate of need license	11,609	-	-	11,609
Construction in progress	57,420	28,069	50,727	34,762
	<u>3,389,538</u>	<u>158,871</u>	<u>82,947</u>	<u>3,465,462</u>
<u>Accumulated Depreciation</u>				
Land improvements - exhaustible	50,992	2,425	708	52,709
Buildings	722,365	57,646	7,460	772,551
Fixed equipment - communications	47,536	5,912	66	53,382
Infrastructure	25,858	3,719	16	29,561
Equipment	357,167	47,114	16,894	387,387
Vehicles	16,926	1,546	1,089	17,383
Library materials	128,167	3,329	-	131,496
Capitalized software	53,965	11,375	78	65,262
	<u>1,402,976</u>	<u>133,066</u>	<u>26,311</u>	<u>1,509,731</u>
Capital assets, net	<u>\$ 1,986,562</u>	<u>\$ 25,805</u>	<u>\$ 56,636</u>	<u>\$ 1,955,731</u>

At June 30, 2014, the University had construction projects in progress totaling approximately \$475.5 million in scope. The estimated cost to complete these projects was approximately \$381.3 million. Such construction was principally financed by cash reserves, gifts and grants, and proceeds from the University's general receipts bonds.

Interest costs incurred during construction, net of related investment income, are capitalized. Total interest capitalized was \$454,000 for 2014 and \$17,000 for 2013.

During fiscal years 2014 and 2013, the University utilized capital leases to acquire various items of equipment. As of June 30, 2014 and 2013, the net book value of land, buildings, equipment and software acquired through capital lease included in the above schedules totaled \$130.9 million and \$147.8 million, respectively.

During fiscal year 2014, five student housing buildings were demolished with an original cost of \$7.6 million and accumulated depreciation of \$6.8 million, for a total net book value written off of \$779,000. As of June 30, 2014, seven student housing buildings are scheduled for demolition in subsequent fiscal years and have been recorded as impaired assets. A portion of the net book value of each building was written off with the remainder to be written off in subsequent years. The total original cost of impaired assets was \$7.3 million with accumulated depreciation of \$6.5 million, and a total net book value written off in fiscal year 2014 of \$356,000.

During fiscal year 2013, five student housing buildings were demolished with an original cost of \$8.3 million and accumulated depreciation of \$7.2 million, for a total net book value written off of \$1.1 million. As of June 30, 2013, 14 student housing buildings were scheduled for demolition in subsequent fiscal years and were recorded as impaired assets. A portion of the net book value of each building was written off with the

remainder to be written off in the subsequent year. The total original cost of impaired assets was \$28.7 million with accumulated depreciation of \$21.1 million, and a total net book value written off in fiscal year 2013 of \$3.1 million.

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

	<u>2014</u>	<u>2013</u>
Capital lease additions	\$ 1,353	\$ 766
Gifts of capital assets	\$ 4,934	\$ 3,012
Capital asset additions in accounts payable	\$ 11,982	\$ 8,942
Capitalized interest, net of investment income	\$ 454	\$ 17
Amortized bond discount and premium	\$ 2,667	\$ 1,031
Capital asset disposal, net	\$ 4,261	\$ 3,148
Capital asset trade in	\$ 295	\$ 426

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2014 and 2013 follow (in thousands):

	<u>2014</u>	<u>2013</u>
Payable to vendors and contractors	\$ 116,050	\$ 89,725
Accrued expenses, including vacation and sick leave	68,705	60,094
Employee withholdings and deposits payable to third parties	45,297	39,817
Total	<u>\$ 230,052</u>	<u>\$ 189,636</u>
Current portion	\$ 227,576	\$ 189,636
Noncurrent portion	2,476	-
Total	<u>\$ 230,052</u>	<u>\$ 189,636</u>

## 6. UNEARNED REVENUE

Unearned revenue as of June 30, 2014 and 2013 follows (in thousands):

	<u>2014</u>	<u>2013</u>
Unearned summer school revenue	\$ 8,934	\$ 7,330
Unearned hospital revenue	7,545	6,928
Unearned grants and contracts revenue	23,140	29,509
Prepaid athletic ticket sales	12,636	13,581
Other	7,762	7,204
Total	<u>\$ 60,017</u>	<u>\$ 64,552</u>

## 7. LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2014 and long-term liability activity for the year ended June 30, 2014 are summarized below (in thousands):

	June 30, 2013	Additions	Reductions	June 30, 2014	Current Portion	Non-Current Portion
<u>Bonds, notes and capital leases</u>						
General Receipts notes	\$ 280,175	\$ -	\$ 14,995	\$ 265,180	\$ 15,685	\$ 249,495
General Receipts bonds	199,295	238,975	5,770	432,500	5,940	426,560
Educational buildings bonds	37,960	-	4,610	33,350	4,795	28,555
Capital leases and other long-term obligations	108,641	2,840	24,996	86,485	19,964	66,521
Notes payable	21,719	-	1,055	20,664	1,089	19,575
Total bonds, notes and capital leases	647,790	241,815	51,426	838,179	47,473	790,706
<u>Other liabilities</u>						
Medical malpractice	26,346	8,440	5,489	29,297	5,235	24,062
Long-term disability	6	-	6	-	-	-
Annuities payable	4,788	1,473	560	5,701	566	5,135
Health insurance	6,038	36,447	35,296	7,189	7,189	-
Automobile and property self insurance	414	1,119	1,093	440	440	-
Retiree health benefits trust	75,362	21,955	-	97,317	-	97,317
Federal loan programs	20,992	375	834	20,533	-	20,533
Workers compensation	19,765	7,743	5,735	21,773	5,445	16,328
Compensated absences	7,634	-	-	7,634	651	6,983
Arbitrage rebate	5	22	-	27	-	27
Unamortized bond premium	7,662	12,715	1,707	18,670	1,526	17,144
Unemployment compensation	629	744	751	622	622	-
Other	5,644	3,984	3,702	5,926	1,320	4,606
Total other liabilities	175,285	95,017	55,173	215,129	22,994	192,135
Total	\$ 823,075	\$ 336,832	\$ 106,599	\$ 1,053,308	\$ 70,467	\$ 982,841

Long-term liabilities as of June 30, 2013 and long-term liability activity for the year ended June 30, 2013 are summarized as follows (in thousands):

	June 30, 2012	Additions	Reductions	June 30, 2013	Current Portion	Non-Current Portion
<u>Bonds, notes and capital leases</u>						
General Receipts notes	\$ 294,530	\$ -	\$ 14,355	\$ 280,175	\$ 14,995	\$ 265,180
General Receipts bonds	205,090	-	5,795	199,295	5,770	193,525
Educational buildings bonds	42,400	-	4,440	37,960	4,610	33,350
Capital leases and other long-term obligations	114,824	30,836	37,019	108,641	24,262	84,379
Notes payable	22,578	104	963	21,719	1,055	20,664
Total bonds, notes and capital leases	<u>679,422</u>	<u>30,940</u>	<u>62,572</u>	<u>647,790</u>	<u>50,692</u>	<u>597,098</u>
<u>Other liabilities</u>						
Medical malpractice	25,774	3,352	2,780	26,346	4,114	22,232
Long-term disability	2	4	-	6	6	-
Annuities payable	4,800	459	471	4,788	516	4,272
Health insurance	5,900	35,222	35,084	6,038	6,038	-
Automobile and property self insurance	316	1,018	920	414	414	-
Retiree health benefits trust	57,722	17,640	-	75,362	-	75,362
Federal loan programs	21,122	387	517	20,992	-	20,992
Workers compensation	21,045	3,171	4,451	19,765	4,928	14,837
Compensated absences	7,655	69	90	7,634	585	7,049
Arbitrage rebate	375	-	370	5	-	5
Unamortized bond premium	12,536	620	5,494	7,662	627	7,035
Unemployment compensation	670	732	773	629	629	-
Other	4,075	4,537	2,968	5,644	1,348	4,296
Total other liabilities	<u>161,992</u>	<u>67,211</u>	<u>53,918</u>	<u>175,285</u>	<u>19,205</u>	<u>156,080</u>
Total	<u>\$ 841,414</u>	<u>\$ 98,151</u>	<u>\$ 116,490</u>	<u>\$ 823,075</u>	<u>\$ 69,897</u>	<u>\$ 753,178</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 4.3% to 10.8%.

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

Bonds payable consist of General Receipts bonds, General Receipts notes and CEBRB in the original amount of \$860.0 million dated October 1, 2003 through March 18, 2014, which bear interest at 1.46% to 4.66%. The bonds are payable in annual installments through April 1, 2044. 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 1.39% to 4.45%.

The indenture agreements require that certain funds be established with the trustee and with the Commonwealth. 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. As of June 30, 2014 this amount is approximately \$7.2 million.

On March 18, 2014, approximately \$239.0 million of University of Kentucky General Receipts 2014 Bonds Series A, B and C were issued at a true interest cost of 3.78%, 3.22% and 1.45%, respectively. These bonds were issued for the purpose of funding the renovation of Commonwealth Stadium, construction of the Academic Science Building and the expansion and renovation of Gatton College of Business and Economics.

In prior fiscal years, certain General Receipts Bonds Series were issued as Build America Bonds (BAB) as authorized under the American Recovery and Reinvestment Act of 2009 and as Qualified Energy Conservation Bonds (QECCB) as authorized under the Recovery Act and the Hiring Incentive to Restore Employment Act of 2010. The University will receive an annual cash subsidy from the U.S. Treasury equal to 35% (BAB) and 80% (QECCB) of the interest payable on the bonds. The subsidy, which was approximately \$2.3 million and \$2.4 million during fiscal year 2014 and 2013, respectively, is included in gifts and non-exchange grants in the Statements of Revenues, Expenses and Changes in Net Position. The subsidy payment is contingent on federal regulations and may be subject to change. On March 1, 2013, the President signed an executive order reducing the budgetary authority in accounts subject to sequestration. As a result, the BAB subsidy was reduced to approximately 33% and 32% in 2014 and 2013, respectively. The QECCB subsidy was reduced to approximately 74% and 73% in 2014 and 2013, respectively.

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, 2014, are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 47,473	\$ 36,472	\$ 83,945
2016	47,614	34,444	82,058
2017	65,396	32,458	97,854
2018	47,965	30,002	77,967
2019	43,508	28,095	71,603
2020-2024	215,943	110,907	326,850
2025-2029	177,485	61,725	239,210
2030-2034	76,900	36,990	113,890
2035-2039	64,650	20,097	84,747
2040-2044	51,245	5,711	56,956
Total	<u>\$ 838,179</u>	<u>\$ 396,901</u>	<u>\$ 1,235,080</u>

At June 30, 2014, assets with a fair market value of approximately \$3.4 million have been placed on deposit with trustees to totally defease bonds with a par amount of approximately \$3.3 million. The liability for these fully defeased bonds is not included in the financial statements.

## 8. COMPONENTS OF RESTRICTED EXPENDABLE NET POSITION

Restricted expendable net position 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, 2014 and 2013 restricted expendable net position is composed of the following (in thousands):

	<u>2014</u>	<u>2013</u>
Appreciation on permanent endowments	\$ 166,996	\$ 87,372
Term endowments	9,515	7,417
Quasi-endowments initially funded with restricted assets	50,997	45,591
Funds restricted for capital projects and debt service	102,131	78,207
Funds restricted for noncapital purposes	87,961	85,119
Loan funds (primarily University funds required for federal match)	10,445	10,531
Total	<u>\$ 428,045</u>	<u>\$ 314,237</u>

## 9. DESIGNATIONS OF UNRESTRICTED NET POSITION

Unrestricted net position is 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 position as of June 30, 2014 and 2013 are as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Working capital requirements	\$ 115,282	\$ 82,879
Budget appropriations for future year fiscal operations	145,083	156,034
Designated for capital projects	55,201	46,725
Designated for renewal and replacement of capital assets	25,559	24,395
Hospital System	414,062	326,740
Affiliated corporations and component units	38,847	38,933
Total	<u>\$ 794,034</u>	<u>\$ 675,706</u>

## 10. PLEDGED REVENUES

Pledged revenue for 2014 and 2013 as defined by General Receipts Trust Indenture, is as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Student tuition and fees	\$ 287,517	\$ 265,293
Nongovernmental grants and contracts	716	701
Recoveries of facilities and administrative costs	47,159	47,755
Sales and services	41,637	41,139
Hospital services	1,101,662	945,885
Auxiliary enterprises - housing and dining	51,153	50,426
Auxiliary enterprises - athletics	73,957	-
Auxiliary enterprises - other	30,283	30,547
Other operating revenue	967	989
State appropriations	283,869	283,869
Gifts and grants	4,809	5,015
Investment income	6,208	2,704
Total	<u>\$ 1,929,937</u>	<u>\$ 1,674,323</u>

The University has substantially pledged all of the unrestricted operating and nonoperating revenues to repay the General Receipts bonds and notes issued during 2005 to 2014. Proceeds from the bonds and notes provided funding for new constructions, major renovations, and for the refunding of bonds and notes issued over the years. The bonds are payable from unrestricted operating and nonoperating revenues and are payable through 2044. Annual principal and interest payments on bonds are expected to require approximately two percent of pledged revenue. The total principal and interest remaining to be paid on the bonds is approximately \$1.07 billion and \$711.6 million in 2014 and 2013, respectively. Principal and interest paid for 2014 and 2013 was \$43.2 million, respectively.

## 11. INVESTMENT INCOME

Components of investment income (loss) for the years ended June 30, 2014 and 2013 are as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Interest and dividends earned on endowment investments	\$ 14,369	\$ 16,463
Realized and unrealized gains and losses on endowment investments	135,759	85,352
Interest and dividends on cash and non-endowment investments	3,964	2,584
Realized and unrealized gains and losses on non-endowment investments	(317)	(1,293)
Investment income from external trusts	<u>1,772</u>	<u>1,642</u>
Total	<u>\$ 155,547</u>	<u>\$ 104,748</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, 2014 and 2013, the University received income from these trusts of approximately \$1.8 million and \$1.6 million, respectively. The market value of the external trust assets as of June 30, 2014 and 2013 was approximately \$42.1 million and \$38.1 million, respectively. As the University does not have ownership of the trust assets held by external trustees, the trusts are recorded at a nominal value of \$1 each.

## 13. PLEDGES AND DEFERRED GIFTS

At June 30, 2014 and 2013, respectively, pledges are expected to be collected primarily over the next ten years, as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Operating purposes	\$ 11,541	\$ 15,508
Capital projects	<u>70,046</u>	<u>44,208</u>
Total	81,587	59,716
Less discounts and allowances	<u>(33,624)</u>	<u>(22,814)</u>
Total	<u>\$ 47,963</u>	<u>\$ 36,902</u>

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the University is required to record operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are actually received. For the years ended June 30, 2014 and 2013, the University recorded the discounted value of operating and capital pledges using a rate of two percent.

Deferred gifts through insurance, known bequests and irrevocable trusts in which the University has a remainder interest are estimated to be approximately \$94.5 million and \$115.6 million at June 30, 2014 and 2013, respectively. The University records these amounts as revenue when the cash is received.

#### 14. GRANTS AND CONTRACTS AWARDED

At June 30, 2014 and 2013, grants and contracts of approximately \$177.7 million and \$189.0 million, respectively, 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 10% of the participant's eligible compensation to the retirement plan. Participants in group V contribute one percent and the University contributes two percent of the participant's eligible compensation to the retirement plan.

The University has authorized two retirement plan carriers, as follows:

- Teachers Insurance and Annuity Association/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 three years. The University's contributions and costs for 2014 and 2013 were approximately \$91.4 million and \$86.0 million, respectively. Employees contributed approximately \$45.3 million in 2014 and \$42.6 million in 2013. The University's total payroll costs were approximately \$1.18 billion and \$1.11 billion, respectively, for the years ended June 30, 2014 and 2013. The payroll for employees covered by the retirement plan was approximately \$912.1 million and \$857.7 million for the years ended 2014 and 2013, respectively.

Regular full-time KMSF employees become eligible to participate in a defined contribution plan on the first of the month following the employee's regular full time hire date and attainment of age 21. KMSF contributes 10% of the employee's earnings and employees do not contribute to this plan. KMSF contributions for 2014 and 2013 were approximately \$700,000 and \$800,000, respectively. The total payroll costs for employees covered by the defined contribution plan were approximately \$7.2 million and \$8.0 million for the years ended June 30, 2014 and 2013, respectively. Participants become vested in the plan according to years of service, with 100% vesting at three years or more.

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, 2014 and 2013.

The Legislature of the Commonwealth 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 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 \$1.6 million and \$1.7 million for the years ended June 30, 2014 and 2013, respectively.

The latest actuarial valuation was prepared as of July 1, 2014 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 \$5.9 million.

## **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% 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% of the "true retiree" cost of the least expensive pre-65 medical plan. For post-65 benefits, the University provides a credit equal to 90% of the "true retiree" cost of the post-65 medical plan. For fiscal year 2014, the University contributed \$20.0 million to the plan. Plan members receiving benefits contributed 31.2% of the premium costs, an average for combined single and family coverage. In fiscal year 2014, total member contributions were approximately \$4.8 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 No. 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 30 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 3.9% 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 2014 (in thousands):

Annual required contribution	\$ 19,801
Contributions made	(19,800)
Increase in net OPEB obligation/(asset)	<u>1</u>
Net OPEB obligation/(asset) - beginning of year	<u>(240)</u>
Net OPEB obligation/(asset) - end of year	<u><u>\$ (239)</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 2014, 2013 and 2012, were as follows (in thousands):

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2012	\$19,798	98.2%	(\$157)
6/30/2013	\$20,392	100.4%	(\$240)
6/30/2014	\$19,801	100.0%	(\$239)

As of July 1, 2014, the actuarial accrued liability (AAL) for benefits was \$268.3 million, with an actuarial value of assets of \$97.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$171.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$513.7 million and the ratio of the UAAL to the covered payroll was 33.3% at June 30, 2014. 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, 2014, net trust fund assets totaled \$97.3 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, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% 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 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 1, 2013 was 24 years.

## **18. LONG-TERM DISABILITY BENEFIT PLAN**

The University is self-funded 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% of the basic regular monthly salary less any disability received from government programs and/or another employer for the same condition. Basic salary for medical faculty is defined as the tenure base salary. Other sources of income used in the benefit formula include Social Security, worker's compensation or other similar government programs, veterans' or other governmental disability payments, or other employer-sponsored disability benefits.

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

The 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 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 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 No. 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 30 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 \$2.1 million is 0.3% 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 2014 (in thousands):

Annual required contribution	\$ 2,139
Contributions made	(2,149)
Increase in net OPEB obligation/(asset)	<u>(10)</u>
Net OPEB obligation/(asset) - beginning of year	<u>6</u>
Net OPEB obligation/(asset) - end of year	<u><u>\$ (4)</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 2014, 2013 and 2012 were as follows (in thousands):

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2012	\$1,953	120.9%	\$2
6/30/2013	\$2,012	99.8%	\$6
6/30/2014	\$2,139	100.5%	(\$4)

As of July 1, 2014, the actuarial accrued liability (AAL) for benefits was \$23.7 million and the actuarial value of assets was \$16.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$768.2 million and the ratio of the UAAL to the covered payroll was 1.0% at June 30, 2014.

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, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% 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

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, 2013 was 24 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 \$1.0 million per occurrence. Losses in excess of \$1.0 million are insured by commercial carriers up to \$1.25 billion per occurrence with buildings and contents insured at replacement cost. As a state agency, the University is vested with Sovereign Immunity and is subject to the provisions of the Board of Claims 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 2013 to 2014. Settlements have not exceeded insurance coverage during the past three years.

The University and its agents are insured against medical malpractice by a combination of Sovereign Immunity, self-insurance, commercial liability insurance and an excess coverage fund established by the Commonwealth. An actuarial valuation is performed to determine the self-insurance funding requirements and the fund liability, which has been discounted using an interest rate of 3.5%. The malpractice liability as of June 30, 2014 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, 2014.

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, 2014.

## 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 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 2008-10 budget of the Commonwealth, the 2008 General Assembly authorized \$50.0 million in General Fund supported bonds in 2008-09 for the 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's Board of Trustees approved the allocation of the University's RCTF appropriation as follows: \$21.9 million to the Research Capital Match Program and \$11.4 million to the Endowment Match Program.

The status of the RCTF endowed funds as of June 30, 2014, 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	-
2008 Biennium: Capital Projects	21,927	21,927	21,927	147
2008 Biennium: RCTF	28,073	11,406	11,406	21
Total	<u>\$ 350,000</u>	<u>\$ 235,524</u>	<u>\$ 235,524</u>	<u>\$ 168</u>

Interest income of approximately \$2.2 million was earned on the state matching funds was 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 schedule of outstanding pledges is shown below (in thousands):

	2002 <u>Biennium</u>	2008 Biennium: <u>Capital Projects</u>	2008 Biennium: <u>RCTF</u>
Pledges due in fiscal year 2015	\$ -	\$ 147	\$ 21

## 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, 2014 and 2013 follows (in thousands):

	<u>2014</u>	<u>2013</u>
Funds from private sources approved for match	\$ 5,715	\$ 6,999
Cigarette excise tax funds distributed	<u>1,901</u>	<u>2,007</u>
Total cancer research matching fund revenues	<u>\$ 7,616</u>	<u>\$ 9,006</u>
Cancer research matching fund expenses	<u>\$ 7,028</u>	<u>\$ 6,987</u>

## 23. STUDENT HOUSING PARTNERSHIP

The University entered an agreement in April 2012 with a third party developer, Education Realty Trust (EdR), to construct two four-story buildings, which comprise a 601 bed living-learning community with three classrooms, 16 active-learning spaces, Honor's Program offices, and nine multipurpose meeting spaces on the former site of Haggin Field. The project, with an estimated cost of \$25.2 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 greater of current net book value or \$10. Ground rent is a percentage of gross revenues. The University accounts for the ground lease as an operating lease. These facilities are subject to ad valorem tax. These two residence halls opened on August 16, 2013 for the Fall 2013 semester.

Phases II-A and II-B of the long-term housing plan agreements have also been signed with EdR. These phases include eight residence halls to be constructed between October 2012 and August 2015. The University has received authorization from the Kentucky legislature for the new projects, which the Commonwealth must approve statutorily even though EdR, not the University, is financing the projects.

Phase II-A, which came on line in August 2014, included the development of five residence halls at an approximate cost of \$138.0 million and Phase II-B, expected on line in August 2015, includes the construction of three residence halls at an approximate cost of \$101.2 million. The 75 year term lease with EdR includes maintenance standards for the facilities and parameters for the room rental rates for the duration. The University will receive a percentage of the total revenues and a share of the net income, after EdR achieves a minimum internal rate of return. These eight facilities are exempt from ad valorem tax. The University will account for the lease as a service concession arrangement in accordance with GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*.

## 24. NATURAL CLASSIFICATION

The University's operating expenses by natural classification were as follows for the years ended June 30, 2014 and 2013 (in thousands):

	2014	2013
Salaries and wages	\$ 1,179,988	\$ 1,114,676
Employee benefits	358,804	345,945
Supplies and services	582,175	539,323
Depreciation	131,262	133,066
Student scholarships and financial aid	60,401	48,361
Purchased utilities	53,093	46,760
Other, various	75,860	71,787
Total	<u>\$ 2,441,583</u>	<u>\$ 2,299,918</u>

## 25. SUBSEQUENT EVENTS

In July 2014, the University entered into a nearly \$250.0 million contract with Aramark, forming a 15 year public/private partnership. This partnership will transform dining services offered to students, faculty, staff, and the community served. Under the partnership, several new food brands will be located on campus starting in the Fall of 2014 and continuing the next year. Aramark will provide meals covered under the University's student boarding plans and declining balance dollars. The contract allows for dining commissions to be paid to the University with guaranteed minimum amounts for each contract year. The 2014-15 minimum guaranteed commission will be approximately \$1.8 million. Aramark will provide \$70.0 million in facilities investments, including \$40.0 million in new facilities, subject to board approval, to be completed by fiscal year 2017-18. As part of these facilities investments, Aramark will construct a new K Lair at Haggin Hall and make substantial upgrades to the Student Center Food Court to be completed for the Fall 2014 semester and construct a new Commons Food Court for the Fall 2015 semester. Additionally, the contract provides for various other annual payments to cover various expenses and new dining related initiatives totaling over \$1.1 million in the first year of the contract. The contract also provides a one-time grant of \$1.0 million to be paid in October 2014.

A multimedia rights partnership was also formed in July 2014 between the University and JMI Sports providing athletics and campus multimedia marketing rights in a 15 year, \$210.0 million agreement. Under the contract, the University will receive a guaranteed rights fee in each of the 15 years of the partnership, starting at \$9.1 million in 2015-16 and increasing to \$16.0 million in fiscal year 2029-30. The agreement also included a \$29.4 million signing bonus to be paid over the first two years of the contract.

On July 28, 2014, the University issued \$88.1 million in General Receipts Refunding Bonds Series 2014 D to refund CEBRB, Series P, Q, R(2<sup>nd</sup>) and partially refund General Receipts Series 2005 A bonds and 2005 A notes. The \$88.1 million of bond proceeds, the \$13.7 million in premium (net of cost of issuance) paid by underwriters, the \$5.4 million released from debt service reserves, and the \$558,000 in termination payments combine to provide the total amount of \$107.8 million needed to call the bonds. The debt service savings for fiscal year 2014-15 will be approximately \$1.8 million and a total of \$16.8 million through fiscal year 2025-26. The debt service payments on the new bonds are scheduled semi-annually at amounts that range from \$5.8 million to \$11.9 million with interest rates that range from three percent to 5.25%.

## 26. COMBINED CONDENSED STATEMENTS

The University of Kentucky and its blended component units' condensed statements were summarized as follows for the years ended June 30, 2014 and 2013 (in thousands):

UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
COMBINED CONDENSED STATEMENT OF NET POSITION AS OF JUNE 30, 2014  
(in thousands)

	UK	Research Foundation	The Fund	Gluck Equine Research Foundation	Humanities Foundation	Mining Engineering Foundation	Center on Aging	Central Kentucky Management Services	Kentucky Medical Services Foundation	Eliminations	Total
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and cash equivalents	\$ 343,011	\$ 37,115	\$ 6,313	\$ 377	\$ 94	\$ 4	\$ 109	\$ 587	\$ 253	\$ -	\$ 387,863
Notes, loans and accounts receivable, net	214,446	33,597	4,393	-	-	-	-	-	24,733	(37,081)	240,088
Investments	-	-	-	-	-	-	-	-	26,452	-	26,452
Inventories and other assets	37,483	2,898	-	-	-	-	-	14	53	(12)	40,436
Total current assets	594,940	73,610	10,706	377	94	4	109	601	51,491	(37,093)	694,839
<b>Noncurrent Assets</b>											
Restricted cash and cash equivalents	293,028	-	-	-	-	-	-	-	-	-	293,028
Endowment investments	1,198,655	4,256	137	8,859	1,370	1,949	-	-	-	-	1,215,226
Other long-term investments	202,498	1,417	-	-	-	-	-	-	44,470	(277)	248,108
Notes, loans and accounts receivable, net	58,831	-	-	-	-	-	-	-	801	(220)	59,412
Other noncurrent assets	540	162	-	-	-	-	-	-	-	-	702
Capital assets, net	1,927,980	13,522	-	-	-	-	-	202	37,700	-	1,979,404
Total noncurrent assets	3,681,532	19,357	137	8,859	1,370	1,949	-	202	82,971	(497)	3,795,880
Total assets	4,276,472	92,967	10,843	9,236	1,464	1,953	109	803	134,462	(37,590)	4,490,719
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>											
<b>Current Liabilities</b>											
Accounts payable and accrued liabilities	210,922	14,022	451	-	1	-	-	601	95,126	(93,547)	227,576
Unearned revenue	31,242	28,710	77	-	-	-	-	-	-	(12)	60,017
Long-term liabilities - current portion	69,036	178	-	-	-	-	-	-	1,373	(120)	70,467
Total current liabilities	311,200	42,910	528	-	1	-	-	601	96,499	(93,679)	358,060
<b>Noncurrent Liabilities</b>											
Accounts payable and accrued liabilities	2,476	-	-	-	-	-	-	-	-	-	2,476
Long-term liabilities	961,793	1,061	-	-	-	-	-	-	20,267	(280)	982,841
Total noncurrent liabilities	964,269	1,061	-	-	-	-	-	-	20,267	(280)	985,317
Total liabilities	1,275,469	43,971	528	-	1	-	-	601	116,766	(93,959)	1,343,377
<b>Deferred Inflows of Resources</b>											
Total liabilities and deferred inflows of resources	1,278,959	43,971	528	-	1	-	-	601	116,766	(93,959)	1,346,867
<b>INTERFUND BALANCES</b>											
	(2,369)	1,564	806	-	-	(1)	-	-	-	-	-
<b>NET POSITION</b>											
<b>Net investment in capital assets</b>	1,317,483	13,440	-	-	-	-	-	202	16,653	-	1,347,778
<b>Restricted</b>											
Nonexpendable	567,263	823	31	4,607	617	654	-	-	-	-	573,995
Expendable	416,316	4,192	653	4,629	846	1,300	109	-	-	-	428,045
Total restricted	983,579	5,015	684	9,236	1,463	1,954	109	-	-	-	1,002,040
<b>Unrestricted</b>											
Total net position	\$ 2,999,882	\$ 47,432	\$ 9,509	\$ 9,236	\$ 1,463	\$ 1,954	\$ 109	\$ 202	\$ 17,696	\$ 56,369	\$ 3,143,852

UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
COMBINED CONDENSED STATEMENT OF NET POSITION AS OF JUNE 30, 2013  
(in thousands)

	UK	Research Foundation	The Fund	Gluck Equine Research Foundation	Humanities Foundation	Mining Engineering Foundation	Center on Aging	Central Kentucky Management Services	Kentucky Medical Services Foundation	Eliminations	Total
<b>ASSETS</b>											
<b>Current Assets</b>											
Cash and cash equivalents	\$ 336,010	\$ 46,673	\$ 6,992	\$ 128	\$ 98	\$ 6	\$ 82	\$ 498	\$ 1,488	\$ -	\$ 391,975
Notes, loans and accounts receivable, net	193,753	36,042	2,397	15	-	-	-	-	26,188	(29,358)	229,037
Investments	-	-	-	-	-	-	-	-	6,944	-	6,944
Inventories and other assets	33,502	2,338	-	-	-	-	-	13	65	-	35,918
Total current assets	563,265	85,053	9,389	143	98	6	82	511	34,685	(29,358)	663,874
<b>Noncurrent Assets</b>											
Restricted cash and cash equivalents	59,892	-	-	-	-	-	-	-	-	-	59,892
Endowment investments	1,039,494	3,809	242	7,934	1,226	1,743	-	-	-	-	1,054,448
Other long-term investments	119,184	1,486	-	-	-	-	-	-	41,198	(294)	161,574
Notes, loans and accounts receivable, net	49,979	-	-	-	-	-	-	-	839	(340)	50,478
Other noncurrent assets	1,337	162	-	-	-	-	-	-	-	-	1,499
Capital assets, net	1,904,390	14,704	-	-	-	-	-	161	36,476	-	1,955,731
Total noncurrent assets	3,174,276	20,161	242	7,934	1,226	1,743	-	161	78,513	(634)	3,283,622
Total assets	3,737,541	105,214	9,631	8,077	1,324	1,749	82	672	113,198	(29,992)	3,947,496
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>											
<b>Current Liabilities</b>											
Accounts payable and accrued liabilities	170,711	17,231	419	-	-	7	-	511	75,006	(71,539)	192,346
Unearned revenue	29,861	34,558	133	-	-	-	-	-	-	-	64,552
Long-term liabilities - current portion	68,440	312	-	-	-	-	-	-	1,265	(120)	69,897
Total current liabilities	269,012	52,101	552	-	-	7	-	511	76,271	(71,659)	326,795
<b>Noncurrent Liabilities</b>											
Long-term liabilities	731,203	1,411	-	-	-	-	-	-	20,964	(400)	753,178
Total noncurrent liabilities	731,203	1,411	-	-	-	-	-	-	20,964	(400)	753,178
Total liabilities	1,000,215	53,512	552	-	-	7	-	511	97,235	(72,059)	1,079,973
<b>Deferred Inflows of Resources</b>											
Total liabilities and deferred inflows of resources	1,005,232	53,512	552	-	-	7	-	511	97,235	(72,059)	1,084,990
<b>INTERFUND BALANCES</b>	(2,910)	2,131	779	-	-	-	-	-	-	-	-
<b>NET POSITION</b>											
<b>Net investment in capital assets</b>	1,263,284	14,467	-	-	-	-	-	161	15,366	-	1,293,278
<b>Restricted</b>											
Nonexpendable	560,949	822	31	4,607	617	650	-	-	-	-	567,676
Expendable	304,671	3,660	555	3,470	707	1,092	82	-	-	-	314,237
Total restricted	865,620	4,482	586	8,077	1,324	1,742	82	-	-	-	881,913
<b>Unrestricted</b>	606,315	30,622	7,714	-	-	-	-	-	597	42,067	687,315
Total net position	\$ 2,735,219	\$ 49,571	\$ 8,300	\$ 8,077	\$ 1,324	\$ 1,742	\$ 82	\$ 161	\$ 15,963	\$ 42,067	\$ 2,862,506

**UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
COMBINED CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2014**  
(in thousands)

	UK	Research Foundation	The Fund	Gluck Equine Research Foundation	Humanities Foundation	Mining Engineering Foundation	Center on Aging	Central Kentucky Management Services	Kentucky Medical Services Foundation	Eliminations	Total
<b>OPERATING REVENUES</b>											
Student tuition and fees, net	\$ 287,517	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 287,517
Federal grants and contracts	1,553	158,831	-	-	-	-	-	-	-	-	160,384
State and local grants and contracts	47,653	19,102	1,000	-	-	-	-	-	-	-	67,755
Nongovernmental grants and contracts	140,475	27,283	9,193	-	-	-	-	-	(148,911)	-	28,040
Recoveries of facilities and administrative costs	320	46,839	-	-	-	-	-	-	-	-	47,159
Sales and services	27,635	14,065	13,781	-	-	34	-	6,779	-	(7,529)	54,765
Federal appropriations	17,921	-	-	-	-	-	-	-	-	-	17,921
County appropriations	20,338	-	-	-	-	-	-	-	-	-	20,338
Professional clinical service fees	-	-	-	-	-	-	-	-	207,734	(4,013)	203,721
Hospital services	-	-	-	-	-	-	-	-	-	(11,791)	1,101,662
Auxiliary enterprises:	1,113,453	-	-	-	-	-	-	-	-	-	1,113,453
Housing and dining, net	53,401	-	-	-	-	-	-	-	-	(2,248)	51,153
Athletics	73,957	-	-	-	-	-	-	-	-	-	73,957
Other auxiliaries	32,347	-	-	-	-	-	-	-	-	(2,064)	30,283
Other operating revenues	967	-	-	-	-	-	-	-	21,732	(18,183)	4,516
Total operating revenues	1,817,537	266,120	23,974	-	-	34	-	6,779	229,466	(194,739)	2,149,171
<b>OPERATING EXPENSES</b>											
Educational and general:											
Instruction	260,345	11,546	981	-	6	52	-	-	-	(1,073)	271,857
Research	89,977	157,451	302	24	-	-	-	-	-	(2,441)	245,313
Public service	152,614	71,145	3,154	-	-	-	-	-	-	(15,434)	211,479
Libraries	21,089	-	-	-	-	-	-	-	-	(19)	21,070
Academic support	64,270	2,882	4,647	-	-	-	-	-	-	(317)	71,482
Student services	36,141	24	1,094	-	2	-	-	-	-	(471)	36,790
Institutional support	48,845	720	122	-	-	-	125	6,676	-	(7,193)	49,295
Operations and maintenance of plant	79,806	7	237	-	-	-	-	-	-	(227)	79,823
Student financial aid	37,960	1,281	2,876	-	40	-	-	-	-	(58)	42,099
Depreciation	64,682	1,480	-	-	-	-	-	62	-	-	66,224
Total educational and general	855,729	246,536	13,413	24	48	52	125	6,738	-	(27,233)	1,095,432
Clinical operations (including depreciation of \$2,021)	116,783	-	-	-	-	-	-	-	226,917	(172,745)	170,955
Hospital (including depreciation of \$51,460)	1,020,904	-	59	-	-	-	-	-	-	(8,338)	1,012,625
Auxiliary enterprises:											
Housing and dining (including depreciation of \$5,823)	52,930	-	-	-	-	-	-	-	-	(514)	52,416
Athletics (including depreciation of \$5,734)	92,784	-	-	-	-	-	-	-	-	(1,462)	91,322
Other auxiliaries	17,986	-	-	-	-	-	-	-	-	(537)	17,449
Other operating expenses	1,384	-	-	-	-	-	-	-	-	-	1,384
Total operating expenses	2,158,500	246,536	13,472	24	48	52	125	6,738	226,917	(210,829)	2,441,583
Net income (loss) from operations	(340,963)	19,584	10,502	(24)	(48)	(52)	(91)	41	2,549	16,090	(292,412)
<b>NONOPERATING REVENUES (EXPENSES)</b>											
State appropriations	283,869	-	-	-	-	-	-	-	-	-	283,869
Gifts and non-exchange grants	97,185	191	208	92	1	-	118	-	-	(1,024)	96,771
Investment income (loss)	153,922	399	29	1,220	189	268	-	87	-	(567)	155,547
Interest on capital asset-related debt	(29,371)	(14)	-	-	-	-	-	(903)	-	-	(30,288)
Grant to/(from) the University for non-capital purposes	21,502	(11,839)	(9,526)	(129)	(3)	(5)	-	-	-	-	-
Other nonoperating revenues and expenses, net	4,517	2,932	-	-	-	-	-	-	-	-	7,449
Net nonoperating revenues (expenses)	531,624	(8,331)	(9,289)	1,183	187	263	118	-	(816)	(1,591)	513,348
Net income (loss) before other revenues, expenses, gains, or losses	190,661	11,253	1,213	1,159	139	211	27	41	1,733	14,499	220,936
Capital grants and gifts	50,626	3,599	-	-	-	-	-	-	-	(157)	54,068
Additions to permanent endowments	7,614	1	-	-	-	3	-	-	-	(40)	7,578
Grant to/(from) the University for capital purposes	16,949	(16,943)	(4)	-	-	(2)	-	-	-	-	-
Other, net	(1,187)	(49)	-	-	-	-	-	-	-	-	(1,236)
Total other revenues (expenses)	74,002	(13,392)	(4)	-	-	1	-	-	-	(197)	60,410
<b>INCREASE (DECREASE) IN NET POSITION</b>	264,663	(2,139)	1,209	1,159	139	212	27	41	1,733	14,302	281,346
<b>NET POSITION, beginning of year</b>	2,735,219	49,571	8,300	8,077	1,324	1,742	82	161	15,963	42,067	2,862,506
<b>NET POSITION, end of year</b>	\$ 2,999,882	\$ 47,432	\$ 9,509	\$ 9,236	\$ 1,463	\$ 1,954	\$ 109	\$ 202	\$ 17,696	\$ 56,369	\$ 3,143,852

UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
COMBINED CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2013  
(in thousands)

	UK	Research Foundation	The Fund	Gluck Equine Research Foundation	Humanities Foundation	Engineering Foundation	Mining Foundation	Center on Aging	Central Kentucky Management Services	Kentucky Medical Services Foundation	Eliminations	Restated (Note 1), Total
<b>OPERATING REVENUES</b>												
Student tuition and fees, net	\$ 265,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 265,293
Federal grants and contracts	1,426	163,788	-	-	-	-	-	-	-	-	-	165,214
State and local grants and contracts	39,633	46,528	982	-	-	-	-	-	-	-	-	87,143
Nongovernmental grants and contracts	140,380	30,321	6,748	-	-	-	-	-	-	(146,428)	-	31,021
Recoveries of facilities and administrative costs	263	47,599	-	-	-	-	-	-	-	-	-	47,862
Sales and services	26,987	10,881	13,833	1	-	31	-	6,558	-	-	(7,818)	50,473
Federal appropriations	16,890	-	-	-	-	-	-	-	-	-	-	16,890
County appropriations	19,312	-	-	-	-	-	-	-	-	-	-	19,312
Professional clinical service fees	-	-	-	-	-	-	-	-	200,559	-	(3,585)	196,974
Hospital services	950,013	-	-	-	-	-	-	-	-	-	(4,128)	945,885
Auxiliary enterprises:												
Housing and dining, net	52,102	-	-	-	-	-	-	-	-	-	(1,676)	50,426
Athletics	72,033	-	-	-	-	-	-	-	-	-	-	72,033
Other auxiliaries	32,571	-	-	-	-	-	-	-	-	(2,024)	-	30,547
Other operating revenues	988	-	-	-	-	-	-	-	6,422	(3,638)	-	3,772
Total operating revenues	1,617,891	299,117	21,563	1	-	31	-	6,558	206,981	(169,297)	-	1,982,845
<b>OPERATING EXPENSES</b>												
Educational and general:												
Instruction	244,787	12,998	315	-	-	80	-	-	-	-	(664)	257,516
Research	84,171	165,670	228	9	-	-	-	-	-	-	(2,528)	247,550
Public service	131,085	98,175	1,149	-	-	-	-	-	-	-	(652)	229,757
Libraries	19,497	-	3	-	-	-	-	-	-	-	(13)	19,487
Academic support	58,068	2,879	4,161	-	-	-	-	-	-	-	(343)	64,765
Student services	33,423	39	1,120	-	1	-	-	-	-	-	(477)	34,106
Institutional support	51,925	818	224	10	-	109	-	6,549	-	-	(6,933)	52,702
Operations and maintenance of plant	63,216	-	-	-	-	-	-	-	-	-	(18)	63,198
Student financial aid	25,980	1,756	2,529	-	30	-	-	-	-	-	(44)	30,251
Depreciation	67,882	1,553	-	-	-	-	-	73	-	-	-	69,508
Total educational and general	780,034	283,888	9,729	19	31	80	80	6,622	206,556	(11,672)	-	1,068,840
Clinical operations (including depreciation of \$1,995)	125,369	-	-	-	-	-	-	-	206,556	(145,136)	-	186,789
Hospital (including depreciation of \$51,261)	899,280	-	55	-	-	-	-	-	-	(8,330)	-	891,005
Auxiliary enterprises:												
Housing and dining (including depreciation of \$5,020)	47,637	-	-	-	-	-	-	-	-	-	(106)	47,531
Athletics (including depreciation of \$5,282)	85,724	-	-	-	-	-	-	-	-	-	(1,688)	84,036
Other auxiliaries	21,575	-	-	-	-	-	-	-	-	-	(540)	21,035
Other operating expenses	682	-	-	-	-	-	-	-	-	-	-	682
Total operating expenses	1,960,301	283,888	9,784	19	31	80	80	6,622	206,556	(167,472)	-	2,299,918
Net income (loss) from operations	(342,410)	15,229	11,779	(18)	(31)	(80)	(78)	(64)	425	(1,825)	-	(317,073)
<b>NONOPERATING REVENUES (EXPENSES)</b>												
State appropriations	283,869	-	-	-	-	-	-	-	-	-	-	283,869
Gifts and non-exchange grants	98,971	116	107	96	3	-	-	149	-	-	(1,024)	98,418
Investment income (loss)	104,081	395	37	852	132	187	-	1	119	-	(1,056)	104,748
Interest on capital asset-related debt	(28,263)	(61)	-	-	-	-	-	-	(920)	-	-	(29,244)
Grant to/(from) the University for non-capital purposes	22,806	(11,186)	(11,233)	(380)	(3)	(4)	-	-	-	-	-	-
Other nonoperating revenues and expenses, net	7,288	2,568	-	-	-	-	-	-	-	-	-	9,856
Net nonoperating revenues (expenses)	488,752	(8,168)	(11,089)	568	132	183	149	1	(801)	(2,801)	-	467,647
Net income (loss) before other revenues, expenses, gains, or losses	146,342	7,061	690	550	101	103	71	(63)	(376)	(3,905)	-	150,574
Capital grants and gifts	25,414	5,369	-	-	-	-	-	-	-	(111)	-	30,672
Additions to permanent endowments	10,303	2	-	-	-	-	-	-	-	(80)	-	10,225
Grant to/(from) the University for capital purposes	11,487	(9,878)	(1,595)	(14)	-	-	-	-	-	-	-	-
Other, net	(1,241)	(257)	-	-	-	-	-	-	-	-	-	-
Total other revenues (expenses)	45,963	(4,764)	(1,595)	(14)	-	-	-	-	(178)	-	-	(1,676)
<b>INCREASE (DECREASE) IN NET POSITION</b>												
NET POSITION, beginning of year, as previously reported	192,305	2,297	(905)	536	101	103	71	(63)	(554)	(4,096)	-	189,795
Cumulative effect of adoption of accounting principle	2,546,590	47,274	9,205	7,541	1,223	1,639	11	224	16,517	46,163	-	2,676,387
NET POSITION, beginning of year, as restated	(3,676)	47,274	9,205	7,541	1,223	1,639	11	224	16,517	46,163	-	2,672,711
<b>NET POSITION, end of year</b>	\$ 2,735,219	\$ 49,571	\$ 8,300	\$ 8,077	\$ 1,324	\$ 1,742	\$ 82	\$ 161	\$ 15,963	\$ 42,067	\$	\$ 2,862,506

**UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
COMBINED CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2014**  
(in thousands)

	UK	Research Foundation	The Fund	Gluck Equine Research Foundation	Humanities Foundation	Mining Engineering Foundation	Center on Aging	Central Kentucky Management Services	Kentucky Medical Services Foundation	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>											
Student tuition and fees	\$ 288,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 288,922
Grants and contracts	189,581	198,983	7,869	-	-	-	-	-	-	(148,911)	247,522
Recoveries of facilities and administrative costs	509	45,408	-	-	-	-	-	-	-	-	45,917
Sales and services	25,396	15,070	14,049	-	-	34	-	6,424	-	(7,137)	53,836
Federal appropriations	17,117	-	-	-	-	-	-	-	-	-	17,117
County appropriations	21,400	-	-	-	-	-	-	-	-	-	21,400
Payments to vendors and contractors	(618,502)	(84,757)	(6,999)	(2)	(43)	(21)	(125)	(837)	(198,632)	188,832	(721,086)
Student financial aid	(39,206)	-	(2,876)	-	-	-	-	-	-	-	(42,082)
Salaries, wages and benefits	(1,349,723)	(161,819)	(3,561)	(23)	(4)	(39)	-	(5,394)	(9,432)	3,198	(1,529,995)
Professional clinic service fees	-	-	-	-	-	-	-	-	209,226	-	212,424
Hospital services	1,108,779	-	-	-	-	-	-	-	-	(11,802)	1,096,977
Auxiliary enterprise receipts	157,972	-	-	-	-	-	-	-	-	(4,313)	153,659
Loans issued to students	(21,188)	-	-	-	-	-	-	-	-	-	(21,188)
Collection of loans to students	19,818	-	-	-	-	-	-	-	-	-	19,818
Self insurance receipts	51,230	-	-	-	-	-	-	-	-	-	51,230
Self insurance payments	(51,518)	-	-	-	-	-	-	-	3,301	-	(48,217)
Other operating receipts (payments), net	401	-	-	-	-	-	-	-	21,206	(18,063)	3,544
Net cash provided (used) by operating activities	(199,012)	12,885	8,482	(25)	(47)	(60)	(91)	193	25,669	1,804	(150,202)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>											
State appropriations	283,869	-	-	-	-	-	-	-	-	-	283,869
Gifts and grants received for other than capital purposes:											
Gifts received for endowment purposes	7,590	1	-	-	-	3	-	-	-	(40)	7,554
Gifts received for other purposes	89,115	191	208	107	1	-	118	-	-	(1,024)	88,716
Agency and loan program receipts	225,252	-	-	-	-	-	-	-	-	-	225,252
Agency and loan program payments	(226,011)	-	-	-	-	-	-	-	-	-	(226,011)
Grants (to) from the University for non-capital purposes	22,041	(12,405)	(9,499)	(129)	(3)	(5)	-	-	-	-	-
Other noncapital financing receipts (payments), net	26,636	3,634	-	-	-	(2)	-	-	-	-	30,270
Net cash provided (used) by noncapital financing activities	428,492	(8,579)	(9,291)	(22)	(47)	(2)	118	-	-	(1,064)	409,650
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>											
Capital grants and gifts	43,547	3,599	-	-	-	-	-	-	-	(157)	46,989
Purchases of capital assets	(136,506)	(796)	-	-	-	-	-	(104)	(2,549)	-	(139,955)
Proceeds from capital debt	251,920	-	-	-	-	-	-	-	-	-	251,920
Payments to refunding bond agents	-	-	-	-	-	-	-	-	-	-	-
Principal paid on capital debt and leases	(49,939)	(202)	-	-	-	-	-	-	(759)	-	(50,900)
Interest paid on capital debt and leases	(27,543)	(14)	-	-	-	-	-	-	(903)	-	(28,460)
Grants (to) from the University for capital purposes	16,972	(16,966)	(4)	-	-	(2)	-	-	-	-	-
Other capital and related financing receipts (payments), net	1,073	496	-	-	-	(2)	-	-	-	-	1,569
Net cash provided (used) by capital and related financing activities	99,524	(13,883)	(4)	(4)	-	(2)	-	(104)	(4,211)	(157)	81,163
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Proceeds from sales and maturities of investments	708,063	2,432	200	4,908	759	1,077	-	-	43	-	717,482
Interest and dividends on investments	16,025	107	7	113	17	25	-	-	(1,988)	(583)	13,723
Purchase of investments	(812,955)	(2,520)	(73)	(4,725)	(731)	(1,040)	-	-	(20,748)	-	(842,792)
Net cash provided (used) by investing activities	(88,867)	19	134	296	45	62	-	-	(22,693)	(583)	(111,587)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	240,137	(9,556)	(679)	249	(4)	(2)	27	89	(1,235)	-	229,024
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	395,902	46,673	6,992	128	98	6	82	498	1,488	-	451,867
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 636,039	\$ 37,115	\$ 6,313	\$ 377	\$ 94	\$ 4	\$ 109	\$ 587	\$ 253	\$ -	\$ 680,891

**UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
COMBINED CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2013  
(in thousands)**

	UK	Research Foundation	The Fund	Gluck Equine Research Foundation	Humanities Foundation	Mining Engineering Foundation	Center on Aging	Central Kentucky Management Services	Kentucky Medical Services Foundation	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>											
Student tuition and fees	\$ 265,136	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 265,136
Grants and contracts	171,488	248,583	7,571	-	-	-	-	-	-	(146,428)	281,214
Recoveries of facilities and administrative costs	167	49,181	-	-	-	-	-	-	-	-	49,348
Sales and services	28,070	10,267	13,816	1	-	-	31	6,172	-	(7,322)	51,035
Federal appropriations	14,858	-	-	-	-	-	-	-	-	-	14,858
County appropriations	18,935	-	-	-	-	-	-	-	-	-	18,935
Payments to vendors and contractors	(511,232)	(124,557)	(4,710)	(11)	(31)	(33)	(108)	(1,005)	(195,191)	169,308	(667,570)
Student financial aid	(27,641)	(2,528)	(2,528)	-	-	-	-	-	-	-	(30,169)
Salaries, wages and benefits	(1,282,891)	(161,214)	(2,575)	(8)	-	(41)	(1)	(5,215)	(11,044)	(1,892)	(1,462,989)
Professional clinic service fees	-	-	-	-	-	-	-	-	201,209	(4,164)	199,317
Hospital services	977,994	-	-	-	-	-	-	-	-	(3,699)	973,830
Auxiliary enterprise receipts	157,440	-	-	-	-	-	-	-	-	-	157,440
Loans issued to students	(17,137)	-	-	-	-	-	-	-	-	-	(17,137)
Collection of loans to students	16,422	-	-	-	-	-	-	-	-	-	16,422
Self insurance receipts	45,035	-	-	-	-	-	-	-	-	-	45,035
Self insurance payments	(42,316)	-	-	-	-	-	-	-	(1,605)	-	(43,921)
Other operating receipts (payments), net	(1,626)	-	-	-	-	-	-	-	5,963	(3,519)	818
Net cash provided (used) by operating activities	(187,298)	22,260	11,574	(18)	(31)	(74)	(78)	(48)	(668)	2,284	(152,097)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>											
State appropriations	283,869	-	-	-	-	-	-	-	-	-	283,869
Gifts and grants received for other than capital purposes:											
Gifts received for endowment purposes	10,303	2	-	-	-	-	-	-	-	(80)	10,225
Gifts received for other purposes	81,055	116	107	109	3	-	149	-	-	(1,023)	80,516
Agency and loan program receipts	210,958	-	-	-	-	-	-	-	-	-	210,958
Agency and loan program payments	(210,594)	-	-	-	-	-	-	-	-	-	(210,594)
Grants (to) from the University for non-capital purposes	24,255	(12,575)	(11,293)	(380)	(3)	(4)	-	-	-	-	-
Other noncapital financing receipts (payments), net	22,610	4,849	-	-	-	(4)	-	-	-	-	27,459
Net cash provided (used) by noncapital financing activities	422,456	(7,608)	(11,186)	(271)	(31)	(74)	149	(48)	(170)	(1,103)	402,433
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>											
Capital grants and gifts	30,991	5,369	-	-	-	-	-	-	-	(111)	36,249
Purchases of capital assets	(99,480)	(1,993)	-	-	-	-	-	(10)	(1,037)	-	(102,520)
Proceeds from capital debt	30,728	-	-	-	-	-	-	-	104	-	30,832
Payments to refunding bond agents	(5,633)	-	-	-	-	-	-	-	-	-	(5,633)
Principal paid on capital debt and leases	(54,471)	(1,246)	-	-	-	-	-	-	(702)	-	(56,419)
Interest paid on capital debt and leases	(28,554)	(61)	-	-	-	-	-	-	(920)	-	(29,535)
Grants (to) from the University for capital purposes	11,560	(9,964)	(1,582)	(14)	-	-	-	-	-	-	-
Other capital and related financing receipts (payments), net	(258)	387	-	-	-	-	-	-	(170)	-	(41)
Net cash provided (used) by capital and related financing activities	(115,117)	(7,508)	(1,582)	(14)	-	-	-	(10)	(2,725)	(111)	(127,067)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Proceeds from sales and maturities of investments	725,914	3,145	120	5,209	805	1,070	-	-	4,896	-	741,159
Interest and dividends on investments	17,477	64	15	133	21	29	-	1	(1,194)	(1,070)	15,476
Purchase of investments	(786,315)	(2,688)	(150)	(4,919)	(760)	(1,081)	-	-	(304)	-	(776,217)
Net cash provided (used) by investing activities	(22,924)	521	(15)	423	66	18	-	1	3,398	(1,070)	(19,582)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	97,117	7,665	(1,209)	120	35	(60)	71	(67)	5	-	103,687
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	298,785	39,008	8,201	8	63	66	11	555	1,483	-	348,180
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 395,902	\$ 46,673	\$ 6,992	\$ 128	\$ 98	\$ 6	\$ 82	\$ 498	\$ 1,488	\$ -	\$ 451,867

**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, 2012	\$57,722	\$239,068	\$181,346	24.1%	\$560,092	32.4%
July 1, 2013	\$75,362	\$252,938	\$177,576	29.8%	\$526,073	33.7%
July 1, 2014	\$97,317	\$268,335	\$171,018	36.3%	\$513,748	33.3%

Schedule of Employer Contributions  
(In thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2012	\$19,798	98.2%
June 30, 2013	\$20,392	100.4%
June 30, 2014	\$19,801	100.0%

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

The University is self-funded 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, 2012	\$11,883	\$20,898	\$9,015	56.9%	\$532,303	1.7%
July 1, 2013	\$13,362	\$22,667	\$9,305	58.9%	\$725,189	1.3%
July 1, 2014	\$15,977	\$23,650	\$7,673	67.6%	\$768,214	1.0%

Schedule of Employer Contributions  
(In thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2012	\$1,953	120.9%
June 30, 2013	\$2,012	99.8%
June 30, 2014	\$2,139	100.5%

**University of Kentucky**  
**Governing Board as of June 30, 2014**

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## University of Kentucky

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*An Equal Opportunity University*

**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, 2014



**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, 2014**

**Contents**

<b>Schedule of Expenditures of Federal Awards .....</b>	<b>1</b>
<b>Notes to Schedule of Expenditures of Federal Awards.....</b>	<b>10</b>
<b>Independent Auditor’s 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 <i>Government Auditing Standards</i> .....</b>	<b>14</b>
<b>Independent Auditor’s Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 .....</b>	<b>16</b>
<b>Schedule of Findings and Questioned Costs.....</b>	<b>19</b>
<b>Summary Schedule of Prior Audit Findings .....</b>	<b>24</b>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER	CFDA NUMBER	FEDERAL EXPENDITURES
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>			
Agricultural Research Basic and Applied Research		10.001	\$ 867,600
US Department of Agriculture Contract	09-CS-11080226-013	10.09-CS-11080226-013	2,589
US Department of Agriculture Contract	09-CS-11132422-229	10.09-CS-11132422-229	2,300
US Department of Agriculture Contract	10-JV-11330152-119	10.10-JV-11330152-119	25,161
US Department of Agriculture Contract	10-PA-11080222-029	10.10-PA-11080222-029	1,084
US Department of Agriculture Contract	12-CS-11221637-133	10.12-CS-11221637-133	103,329
Federal-State Marketing Improvement Program		10.156	50,139
Through Kentucky Specialty Grains LLC	USDA092013-1	10.170	1,847
Through Kentucky Specialty Grains LLC	USDA092013-2	10.170	2,639
Through Kentucky Department of Agriculture	PON2 035 1100001313	10.170	50
Through Kentucky Department of Agriculture	PON2 035 1100001315	10.170	1,378
Through Kentucky Department of Agriculture	PON2 035 1200000903	10.170	22,027
Through Kentucky Department of Agriculture	PON2 035 1200000905	10.170	5,680
Through Kentucky Department of Agriculture	PON2 035 1200000906	10.170	5,252
Through Kentucky Department of Agriculture	PON2 035 1200000907	10.170	45,312
Through Kentucky Department of Agriculture	PON2 035 1300001314	10.170	38,932
Through Kentucky Department of Agriculture	PON2 035 1400000841	10.170	10,560
Through Iowa State University	416-30-18A	10.170	75,286
Through Brigham Young University	12-0352	10.170	59,314
Through Iowa State University	416-30-05A	10.200	37,787
Grants for Agricultural Research Special Research Grants		10.200	38,058
Cooperative Forestry Research		10.202	577,247
Payments to Agricultural Experiment Stations Under Hatch Act		10.203	6,528,883
Grants for Agricultural Research Competitive Research Grants		10.206	(11,919)
Animal Health and Disease Research		10.207	61,714
Through University of Georgia	RD309-122/4940686	10.215	9,771
Through University of Georgia	RD309-122/4941256	10.215	96,471
Through University of Georgia	RD309-122/4943666	10.215	1,907
Through University of Georgia	RD309-122/4944796	10.215	5,212
Through American Livestock Breeds Conservancy	RD309-117/4893656	10.215	18,939
Through Kentucky State University	2010-38821-21522	10.216	76
Through Purdue University	8000058251-AG	10.217	13,236
Biotechnology Risk Assessment Research		10.219	139,570
Through University of Tennessee	72891	10.302	1,571
Through Washington State University	112890_G002645	10.303	5,055
Through Washington State University	121310_G003264	10.303	27,212
Through University of Florida	UF12235	10.304	17,623
International Science and Education Grants		10.305	646
Through Rutgers University	4826 S1758552 4351510414	10.307	38,716
Through Iowa State University	416-30-06B	10.307	(17,411)
Through West Virginia University	11-708-UKFR	10.310	138,908
Through University of Connecticut	KFS #5614250	10.310	41,008
Through University of California Davis	201015718-14	10.310	72,674
Through Regents of the University of California	S-000480	10.310	7,464
Through Pennsylvania State University	4382-UK-USDA-0017	10.310	43,045
Through Louisiana State University	87288	10.310	1,865
Through Kansas State University	S13166	10.310	67,137
Agriculture and Food Research Initiative (AFR)		10.310	2,903,233
Biomass Research and Development Initiative Competitive Grants		10.312	604,511
Through North Carolina State University	2013-1814-01	10.320	40,090
Through University of Massachusetts	12-006968	10.500	(89)
Through University of Arkansas	21660-21	10.500	4,704
Through Michigan State University	RC103176H	10.500	53,358
Cooperative Extension Service		10.500	530,412
Through Binational Agricultural Research and Development Fund	US-4318-10 R	10.600	30,864
Forestry Research		10.652	75,545
Through Slow the Spread Foundation	12-01-02	10.664	(45)
Through National Fish and Wildlife Foundation	1905.14.041345	10.664	2,578
Forest Health Protection		10.680	56,115
Norman E Borlaug International Agricultural Science and Technology Fellowship		10.777	5,520
Soil and Water Conservation		10.902	(3)
Soil Survey		10.903	12,808
Through University of Tennessee	8500025673	10.912	17,500
Environmental Quality Incentives Program		10.912	105,374
<b>SUBTOTAL DEPARTMENT OF AGRICULTURE</b>			<b>13,725,419</b>
Through Kentucky Highlands Investment Corp	EDA 04-79-06480	11.307	54,858
ARRA-Measurement and Engineering Research and Standards		11.609	40,199
<b>SUBTOTAL DEPARTMENT OF COMMERCE</b>			<b>95,057</b>
Through Enomalies LLC	ONR022014	12.300	17,765
Basic and Applied Scientific Research		12.300	709,531
Through Oak Ridge National Laboratory	4000100727	12.4000100727	2,341
Through Lockheed Martin	41X0316121	12.41X0316121	355,441
Military Medical Research and Development		12.420	935,905
Through Denver Research Institute	005-03	12.420	203,596
Through Tulane University	TUL-590-09/10	12.431	514,243
Basic Scientific Research		12.431	268,831
Through Materials Sciences Corp	5652-SD21-122	12.5652-SD21-122	118,511
Through Materials Sciences Corp	6658-SD26	12.6658-SD26	29,493
Mathematical Sciences Grants Program		12.901	81,745
Through VSee Lab	DOD092009	12.910	22,331
Research and Technology Development		12.910	274,281
Through ObjectVideo Inc	FA8650-12-C-7212	12.FA8650-12-C-7212	81,874
Through Physical Sciences Inc	N00014-13-P-1008	12.N00014-13-P-1008	23,982
Through Spectrum Magnetics LLC	N0001413P1009	12.N0001413P1009	7,635
Through Materials Sciences Corp	PO 2690-DG13	12.PO 2690-DG13	16,309
Through Charles River Analytics Inc	SC1208901	12.SC1208901	90,195
Department of Defense Contract	W9124D-13-P-0349	12.W9124D-13-P-0349	102,976
Department of Defense Contract	W9124D-13-P-0357	12.W9124D-13-P-0357	60,167
Department of Defense Contract	W912P5-14-P-0014	12.W912P5-14-P-0014	17,972
Through Wake Forest University	WFUHS 10183	12.WFUHS 10183	43,824
Through Wake Forest University	WFUHS 330974	12.WFUHS 330974	251,179
<b>SUBTOTAL DEPARTMENT OF DEFENSE</b>			<b>4,230,127</b>
Central Intelligence Agency	2011-11070800001	13.2011-11070800001	68,057
<b>SUBTOTAL CENTRAL INTELLIGENCE AGENCY</b>			<b>68,057</b>
Through Louisville Metro Housing Authority	HUD042013	14.866	60,000
Through Louisville Metro Housing Authority	HUD042014	14.866	17,915
<b>SUBTOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>77,915</b>
Through University of Southern Mississippi	USM-GR03958-001	15.021	14,111
Wildland Fire Research and Studies Program		15.232	70,849
Through University of Wyoming	1001541-DAVIS	15.252	272,128
Science and Technology Projects Related to Coal Mining and Reclamation		15.255	61,745
Through Kentucky Tourism Arts and Heritage Cabinet	PON2 660 1200003129	15.611	(138)
Through Kentucky Tourism Arts and Heritage Cabinet	PON2 660 1300002835	15.611	55,000
Through Kentucky Tourism Arts and Heritage Cabinet	PON2 660 1300002872	15.611	93,000
Through Kentucky Tourism Arts and Heritage Cabinet	PON2 660 1300002995	15.611	136,615
Assistance to State Water Resources Research Institutes		15.805	57,371
Earthquake Hazards Reduction Program		15.807	2,695
Through University of Southern California	Y82308	15.808	10,915
U.S. Geological Survey Research and Data Collection		15.808	178,693
National Cooperative Geologic Mapping Program		15.810	210,302
Technical Preservation Services		15.915	48,366
Through Mammoth Cave National Park	H5530060064	15.H5530060064	48
<b>SUBTOTAL DEPARTMENT OF THE INTERIOR</b>			<b>1,211,700</b>

FEDERAL GRANTOR/PASS-THROUGH ENTITY	PASS-THROUGH ENTITY	CFDA	FEDERAL EXPENDITURES
National Institute of Justice Research Evaluation and Development Project Grants		16.560	\$ 163,292
Through Kentucky Court of Justice	PO2 025 0600004985	16.585	63
Department of Justice Contract	A20TD3041	16.A20TD3041	(106)
Department of Justice Contract	A30TD6067	16.A30TD6067	25,051
<b>SUBTOTAL DEPARTMENT OF JUSTICE</b>			<b>188,300</b>
Through Kentucky Tourism Arts and Heritage Cabinet	M-05463785	17.261	1,186
<b>SUBTOTAL DEPARTMENT OF LABOR</b>			<b>1,186</b>
Through Louisiana Department of Transportation and Development	12-4PF / 30000542	20.200	11,505
Through Louisiana Department of Transportation and Development	14-3PF / 30001422	20.200	9,109
Through State of Alaska Department of Transportation and Public Facilities	025-3-1-020	20.205	491
Through Kentucky Transportation Cabinet	FRT 157	20.205	40,879
Through Kentucky Transportation Cabinet	FRT 158	20.205	29,252
Through Kentucky Transportation Cabinet	FRT 159	20.205	23,270
Through Kentucky Transportation Cabinet	FRT 160	20.205	30,253
Through Kentucky Transportation Cabinet	FRT 179	20.205	28,685
Through Kentucky Transportation Cabinet	FRT 183	20.205	(1,459)
Through Kentucky Transportation Cabinet	FRT 184	20.205	1,632
Through Kentucky Transportation Cabinet	FRT 190	20.205	18,004
Through Kentucky Transportation Cabinet	FRT 191	20.205	73,750
Through Kentucky Transportation Cabinet	FRT 194	20.205	24,514
Through Kentucky Transportation Cabinet	FRT 198	20.205	54,223
Through Kentucky Transportation Cabinet	FRT 199	20.205	66,172
Through Kentucky Transportation Cabinet	FRT 200	20.205	68,437
Through Kentucky Transportation Cabinet	FRT 201	20.205	75,354
Through Kentucky Transportation Cabinet	FRT 2013	20.205	135,038
Through Kentucky Transportation Cabinet	KHIT 58	20.205	24,578
Through Kentucky Transportation Cabinet	LA 11-JLH	20.205	3,139
Through Kentucky Transportation Cabinet	LA 15-DBD	20.205	5,479
Through Kentucky Transportation Cabinet	LA 16-DBD	20.205	40,495
Through Kentucky Transportation Cabinet	LA 25-JLH	20.205	6,868
Through Kentucky Transportation Cabinet	LA 26-JLH	20.205	12,411
Through Kentucky Transportation Cabinet	LA 27-JLH	20.205	4,609
Through Kentucky Transportation Cabinet	LA 28-DBD	20.205	8,391
Through Kentucky Transportation Cabinet	LA 30-JLH	20.205	4,703
Through Kentucky Transportation Cabinet	LA 32-JLH	20.205	12,401
Through Kentucky Transportation Cabinet	LA 37-JLH	20.205	9,045
Through Kentucky Transportation Cabinet	LA 38-JPL	20.205	8,453
Through Kentucky Transportation Cabinet	LA 3-CRS	20.205	29,501
Through Kentucky Transportation Cabinet	TA 2	20.205	8,012
Through Kentucky Transportation Cabinet	TA 45	20.205	24,486
Through ARRA-Kentucky Transportation Cabinet	LA 36-JLH	20.205	17,041
Through Kentucky Transportation Cabinet	RSF 20	20.217	60,068
Through Kentucky Transportation Cabinet	RSF 27	20.217	(653)
Through Kentucky Transportation Cabinet	RSF 30	20.217	153,429
Through Kentucky Transportation Cabinet	RSF 33	20.217	51,162
Through Kentucky Transportation Cabinet	RSF 36	20.217	112,583
Through Kentucky Transportation Cabinet	RSF 38	20.217	76,096
Through Kentucky Transportation Cabinet	RSF 39	20.217	69,337
Through Kentucky Transportation Cabinet	RSF 41	20.217	51,147
Through Kentucky Transportation Cabinet	RSF 43	20.217	10,980
Through Kentucky Transportation Cabinet	RSF 35	20.231	259,192
Through National Waterways Foundation	DOT0313	20.515	134,683
Through Kentucky Transportation Cabinet	KCTRP 2012-2013	20.515	3
Through Kentucky Transportation Cabinet	KYSPR 11-426	20.515	779
Through Kentucky Transportation Cabinet	KYSPR 11-427	20.515	64
Through Kentucky Transportation Cabinet	KYSPR 12-429	20.515	3,089
Through Kentucky Transportation Cabinet	KYSPR 12-431	20.515	398
Through Kentucky Transportation Cabinet	KYSPR 12-434	20.515	9
Through Kentucky Transportation Cabinet	KYSPR 12-435	20.515	36
Through Kentucky Transportation Cabinet	KYSPR 12-437	20.515	33
Through Kentucky Transportation Cabinet	KYSPR 12-438	20.515	27
Through Kentucky Transportation Cabinet	KYSPR 12-445	20.515	22
Through Kentucky Transportation Cabinet	KYSPR 12-447	20.515	3,989
Through Kentucky Transportation Cabinet	KYSPR 12-449	20.515	1,598
Through Kentucky Transportation Cabinet	KYSPR 13-452	20.515	1,533
Through Kentucky Transportation Cabinet	KYSPR 13-456	20.515	1,518
Through Kentucky Transportation Cabinet	KYSPR 13-457	20.515	560
Through Kentucky Transportation Cabinet	KYSPR 13-458	20.515	1,290
Through Kentucky Transportation Cabinet	KYSPR 13-461	20.515	2,364
Through Kentucky Transportation Cabinet	KYSPR 13-463	20.515	1,923
Through Kentucky Transportation Cabinet	KYSPR 13-464	20.515	819
Through Kentucky Transportation Cabinet	KYSPR 13-467	20.515	1,472
Through Kentucky Transportation Cabinet	KYSPR 13-51	20.515	181
Through Kentucky Transportation Cabinet	KYSPR 13-56	20.515	3,648
Through Kentucky Transportation Cabinet	KYSPR 85-107	20.515	1,275
Through Kentucky Transportation Cabinet	PLANNING STUDY 20	20.515	10,472
Through Kentucky Transportation Cabinet	PLANNING STUDY 21	20.515	37,197
Through Kentucky Transportation Cabinet	PLANNING STUDY 22	20.515	23,172
Through Kentucky Transportation Cabinet	PLANNING STUDY 23	20.515	13,818
Through Kentucky Transportation Cabinet	PLANNING STUDY 24	20.515	10,623
Through Kentucky Transportation Cabinet	RSS 16	20.515	103,006
Through Kentucky Transportation Cabinet	SPR 09-379	20.515	19,012
Through Kentucky Transportation Cabinet	SPR 10-395	20.515	4,603
Through Kentucky Transportation Cabinet	SPR 10-408	20.515	17,318
Through Kentucky Transportation Cabinet	SPR 11-416	20.515	10,997
Through Kentucky Transportation Cabinet	SPR 11-423	20.515	13,589
Through Kentucky Transportation Cabinet	SPR 12-429	20.515	21,111
Through Kentucky Transportation Cabinet	SPR 12-431	20.515	20,895
Through Kentucky Transportation Cabinet	SPR 12-435	20.515	78,117
Through Kentucky Transportation Cabinet	SPR 12-436	20.515	11,748
Through Kentucky Transportation Cabinet	SPR 12-437	20.515	71,855
Through Kentucky Transportation Cabinet	SPR 12-445	20.515	39,059
Through Kentucky Transportation Cabinet	SPR 12-447	20.515	49,923
Through Kentucky Transportation Cabinet	SPR 13-452	20.515	19,150
Through Kentucky Transportation Cabinet	SPR 13-453	20.515	34,998
Through Kentucky Transportation Cabinet	SPR 13-454	20.515	74,953
Through Kentucky Transportation Cabinet	SPR 13-455	20.515	41,040
Through Kentucky Transportation Cabinet	SPR 13-456	20.515	49,990
Through Kentucky Transportation Cabinet	SPR 13-458	20.515	64,978
Through Kentucky Transportation Cabinet	SPR 13-459	20.515	21,244
Through Kentucky Transportation Cabinet	SPR 13-460	20.515	60,146
Through Kentucky Transportation Cabinet	SPR 13-461	20.515	71,302
Through Kentucky Transportation Cabinet	SPR 13-462	20.515	60,354
Through Kentucky Transportation Cabinet	SPR 13-463	20.515	43,228
Through Kentucky Transportation Cabinet	SPR 13-464	20.515	17,195
Through Kentucky Transportation Cabinet	SPR 13-465	20.515	59,074
Through Kentucky Transportation Cabinet	SPR 13-466	20.515	48,416
Through Kentucky Transportation Cabinet	SPR 13-467	20.515	16,381
Through Kentucky Transportation Cabinet	SPR 14-468	20.515	30,074
Through Kentucky Transportation Cabinet	SPR 14-469	20.515	57,733
Through Kentucky Transportation Cabinet	SPR 14-470	20.515	50,580
Through Kentucky Transportation Cabinet	SPR 14-471	20.515	59,998
Through Kentucky Transportation Cabinet	SPR 14-472	20.515	4,450
Through Kentucky Transportation Cabinet	SPR 14-473	20.515	56,666
Through Kentucky Transportation Cabinet	SPR 14-474	20.515	44,242
Through Kentucky Transportation Cabinet	SPR 14-475	20.515	70,113

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER	CFDA NUMBER	FEDERAL EXPENDITURES
Through Kentucky Transportation Cabinet	SPR 14-476	20.515	\$ 49,898
Through Kentucky Transportation Cabinet	SPR 14-477	20.515	47,212
Through Kentucky Transportation Cabinet	SPR 14-478	20.515	62,808
Through Kentucky Transportation Cabinet	SPR 14-479	20.515	48,543
Through Kentucky Transportation Cabinet	SPR 14-480	20.515	64,982
Through Kentucky Transportation Cabinet	SPR 14-481	20.515	64,951
Through Kentucky Transportation Cabinet	SPR 14-482	20.515	42,666
Through Kentucky Transportation Cabinet	SPR 14-483	20.515	84,911
Through Kentucky Transportation Cabinet	SPR 14-484	20.515	22,200
Through Kentucky Transportation Cabinet	SPR 14-485	20.515	30,427
Through Kentucky Transportation Cabinet	SPR 14-486	20.515	68,229
Through Kentucky Transportation Cabinet	SPR 14-487	20.515	16,733
Through Kentucky Transportation Cabinet	SPR 14-488	20.515	39,995
Through Kentucky Transportation Cabinet	SPR 14-489	20.515	64,672
Through Kentucky Transportation Cabinet	SPR 14-490	20.515	47,999
Through Kentucky Transportation Cabinet	SPR 14-491	20.515	41,365
Through Kentucky Transportation Cabinet	SPR 14-492	20.515	32,012
Through Kentucky Transportation Cabinet	SPR 14-51	20.515	80,933
Through Kentucky Transportation Cabinet	SPR 14-56	20.515	155,909
Through Kentucky Transportation Cabinet	SPR 14-57	20.515	34,779
Through Kentucky Transportation Cabinet	SPR 14-58	20.515	103,082
Through Kentucky Transportation Cabinet	SPR 2013-2014	20.515	16
Through Kentucky Transportation Cabinet	SPR 85-107	20.515	120,132
Through Kentucky Transportation Cabinet	K9-13-04	20.600	53,818
Through Kentucky Transportation Cabinet	K9-13-05	20.600	27,834
Through Kentucky Transportation Cabinet	PO2 625 1300001491	20.600	38,027
Through Kentucky Transportation Cabinet	PO2 625 1300001592	20.600	19,896
Through Kentucky Transportation Cabinet	PO2 625 1300001594	20.600	22,251
Through Kentucky Transportation Cabinet	PO2 625 1300001598	20.600	27,934
Through Kentucky Transportation Cabinet	PO2 625 1400000505	20.600	13,822
Through Kentucky Transportation Cabinet	PO2 625 1400002032	20.600	26,686
Through Kentucky Transportation Cabinet	PON2 605 1200003570	20.600	39
Through Kentucky Transportation Cabinet	PON2 605 1400001938	20.600	3,837
Through Kentucky Transportation Cabinet	RSF 14	20.600	917
Through Kentucky Transportation Cabinet	RSF 32	20.600	3,091
Through Kentucky Transportation Cabinet	K9-14-06	20.610	59,020
Through Kentucky Transportation Cabinet	PO2 625 1400001012	20.610	28,269
Through Kentucky Transportation Cabinet	PO2 625 1400001013	20.610	52,879
Through Kentucky Transportation Cabinet	PO2 625 1400001015	20.610	21,544
Through Kentucky Transportation Cabinet	PO2 625 1400002605	20.610	46,869
Through University of Tennessee	13-KY-E1	20.701	430
Through University of Illinois	2012-02061-01	20.701	115,904
Through Marshall University Research Corporation	2012-087/212134	20.701	830,727
Through Marshall University Research Corporation	2013-134/212134	20.701	138,222
Through Texas A&M University	99-S120211	20.99-S120211	32,583
Through National Academy of Sciences	HR 14-30	20.HR 14-30	38,031
Through Kentucky Transportation Cabinet	LA 22-CRS	20.LA 22-CRS	8,519
Through Kentucky Transportation Cabinet	LA 24-MSN	20.LA 24-MSN	110,895
Through Kentucky Transportation Cabinet	LA 31-ABA	20.LA 31-ABA	6,359
<b>SUBTOTAL DEPARTMENT OF TRANSPORTATION</b>			<b>6,579,052</b>
Through Kentucky Tourism Arts and Heritage Cabinet	PO2 850 1300003496	23.002	2,028
Appalachian Research Technical Assistance and Demonstration		23.011	268,246
<b>SUBTOTAL APPALACHIAN REGIONAL COMMISSION</b>			<b>270,274</b>
Through Western Kentucky University	WKURF 516204-08-01	43.001	1,936
Through University of Georgia	RR185-448/4944486	43.001	10,080
Science		43.001	618,429
Aeronautics		43.002	49,945
Education		43.008	820,642
National Aeronautics Space Commission Contract	1401954	43.1401954	29,449
Through Western Kentucky University	596304-10-001	43.596304-10-001	16
Through Space Telescope Science Institute	HST-AR-12639.01-A	43.HST-AR-12639.01-A	27,234
Through Space Telescope Science Institute	HST-AR-13245.01-A	43.HST-AR-13245.01-A	48,750
Through Space Telescope Science Institute	HST-GO-12060.80-A	43.HST-GO-12060.80-A	3,588
Through Space Telescope Science Institute	HST-GO-12309.02-A	43.HST-GO-12309.02-A	1,893
Through Space Telescope Science Institute	HST-GO-12560.01-A	43.HST-GO-12560.01-A	21,440
National Aeronautics Space Commission Contract	NNX10AL96H	43.NNX10AL96H	200,343
National Aeronautics Space Commission Contract	NNX10AN01A	43.NNX10AN01A	239,029
National Aeronautics Space Commission Contract	NNX10AV39A	43.NNX10AV39A	45,297
National Aeronautics Space Commission Contract	NNX14AC93A	43.NNX14AC93A	16,253
Through PC Krause and Associates Inc	PCK_UKY13CC80C_001	43.PCK_UKY13CC80C_001	5,165
<b>SUBTOTAL NATIONAL AERONAUTICS &amp; SPACE ADMINISTRATION</b>			<b>2,139,489</b>
Promotion of the Humanities Fellowships and Stipends		45.160	3
<b>SUBTOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			<b>3</b>
Through Tribo Flow Separations LLC	IIP-1345473	47.041	47,771
Engineering Grants		47.041	1,390,698
Through University of Louisville	ULRF 11-0817-02	47.049	92,464
Through University of Colorado	1550869	47.049	56,967
Through NACC/University of Washington	PHY-1337542	47.049	3,415
Mathematical and Physical Sciences		47.049	3,177,635
Geosciences		47.050	212,760
Through Consortium for Ocean Leadership	BA-112	47.050	4,406
Through Indiana University	BL-4529718-UK	47.070	192,848
Computer and Information Science and Engineering		47.070	1,242,647
Through BBN Technologies	9500009448	47.070	71,737
Through BBN Technologies	9500012007	47.070	9,302
Through BBN Technologies	9500012008	47.070	34,052
Through BBN Technologies	9500012129	47.070	101,608
Through University of Delaware	27181	47.074	19,687
Through Kansas State University	S12051	47.074	38,818
Through Duke University	14-NSF-1049	47.074	11,608
Through Duke University	EF-0830093	47.074	73,329
Through Council on Undergraduate Research	Q01	47.074	20,596
Biological Sciences		47.074	2,211,183
Social Behavioral and Economic Sciences		47.075	355,158
Through Ohio State University	60027792-01	47.075	37,205
Through University of Louisville	ULRF08-0891-04	47.076	89,110
Through Tennessee Technological University	1022934	47.076	34,374
Through Purdue University	4101-56007	47.076	5,494
Through Puget Sound Center for Teaching	PSCTLT-SCHEFF-08	47.076	5,958
Through Pennsylvania State University	5015-UKRF-NSF-6347	47.076	14,098
Education and Human Resources		47.076	721,956
Office of International and Integrative Activities		47.079	93,691
Office of Cyberinfrastructure		47.080	540,022
Office of Experimental Program to Stimulate Competitive Research		47.081	1,587,902
Through Clemson University	1573-206-2008707	47.081	4,956
ARRA-Trans-NSF Recovery Act Research Support		47.082	299,612
Through ARRA-BBN Technologies	PO # 9500010143	47.082	7,037
National Science Foundation	IIP-1444022	47.IIP-1444022	5,000
<b>SUBTOTAL NATIONAL SCIENCE FOUNDATION</b>			<b>12,815,104</b>

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER	CFDA NUMBER	FEDERAL EXPENDITURES
Through American Rivers	EPA022013	66.050	\$ 112,407
Through Kentucky Tourism Arts and Heritage Cabinet	PON2 129 1200002602	66.460	(2,338)
Science To Achieve Results (STAR) Research Program		66.509	496,060
Office of Research and Development Consolidated Research/Training/Fellowships		66.511	94,969
P3 Award: National Student Design Competition for Sustainability		66.516	4,370
Environmental Protection Agency Contract	EP-12-D-000386	66.EP-12-D-000386	830
Through Physical Sciences Inc	SC60900-6429-001	66.SC60900-6429-001	19,151
<b>SUBTOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<b>725,449</b>
Through University of Southern California	Y82308	81.003	42,653
Through Battelle Energy Alliance LLC	0129368	81.0129368	334,949
Through University of Chicago	FP048826	81.049	42,674
Office of Science Financial Assistance Program		81.049	1,651,638
Through Green Technology Limited Company	DE-SC0006378	81.049	33,711
Through Cornell University	SUBAWARD #: 63079-9708	81.049	180,318
Through South Dakota State University	3TD152	81.079	35,422
Through West Virginia University	10-733-UKRF	81.087	318,946
Through South Dakota State University	3TE153	81.087	10,982
Through Virginia Polytechnic Institute and State University	429307-19660	81.089	121,726
Through Novozymes North America Inc	DE-FE0007741	81.089	156,278
Fossil Energy Research and Development		81.089	6,073,579
Through CoalTek Inc	DE-FE0005293	81.089	37,912
Through Center for Advanced Separation	DE-FE0000699	81.089	4,912
Environmental Restoration		81.092	356,043
Through Kentucky Cabinet for Health and Family Services	PO2 728 1200004525	81.104	123,697
Stewardship Science Grant Program		81.112	125,509
Through University of Houston	R-10-0030	81.117	16,802
Through ARRA-University of Illinois	2010-00636-01 A2349	81.132	102,427
Through University of California Berkeley	00007863	81.135	139,316
Through Texas AgriLife Research	06-570792	81.135	122,825
Through Texas AgriLife Research	570792	81.135	2,908
Through ITN Energy Systems Inc	DE-AR0000260	81.135	157,558
Through ARRA-Pennsylvania State University	4199-UK-DOE-0092	81.135	(88)
ARRA-Advanced Research Projects Agency - Energy		81.135	(562)
Through Battelle Memorial Institute	349541	81.349541	61,525
Through Oak Ridge National Laboratory	4000103052	81.4000103052	20,325
Through Oak Ridge National Laboratory	4000103637	81.4000103637	59,617
Through Oak Ridge National Laboratory	4000120600	81.4000120600	994
Through Oak Ridge National Laboratory	4000130203	81.4000130203	13,909
Department of Energy Contract	DE-NT0005988	81.DE-NT0005988	271,763
Through Argonne National Laboratory	OF33642/DEAC0206CH11357	81.OF33642/DEAC0206CH11357	8,694
Through General Motors Research	TCS68344 PR3731RY 001	81.TCS68344 PR3731RY 001	51,038
Through Battelle Memorial Institute	US001-0000378113	81.US001-0000378113	24,678
<b>SUBTOTAL DEPARTMENT OF ENERGY</b>			<b>10,704,678</b>
National Institute on Disability and Rehabilitation Research		84.133	100,133
Through Gallaudet University	0000021918	84.133	20,729
Education Research Development and Dissemination		84.305	361,351
Through Duke University	10-ED-1097	84.305	54,660
Through University of South Carolina	12-2108 PO#42179	84.324	41,809
Research in Special Education		84.324	233,033
Through American Printing House for the Blind	DOE022014	84.327	933
Through Kentucky Department of Education	M-04125856	84.357	57
Through Georgetown College	DOE062013	84.365	67,797
Through Georgetown College	DOE072012	84.365	18
Through Georgetown College	T365Z120064	84.365	15,748
<b>SUBTOTAL DEPARTMENT OF EDUCATION</b>			<b>896,268</b>
Through Ohio State University	60042250 PO RF01347515	93.077	24,452
Through Kentucky River Community Care Inc	ACF021114	93.087	51,457
Through Kentucky River Community Care Inc	ACF022013	93.087	14,029
Through National Institute for Pharmaceutical Technology	NIPTE-U01-KY-001-2012	93.103	2,784
Through National Institute for Pharmaceutical Technology	NIPTE-U01-KY-002-2012	93.103	20,631
Food and Drug Administration Research		93.103	464,495
Through Boulder Nonlinear Systems Inc	DHHS2013	93.103	77,726
Through University of North Carolina	5-37946	93.110	114,086
Through Wayne State University	WSU12085	93.113	47,499
Through Scout Diagnostics LLC	NIEHS112012	93.113	17,461
Environmental Health		93.113	1,821,927
Through Columbia University	4(GG005166)	93.113	(1,368)
Oral Diseases and Disorders Research		93.121	34,386
Through Health Decision Technologies LLC	NIDCR032014	93.121	90,488
Through Four Tigers LLC	NIDCR012014	93.121	67,121
Through Bluegrass Advanced Materials LLC	NIH 112013	93.121	64,743
Injury Prevention and Control Research and State and Community Based Programs		93.136	360,881
Through Macro International Co	13EDSK0105	93.136	20,762
NIEHS Superfund Hazardous Substances Basic Research and Education		93.143	768,400
Through Brown University	00000649	93.143	44,768
Through University of North Carolina	5-32779	93.172	194,931
Through University of Michigan	3001396589	93.173	59,552
Research Related to Deafness and Communication Disorders		93.173	698,333
Through Indiana University	BL-4633516-UK PO#1232663	93.173	22,103
Through Childrens Hospital Medical Center	130990 / PO#3100355367	93.173	97,511
Through Childrens Hospital Medical Center	PO#3100287147 130990	93.173	41,409
Department of Health and Human Services Contract	200-2009-30678	93.200-2009-30678	238,715
Department of Health and Human Services Contract	200-2011-40628	93.200-2011-40628	196,663
Department of Health and Human Services Contract	200-2013-56808	93.200-2013-56808	112,229
Department of Health and Human Services Contract	200-2013-M-55678	93.200-2013-M-55678	33,353
Through St Louis University	208141/039	93.208141/039	335
Through University of Virginia	GC12121 144545	93.211	9,938
Research and Training in Complementary and Alternative Medic		93.213	17,501
Through Ohio State University	60035714 / R01 AT004922	93.213	25,118
Through Naprogenix AgTeCC	NAPROGENIX-UKRF 10-01-10	93.213	19,762
National Center on Sleep Disorders Research		93.233	779,910
Through University of Notre Dame	201705	93.242	38,598
Through The Research Institute at Nationwide Children's Hospital	663412, PO WX00223037	93.242	8,249
Mental Health Research Grants		93.242	677,007
Through Kentucky Cabinet for Health and Family Services	PO2 729 1300005602	93.243	49,485
Through Kentucky Cabinet for Health and Family Services	PON2 729 1200002821	93.243	119,968
Through HOPE Center of Lexington	CSAT-MEN	93.243	24,543
Through Catholic Social Services of the Diocese	5H79SM059210-03	93.243	6,804
Department of Health and Human Services Contract	254-2012-M-53283	93.254-2012-M-53283	13,138
Occupational Safety and Health Program		93.262	1,460,263
Through University of Tennessee	9000010391/9000008357	93.273	9,284
Through University of Mississippi Medical Center	66100080712-UKY01	93.273	26,697
Through University of Georgia	RR274-346/3503288	93.273	14,280
Through Northern Kentucky University	NKU-UKRF-4000644-01	93.273	21,151
Through Naprogenix AgTeCC	2R44AA018266-03A1	93.273	81,273
Through Naprogenix AgTeCC	NAPROGENIX-UKRF 10-1-08	93.273	5,379
Alcohol Research Programs		93.273	2,365,254
Through Kentucky Justice and Public Safety Cabinet	PON2 527 1300001431	93.275	89,300
Through University of South Carolina	14-2449 PO# 81368	93.279	74,595
Through University of Louisville	ULRF 10-0085	93.279	23,833
Through University of Georgia	RR274-332/3506508	93.279	14,020
Through University of Georgia	RR274-381/4785666	93.279	20,033
Through University of Georgia	RR274-403/4895506	93.279	15,667
Through University of Cincinnati	COEUS # 7073	93.279	47,361
Through University of Cincinnati	COEUS # 7073-022	93.279	387,250
Through University of Arkansas	39672	93.279	50,050

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER	CFDA NUMBER	FEDERAL EXPENDITURES
Through New York University School of Medicine	11-00991/PROJECT # 26550	93.279	\$ 16,880
Through New York University School of Medicine	11-00991; #265504	93.279	19,448
Through Health Decision Technologies LLC	8533-1, 112390-00001-03	93.279	20,476
Drug Abuse and Addiction Research Programs		93.279	11,062,431
Through Boston University	4500000109/4500001301	93.279	97,481
Through AntiOp Inc	NIH052013	93.279	147,657
Through AntiOp Inc	NIH052014	93.279	40,942
Through AllTranz	NIH102012	93.279	(22,772)
Through Alcomed Inc	NIH052012	93.279	40,099
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200002278	93.283	108,939
Discovery and Applied Research for Technological Innovations		93.286	523,999
Through University of North Texas Health Science Center	RN0080-2013-003	93.307	12,180
Minority Health and Health Disparities Research		93.307	734,277
Through Case Western Reserve	RES507038	93.307	55,241
Through University of Michigan	3000691501-RPT	93.310	2,329
Through University of Louisville	ULRF 13-0593	93.310	15,980
Trans-NIH Research Support		93.310	1,777,437
National Center for Advancing Translational Sciences		93.350	3,788,581
Through University of Missouri	C00039341-1	93.361	(7)
Through University of Missouri	C00043419-1	93.361	8,069
Nursing Research		93.361	889,324
Through NACC/University of Washington	737298	93.361	5,629
National Center for Research Resources		93.389	104,521
Through Miami University	HERSHBERGER-NIH-UKRF	93.389	30,564
Through University of Miami	ACCT 662484, PO MR82711	93.393	9,832
Through University of Massachusetts	6114214/RF/S900200	93.393	12,709
Cancer Cause and Prevention Research		93.393	1,507,266
Cancer Detection and Diagnosis Research		93.394	784,034
Through University of South Florida	6119-1222-30-AY	93.395	13,299
Through University of South Florida	6145-1028-00-C	93.395	42,065
Through The Gynecologic Oncology Group	27469-060	93.395	112,324
Through St. Jude Childrens Research Hospital	111495030-7481426	93.395	(307)
Through St. Jude Childrens Research Hospital	111495040-7538417	93.395	3,544
Through Southwest Oncology Group	CA32102	93.395	5,203
Through NSABP Foundation	TIND 182	93.395	22,499
Through National Childhood Cancer Foundation	020742	93.395	1,000
Through Exatherm LLC	NIH072011	93.395	7,222
Through Childrens Hospital of Philadelphia	FP00013013_SUB101_01	93.395	33,280
Through Childrens Hospital of Philadelphia	FP00013013_SUB477_01	93.395	7,383
Through Childrens Hospital of Philadelphia	FP00013087_SUB100_01	93.395	22,826
Through Childrens Hospital of Philadelphia	FP00013744_SUB171_01	93.395	(2,874)
Cancer Treatment Research		93.395	1,444,619
Through American College of Radiology	0526	93.395	27,078
Cancer Biology Research		93.396	2,590,536
Cancer Centers Support Grants		93.397	1,147,763
Cancer Research Manpower		93.398	185,424
Through Washington University	WU-13-126 PO2917010W	93.399	4,904
Through Southwest Oncology Group	CA37429	93.399	29
Cancer Control		93.399	76,475
Through Marshall Miller & Associates	200-2012-52497	93.521	75,847
Through University of North Texas Health Science Center	RF7032-2013-002	93.531	9,170
Through Kentucky Cabinet for Health and Family Services	PON2 736 1200002220	93.558	5,211,524
Through Eastern Kentucky University	452664-14-140	93.558	34,923
Department of Health and Human Services Contract	5R01AI078756-06	93.5R01AI078756-06	104,224
Through Northwestern University	60028841 UKY	93.60028841 UKY	52,206
Strong Start for Mothers and Newborns		93.611	516,225
Through Kentucky Council on Developmental Disabilities	PON2 729 1200001693	93.630	148,628
Through ARRA-University of Pittsburgh	0015124 PROJECT # 116763	93.701	1,947
ARRA-Non-Construction Grants		93.701	191,498
Through ARRA-University of Texas Health Science Center at San Antonio	00075121	93.728	7,950
Through National Opinion Research Center	7570.UKRF.01	93.7570.UKRF.01	13,198
Through Kentucky Cabinet for Health and Family Services	PO2 746 1400003710	93.767	82,925
Through W-Z Biotech LLC	NIH032013	93.837	39,457
Through W-Z Biotech LLC	NIH052014	93.837	6,213
Through W-Z Biotech LLC	NIH122011	93.837	(16)
Through New York University School of Medicine	10-01073	93.837	8,752
Through Duke Clinical Research Institute	NIH082012	93.837	31,982
Through Carl T. Hayden Medical Research Foundation	R01HL094775	93.837	1,102
Cardiovascular Diseases Research		93.837	4,979,003
Through Brigham and Women's Hospital	107223	93.837	3,031
Through Biomedical Development Corporation	12-0972-F2L	93.837	47,955
Through University of Michigan	3002442423	93.838	89,419
Lung Diseases Research		93.838	716,837
Through Lovelace Biomedical and Environmental Research Institute	JK121185 MOD 1	93.838	16,911
Through Cornell University	R01HL114055	93.838	35,100
Through University of Louisville	ULRF12-1403	93.839	51,324
Through University of Arkansas	40864	93.839	2,777
Through National Marrow Donor Program	0901	93.839	9,009
Blood Diseases and Resources Research		93.839	345,855
Through Wake Forest University	14-004	93.846	36,898
Through Johns Hopkins University	2001073065	93.846	20,788
Through Cytolformatics LLC	NIH082013	93.846	74,774
Arthritis Musculoskeletal and Skin Diseases Research		93.846	1,975,972
Through Washington University in St Louis	WU-13-238	93.847	99,091
Through University of South Florida	HHSN267200800019C	93.847	113
Through University of North Texas Health Science Center	RN0065-2013-002	93.847	58,092
Through University of North Carolina	5-31706	93.847	7,456
Through Texas A&M Research Foundation	02-S140205	93.847	20,607
Through Lexington Biomedical Research Inst.	NIH062012	93.847	103,270
Through Georgia Regents University	25034-31	93.847	57,392
Through Georgia Regents University	25732-26	93.847	42,153
Diabetes Digestive and Kidney Diseases Extramural Research		93.847	3,913,615
Through Yale University	A09394 (M10A10562)	93.853	10,013
Through Yale University	M07A00656 (A08383)	93.853	56
Through Yale University	M10A10562 (A08580)	93.853	4,956
Through Yale University	M10A10562 (A09014)	93.853	(5,159)
Through University of Pennsylvania	543952	93.853	(512)
Through University of Michigan	3000770498-ALIAS	93.853	37,932
Through University of Michigan	3001300372-PIII	93.853	115,444
Through University of Michigan	3001413335-PNT	93.853	54,077
Through University of Michigan	3001922357-BPT	93.853	82,034
Through University of Michigan	3002112003-SHN	93.853	68,967
Through University of Michigan	3002672039-ISPOT	93.853	60
Through University of Michigan	U01NS058967	93.853	109,894
Through Signal Solutions LLC	1R43NS083218-01	93.853	52,099
Extramural Research Programs in the Neurosciences and Neurological Disorders		93.853	6,398,662
Through Washington University	WU-09-57 PO2904914N	93.855	118,654
Through University of South Florida	SUBAWARD #6408-1070-00-A	93.855	6,209
Through University of Pittsburgh	0011210, 115316-1	93.855	280,683
Through University of North Carolina	5-33339	93.855	104,931
Through University of Chicago	37045	93.855	1,144
Through MosquitoMate Inc	NIH102012	93.855	3,014
Through Cornell University	13070868	93.855	17,327
Allergy Immunology and Transplantation Research		93.855	4,309,841
Microbiology and Infectious Diseases Research		93.856	16,625
Through University of Vermont	26835SUB51331	93.859	10,518
Through University of Minnesota	P657611701	93.859	114,146
Through University of Louisville	NO ID	93.859	38,474
Through University of Louisville	ULRF 09-0109D1-08	93.859	216,268
Through Rice University	R22303	93.859	79,875
Through ParaTechs Corp	NIH 092013	93.859	25,692
Biomedical Research and Research Training		93.859	8,001,965
Through Benaroya Research Institute	FY14197601	93.859	26,768

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER	CFDA NUMBER	FEDERAL EXPENDITURES
Through University of Illinois	2012-06945-01	93.862	32,760
Through University of Illinois	2010-06423-01-00	93.865	18,283
Through University of California San Diego	41567532	93.865	24,988
Through Palo Alto University	BALSAM-R01 HD069370-SCUJ	93.865	9,722
Through Palo Alto University	BALSAM-R01HD069370-SCUJ	93.865	14,081
Child Health and Human Development Extramural Research		93.865	1,541,850
Through Alkermes Inc	NIH082011	93.865	2,445
Through University of Pittsburgh	0010382 (407708-1)	93.866	60,499
Through University of Illinois	2008-03931-06-03	93.866	250,013
Through University of California San Diego	45886762	93.866	15,260
Through University of California San Diego	ADC-030	93.866	18,110
Through University of California San Diego	ADC-031	93.866	(573)
Through University of California San Diego	ADC-037	93.866	3,503
Through University of California San Diego	ADC-039	93.866	121,605
Through University of California San Diego	ADC-046-INI	93.866	18,257
Through University of California San Diego	CSSA 23-UKL-IGIV M-00-AD	93.866	178,488
Through Seattle Institute for Biomedical and Clinical Research	BW22-KENTUCKY 3	93.866	96,231
Through Scout Diagnostics LLC	5R24AG030239-03	93.866	19,541
Through NACC/University of Washington	752713	93.866	24,929
Through CoPlex Therapeutics LLC	NIA112012	93.866	15,790
Aging Research		93.866	8,541,689
Vision Research		93.867	1,824,288
Through University of Dayton Research Institute	RSC12039	93.867	51,837
Through University of Dayton Research Institute	RSC13037	93.867	73,757
Through St Luke's Roosevelt Institute for Health Sciences	NIH052013	93.867	4,090
Through Jaeb Center for Health Research Inc	C_AV511-14	93.867	5,168
Through Jaeb Center for Health Research Inc	CEB_AV511-14	93.867	2,584
Through Rutgers University	8044	93.879	72,654
Through University of North Texas Health Science Center	N-01137	93.941	3,571
Through Kentucky Cabinet for Health and Family Services	PO2 729 1300004828	93.959	847,280
Through Kentucky Cabinet for Health and Family Services	PO2 728 1200004963	93.994	(365)
Department of Health and Human Services Contract	HHSN261201300013I	93.HHSN261201300013I	1,207,929
Department of Health and Human Services Contract	HHSN271201100710P	93.HHSN271201100710P	40,123
Through Brigham and Women's Hospital	KY010	93.KY010	194
Through Naprogenix AgTeCC	NAPROGENIX2013	93.NAPROGENIX2013	64,980
Through Bavarian Nordic	POX-MVA-008	93.POX-MVA-008	4,989
<b>SUBTOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>94,591,815</b>
Through National Institute for Hometown Security	02-09-UK	97.02-09-UK	700,991
Through National Institute for Hometown Security	02-10-UK	97.02-10-UK	239,359
Through National Institute for Hometown Security	03-09-UK	97.03-09-UK	524,448
Through University of Louisville	ULRF 13-1097-01	97.039	8,499
Through National Institute for Hometown Security	04-09-UK	97.04-09-UK	268,608
Through University of Southern California	33775811 PO 10010594	97.061	2,419
Through University of Southern California	45789417 PO 10137382	97.061	35,184
Through University of Minnesota	P001955409	97.061	175,641
Through Kansas State University	S11199	97.061	(528)
Through National Institute for Hometown Security	12-07-UK	97.12-07-UK	208,102
Through Flashscan 3D	SHHQDC-11-C-00115	97.HSHQDC-11-C-00115	879
Through University of Louisville	ULRF 08-0292-01	97.ULRF 08-0292-01	7,822
Through Western Kentucky University	WKURF 547103-10-001	97.WKURF 547103-10-001	857
<b>SUBTOTAL DEPARTMENT OF HOMELAND SECURITY</b>			<b>2,172,281</b>
Through DevTech Systems Inc	1096-SC-13-004-00	98.1096-SC-13-004-00	26,288
<b>SUBTOTAL US AGENCY FOR INTERNATIONAL DEVELOPMENT</b>			<b>26,288</b>
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER</b>			<b>150,518,462</b>
<b>STUDENT FINANCIAL AID CLUSTER</b>			
Federal Supplemental Educational Opportunity Grants		84.007	437,946
Federal Work-Study Program		84.033	1,117,873
Federal Perkins Loan Cancellations		84.038	25,030,944
Federal Pell Grant Program		84.063	22,486,221
Federal Direct Student Loans		84.268	168,551,011
<b>SUBTOTAL DEPARTMENT OF EDUCATION</b>			<b>217,623,995</b>
Nurse Faculty Loan Program		93.264	147,264
Health Careers Opportunity Program		93.342	5,275,458
<b>SUBTOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>5,422,722</b>
<b>TOTAL STUDENT FINANCIAL AID CLUSTER</b>			<b>223,046,717</b>
<b>SNAP CLUSTER</b>			
Through Kentucky Cabinet for Health and Family Services	PO2 736 1300002697	10.561	800,805
Through Kentucky Cabinet for Health and Family Services	PO2 736 1400002244	10.561	2,389,239
<b>SUBTOTAL DEPARTMENT OF AGRICULTURE</b>			<b>3,190,044</b>
<b>TOTAL SNAP CLUSTER</b>			<b>3,190,044</b>
<b>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</b>			
Through Kentucky Transportation Cabinet	PON2 6051400000496	20.205	12,329
<b>SUBTOTAL DEPARTMENT OF TRANSPORTATION</b>			<b>12,329</b>
<b>TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</b>			<b>12,329</b>
<b>HIGHWAY SAFETY CLUSTER</b>			
Through Kentucky Transportation Cabinet	PO2 625 1300001620	20.601	28,416
Through Kentucky Transportation Cabinet	PO2 625 1400001006	20.610	46,999
<b>SUBTOTAL DEPARTMENT OF TRANSPORTATION</b>			<b>75,415</b>
<b>TOTAL HIGHWAY SAFETY CLUSTER</b>			<b>75,415</b>
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>			
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1200002224	84.027	129,541
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1200002637	84.027	(3,721)
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300000498	84.027	58,799
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300002578	84.027	99,687
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300002844	84.027	232,921
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300002890	84.027	262,052
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300003014	84.027	250,393
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1400000467	84.027	250,082
Through Georgetown College	PON2 540 1300002651	84.027	11,409
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1200002926	84.173	110,460
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300003115	84.173	145,775
<b>SUBTOTAL DEPARTMENT OF EDUCATION</b>			<b>1,547,398</b>
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>			<b>1,547,398</b>
<b>TRIO CLUSTER</b>			
TRIO Student Support Services		84.042	260,605
<b>SUBTOTAL DEPARTMENT OF EDUCATION</b>			<b>260,605</b>
<b>TOTAL TRIO CLUSTER</b>			<b>260,605</b>
<b>SCHOOL IMPROVEMENT GRANTS CLUSTER</b>			
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1200003442	84.377	11,707
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300002928	84.377	47,097
<b>SUBTOTAL DEPARTMENT OF EDUCATION</b>			<b>58,804</b>
<b>TOTAL SCHOOL IMPROVEMENT GRANTS CLUSTER</b>			<b>58,804</b>
<b>HEALTH CENTERS CLUSTER</b>			
Consolidated Health Centers		93.224	1,394,157
<b>SUBTOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>1,394,157</b>
<b>TOTAL HEALTH CENTERS CLUSTER</b>			<b>1,394,157</b>
<b>TANF CLUSTER</b>			
Through Kentucky Cabinet for Health and Family Services	PO2 736 1200004856	93.558	2,261,593
<b>SUBTOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>2,261,593</b>
<b>TOTAL TANF CLUSTER</b>			<b>2,261,593</b>
<b>CCDF CLUSTER</b>			
Through University of Delaware	34109	93.575	24,944
Through Kentucky Cabinet for Health and Family Services	PO2 736 1200004968	93.596	2,687,878
<b>SUBTOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>2,712,822</b>
<b>TOTAL CCDF CLUSTER</b>			<b>2,712,822</b>

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER	CFDA NUMBER	FEDERAL EXPENDITURES
<b>MEDICAID CLUSTER</b>			
Through Kentucky Cabinet for Health and Family Services	PON2 729 1200001394	93.778	\$ 2,887,267
<b>SUBTOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>2,887,267</b>
<b>TOTAL MEDICAID CLUSTER</b>			<b>2,887,267</b>
<b>OTHER FEDERAL ASSISTANCE</b>			
Through Kentucky Cabinet for Health and Family Services	M-06080751	66.032	29
<b>SUBTOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<b>29</b>
Agricultural Research Basic and Applied Research		10.001	84,524
Plant and Animal Disease Pest Control and Animal Care		10.025	487,517
Through Kentucky Department of Agriculture	PON2 035 1200003674	10.025	118
Through Kentucky Department of Agriculture	PON2 035 1300002288	10.025	17,400
Through Kentucky Department of Agriculture	PON2 035 1100001314	10.170	(34)
Through Kentucky Department of Agriculture	PON2 035 1200009094	10.170	42,134
Through Kentucky Department of Agriculture	PON2 035 1200009098	10.170	10,223
Through Kentucky Department of Agriculture	PON2 035 1300001315	10.170	14,270
Through University of Florida	1200141260	10.200	4
Through University of Florida	1200141704	10.200	29
Through University of Georgia	RD309-117/4893466	10.215	(1,661)
Through University of Georgia	RD309-122/4941306	10.215	22,000
Through University of Georgia	RD309-125/4944906	10.215	1,317
Through University of Georgia	RE675-116 4892296	10.215	1,375
Through University of Georgia	RE675-116/4892206	10.215	1,212
Through University of Georgia	RE675-167/4940156	10.215	6,548
Through University of Georgia	RE675-167/4941226	10.215	39,000
Through University of Illinois	2012-00593-01	10.250	9,499
Food Assistance and Nutrition Research Programs (FANRP)		10.253	29,934
Through Texas A&M University	451010	10.303	12,202
Through Purdue University	8000035690-AG	10.304	23,994
Through Purdue University	8000057940-AG	10.304	29,788
International Science and Education Grants		10.305	24,420
Through Washington State University	118978 G003158	10.310	12,538
Through University of Wisconsin	210K840; 129200	10.310	10,731
Through University of Tennessee	8500031743	10.310	71,550
Through University of Florida	UF10071	10.310	(2)
Through Texas A&M University	06-S130683	10.310	10,433
Through Texas A&M Research Foundation	99-S140654	10.310	9,335
Through Purdue University	8000041337-AG 2010-38411	10.310	39,096
Beginning Farmer and Rancher Development Program		10.311	160,757
Through Kansas State University	S14028	10.319	49,215
Through Meat Hook LLC	USDA072012	10.352	11,274
Through University of Nebraska - Lincoln	25-6329-0059-808	10.500	18,147
Through University of Nebraska - Lincoln	25-6365-0040-004	10.500	412,517
Through University of Nebraska - Lincoln	25-6365-0040-131	10.500	8,910
Through University of Minnesota	A003899801	10.500	601
Through University of Georgia	RE675-171/4940896	10.500	1,949
Through University of Arkansas	21662-16	10.500	8,386
Through Purdue University	8000053242	10.500	191,142
Through Purdue University	8000059371	10.500	72,016
Through Pennsylvania State University	4907-UKRF-USDA-0946	10.500	13,635
Through National Four H Council	USDA082013	10.500	25,000
Through Mississippi State University	018000.340436.04	10.500	12,081
Through Kansas State University	S13140	10.500	24,888
Through Kansas State University	S14112	10.500	25,243
Cooperative Extension Service		10.500	11,411,560
Through Kentucky Tourism Arts and Heritage Cabinet	PON2 128 1400000416	10.664	10,280
Through Kentucky Energy and Environment Cabinet	PON2 128 1200003171	10.664	(1)
Through Kentucky Energy and Environment Cabinet	PON2 128 1200003271	10.664	30,962
Through Kentucky Energy and Environment Cabinet	PON2 128 1300000194	10.664	(99)
Through Kentucky Energy and Environment Cabinet	PON2 128 1300000851	10.664	31,158
Through Kentucky Energy and Environment Cabinet	PON2 128 1400000134	10.664	31,990
Through Kentucky Energy and Environment Cabinet	PON2 128 1200002731	10.678	14,844
Rural Energy for America Program		10.868	32,348
Soil and Water Conservation		10.902	27,338
Technical Agricultural Assistance		10.960	20,689
Cochran Fellowship Program-International Training-Foreign Participant		10.962	102,162
US Department of Agriculture Contract	AG-3198-B-10-0028	10.AG-3198-B-10-0028	2,041,918
Through Altarum Institute	SC-10-013	10.SC-10-013	16,569
<b>SUBTOTAL DEPARTMENT OF AGRICULTURE</b>			<b>15,816,973</b>
Economic Development Technical Assistance		11.303	125,237
Measurement and Engineering Research and Standards		11.609	24,433
<b>SUBTOTAL DEPARTMENT OF COMMERCE</b>			<b>149,670</b>
Through Kentucky Department of Military Affairs	TASK ORDER #1	12.401	6,499
Through Kentucky Department of Military Affairs	TASK ORDER #2	12.401	104,589
Through Kentucky Department of Military Affairs	TASK ORDER #3	12.401	9,995
Military Medical Research and Development		12.420	24,683
Through Clarksville Montgomery County School System	00207949-000	12.556	49,612
Through Clarksville Montgomery County School System	00207950-000	12.556	16,422
Through Christian County Schools	HE1254-13-1-0023	12.556	7,733
Language Grant Program		12.900	(4,761)
Department of Defense Contract	W912KZ-13-9-0070	12.W912KZ-13-9-0070	61,625
<b>SUBTOTAL DEPARTMENT OF DEFENSE</b>			<b>276,397</b>
Sustainable Communities Regional Planning Grant Program		14.703	148,176
<b>SUBTOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>148,176</b>
National Geological and Geophysical Data Preservation Program		15.814	42,791
Through City of Frankfort	FRANK103112	15.904	(1,468)
<b>SUBTOTAL DEPARTMENT OF THE INTERIOR</b>			<b>41,323</b>
Through Kentucky Association of Sexual Assault Programs	KASAP 072012	16.529	752
Through Kentucky Court of Justice	PON2 025 1200002134	16.585	951
Through Kentucky Court of Justice	PON2-025-1200002134	16.585	2,142
Through Mountain Comprehensive Care Center	2011-RN-BX-0009	16.812	11,266
Through Mountain Comprehensive Care Center	2011-RW-BX-0001	16.812	15,374
Through Mountain Comprehensive Care Center	2013-RW-BX-0008	16.812	17,238
Through Kentucky Justice and Public Safety Cabinet	PON2 527 1300000957	16.812	1,339
Through Kentucky Justice and Public Safety Cabinet	PON2 527 1400000317	16.812	43,694
Through Kentucky Justice and Public Safety Cabinet	PON2 527 1400000359	16.812	1,776
Through Chrysalis Inc	BJA102012	16.812	4,391
Department of Justice Contract	DJB0109MF510001	16.DJB0109MF510001	9,255
<b>SUBTOTAL DEPARTMENT OF JUSTICE</b>			<b>108,178</b>
Through Kentucky Community and Technical College System	TC-23843-12-60-A-21	17.282	57,274
Through Kentucky Community and Technical College System	TC-25151-13-60-A-21	17.282	33,846
<b>SUBTOTAL DEPARTMENT OF LABOR</b>			<b>91,120</b>
Environmental and Scientific Partnerships and Programs		19.017	203,669
Through Institute of International Education Inc	STATE122013	19.432	14,864
Public Diplomacy Programs for Afghanistan and Pakistan		19.501	547,794
General Department of State Assistance		19.700	3,883
<b>SUBTOTAL DEPARTMENT OF STATE</b>			<b>770,210</b>
Through National Academy of Sciences	HR 15-32A	20.215	73,627
Through Kentucky Transportation Cabinet	8780701N	20.215	146,048
Through Kentucky Transportation Cabinet	LTAP-4	20.215	158,205
Highway Training and Education		20.215	10,985
<b>SUBTOTAL DEPARTMENT OF TRANSPORTATION</b>			<b>388,865</b>
Through Morehead State University	2012-13-085-001	23.001	312,185
Through Greenup County Health Department	KY-17095-11	23.002	19,718
Appalachian Research Technical Assistance and Demonstration		23.011	358
<b>SUBTOTAL APPALACHIAN REGIONAL COMMISSION</b>			<b>332,261</b>
Intergovernmental Personnel Act (IPA) Mobility Program		27.011	12,464
<b>SUBTOTAL OFFICE OF PERSONNEL MANAGEMENT</b>			<b>12,464</b>
Through Illinois State University	11510-04890009477	42.11510-04890009477	(1)
<b>SUBTOTAL LIBRARY OF CONGRESS</b>			<b>(1)</b>

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER	CFDA NUMBER	FEDERAL EXPENDITURES
Science		43.001	\$ 4,615
Education		43.008	11,817
National Aeronautics Space Commission Contract	NNX10AV39A	43.NNX10AV39A	736
<b>SUBTOTAL NATIONAL AERONAUTICS &amp; SPACE ADMINISTRATION</b>			<b>17,168</b>
Promotion of the Arts Grants to Organizations and Individuals		45.024	19,905
Promotion of the Humanities Division of Preservation and Access		45.149	66,235
Through Open Knowledge Commons	HUBS_KEN-NEH_001_2012	45.169	591
Conservation Project Support		45.303	17,319
Through Saint Johns University	VHMML-002	45.312	23,686
National Leadership Grants		45.312	101,981
<b>SUBTOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			<b>229,717</b>
Small Business Development Centers		59.037	1,720,006
<b>SUBTOTAL SMALL BUSINESS ADMINISTRATION</b>			<b>1,720,006</b>
Through Kentucky Cabinet for Health and Family Services	PO2 728 1400003642	66.032	20,528
Urban Waters Small Grants		66.440	14,098
Through Watershed Watch in Kentucky Inc	EPA022014	66.460	19,981
Through Kentucky Energy and Environment Cabinet	PO2 129 0900025111	66.460	243,455
Through Kentucky Energy and Environment Cabinet	PON2 128 1100000957	66.460	3,590
Through Kentucky Energy and Environment Cabinet	PON2 128 1200000603	66.460	1
Through Kentucky Energy and Environment Cabinet	PON2 128 1300000613	66.460	55,171
Through Kentucky Energy and Environment Cabinet	PON2 128 1300001321	66.460	58,813
Through Kentucky Department of Agriculture	PON2 035 1200002554	66.605	27,506
<b>SUBTOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<b>443,143</b>
Through Kentucky Energy and Environment Cabinet	PON2 127 1200001650	81.041	(15)
Through ARRA-Arizona Geological Survey	KY-EE0002850	81.086	62,809
Through University of Central Florida	UCF01-0000280883	81.087	25,664
Fossil Energy Research and Development		81.089	1,337,763
Energy Efficiency and Renewable Energy Information Dissemination Outreach Training and Technical Analysis/Assistance		81.117	221,051
Through Kentucky Department of Local Government	PON2 112 1400000339	81.119	30,383
ARRA-Electricity Delivery and Energy Reliability Research Development and Analysis		81.122	506,045
Through Sandia National Laboratories	1343014	81.1343014	17,616
<b>SUBTOTAL DEPARTMENT OF ENERGY</b>			<b>2,201,316</b>
Through Kentucky Council on Postsecondary Education	PO2 415 1200000900	84.002	(1,382)
Through Kentucky Council on Postsecondary Education	PO2 415 1200006998	84.002	670
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300001933	84.048	103
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300002711	84.048	5,865
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1400002035	84.048	2,616
Through Kentucky Education and Workforce Development Cabinet	PON2 531 1200003944	84.051	(192)
Fund for the Improvement of Postsecondary Education		84.116	103,091
Through Kentucky Education and Workforce Development Cabinet	PON2 531 1200002711	84.126	497,757
Through Kentucky Education and Workforce Development Cabinet	PON2 531 1200003951	84.126	150,364
Through Kentucky Education and Workforce Development Cabinet	PON2 531 1200003953	84.126	137,728
Through Kentucky Education and Workforce Development Cabinet	PON2 531 1200003954	84.126	32,925
Through Kentucky Cabinet for Health and Family Services	PON2 531 1300002832	84.126	17,176
Rehabilitation Long-Term Training		84.129	303,434
Safe and Drug-Free Schools and Communities National Programs		84.184	630
Through University of Tennessee	14492-001-02	84.323	72,955
Through University of Louisville	ULRF 14-0745-02	84.323	7,098
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300001408	84.323	87,535
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1400000509	84.323	59,791
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1400000548	84.323	10,638
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1400000564	84.323	271,813
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1400000599	84.323	11,571
Research in Special Education		84.324	260,800
Through University of North Carolina	5-54471 H325J070007	84.325	39,186
Special Education Personnel Development to Improve Services		84.325	395,644
Through Eastern Kentucky University	452764-14-232	84.325	98,245
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		84.326	1,195,025
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300000802	84.326	53,488
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1400000568	84.326	119,633
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300000243	84.366	52,457
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300000731	84.366	4,565
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300000753	84.366	5,409
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1300001859	84.366	96,287
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1400000320	84.366	51,533
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1400000329	84.366	136,497
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1400000786	84.366	50,433
Through Kentucky Education and Workforce Development Cabinet	PON2 540 1400000827	84.366	64,343
Through Murray State University	OSP 2014-101	84.367	9,780
Through Kentucky Council on Postsecondary Education	PO2 415 1200003084	84.367	30,977
Through Kentucky Council on Postsecondary Education	PO2 415 1200003087	84.367	30,309
Through Kentucky Council on Postsecondary Education	PO2 415 1200003090	84.367	14,077
Through Kentucky Council on Postsecondary Education	PO2 415 1300003317	84.367	112,358
Through Kentucky Council on Postsecondary Education	PO2 415 1300003321	84.367	49,448
Through Kentucky Council on Postsecondary Education	PO2 415 1400003293	84.367	44,185
Through Kentucky Council on Postsecondary Education	PO2 415 1400003460	84.367	86,979
Through Kentucky Council on Postsecondary Education	PO2 415 1400003461	84.367	23,169
Through Westat	6189-S-007	84.373	164,206
Through University of Minnesota	A001945803	84.373	1,293,175
Through ARRA-Ohio State University	60029197 / PO RF01229388	84.396	218,175
Transition Programs for Students with Intellectual Disabilities into Higher Education		84.407	348,095
<b>SUBTOTAL DEPARTMENT OF EDUCATION</b>			<b>6,820,664</b>
Training in General Pediatric and Public Health Dentistry		93.059	505,431
Through Kentucky Energy and Environment Cabinet	PON2 129 1300000791	93.070	17,951
Food and Drug Administration Research		93.103	74,664
Through University of Louisville	AHEC 2012-2013	93.107	82,518
Through University of Louisville	ULRF-12-1074A1-01	93.107	168,361
Through University of Arizona	Y553522	93.110	5,863
Through The Commission for Children with Special Health Care Needs	PON2 767 1400000156	93.110	52,196
Maternal and Child Health Federal Consolidated Programs		93.110	35,436
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200002206	93.110	1,994
Through Hemophilia of Georgia Inc	HRSA122013	93.110	17,384
Environmental Health		93.113	207,105
Through Kentucky Cabinet for Health and Family Services	PO2 728 1300005045	93.130	2,500
Through University of South Florida	6416-1013-11-A	93.135	23,497
Centers for Research and Demonstration for Health Promotion		93.135	1,247,286
Through Kentucky Association of Sexual Assault Programs	KASAP 072012	93.136	164
Injury Prevention and Control Research and State and Community Based Programs		93.136	703,498
Through Emory University Office of Sponsored Programs	T136337	93.145	26,519
Through American International Health	H-F4-ZAM-08-P-PTR-ZAMI	93.145	20,131
AIDS Education and Training Centers		93.145	183,727
Coordinated Services and Access to Research for Women Infants Children and Youth		93.153	370,401
Grants To States for Loan Repayment Program		93.165	215,886
Research Related to Deafness and Communication Disorders		93.173	8,670
Through University of North Carolina	5-42319	93.184	9,382
Through University of North Carolina	5-44792	93.184	5,254
Through North American Association Central Cancer Registries	2005-12-01	93.2005-12-01	6,015
Through University of Illinois	2010-06621-21-02	93.2010-06621-21-02	4,386
Telehealth Programs		93.211	176,996
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200001981	93.217	(874)
Through Kentucky Cabinet for Health and Family Services	PON2 728 1300001977	93.217	115,229
Through Kentucky Cabinet for Health and Family Services	PO2 728 13000005192	93.236	6,425
State Rural Hospital Flexibility Program		93.241	540,482
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243	419,506
Through Pennyroyal Regional Mental Health-Mental Retardation Board	999	93.243	57,560
Through Mountain Comprehensive Care Center	5H79TI023188-03	93.243	43,008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER	CFDA NUMBER	FEDERAL EXPENDITURES
Through Kentucky River Community Care Inc	SAMHSA092012	93.243	\$ 10,381
Through Kentucky Court of Justice	PON2 025 1200002134	93.243	50,846
Through Catholic Social Services of the Diocese	5H79SM059210-05	93.243	17,161
Public Health Training Centers Program		93.249	210,302
Occupational Safety and Health Program		93.262	576,218
Alcohol Research Programs		93.273	76,387
Drug Abuse and Addiction Research Programs		93.279	475,570
Through American Academy of Child and Adolescent Psychiatry	AACAP020210	93.279	8,799
Department of Health and Human Services Contract	2801808	93.2801808	67,999
Through Public Health Foundation	CDC042012	93.283	12,944
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200001871	93.283	30,001
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200002206	93.283	26,227
Through Kentucky Cabinet for Health and Family Services	PON2 728 1300000784	93.283	65,116
Through Kentucky Cabinet for Health and Family Services	PON2 728 1400000669	93.283	10,265
Centers for Disease Control and Prevention Investigations and Technical Assistance		93.283	1,690,270
Small Rural Hospital Improvement Grant Program		93.301	341,172
Department of Health and Human Services Contract	3217146	93.3217146	37,481
National Center for Advancing Translational Sciences		93.350	2,103
Through Vanderbilt University	VUMC35255-R	93.359	14,305
Through Vanderbilt University	VUMC35826	93.359	66,125
Through Vanderbilt University	VUMC35826-R	93.359	346
Through Kentucky Council on Developmental Disabilities	PO2 729 1400001975	93.360	65,095
National Center for Research Resources		93.389	278,139
Cancer Cause and Prevention Research		93.393	43,109
Through The Gynecologic Oncology Group	CA27469-33	93.395	5,806
Through Meharry Medical College	091214MKH358 04 01	93.397	1,821
Cancer Centers Support Grants		93.397	1,144,283
Cancer Research Manpower		93.398	550,756
Through Mathematica Policy Research Inc	40146S03625	93.40146S03625	42,226
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200002206	93.505	46,788
Through Kentucky Cabinet for Health and Family Services	PON2 728 1300001748	93.505	76,511
Affordable Care Act (ACA) Public Health Training Centers Program		93.516	(486)
Through Kentucky Cabinet for Health and Family Services	PO2 728 1200005194	93.521	248,376
Through Kentucky Cabinet for Health and Family Services	PO2 728 1300005386	93.544	36,150
Through Kentucky Cabinet for Health and Family Services	PON2 736 1200003048	93.556	197,584
Through Eastern Kentucky University	452529-13-123	93.556	2,080
Through Eastern Kentucky University	4525680-14-139	93.556	38,239
Through Eastern Kentucky University	452680-14-144	93.556	339,691
University Centers for Excellence in Developmental Disabilities Education Research and Service		93.632	492,555
Through ARRA-Macro International Co	635243-10S-1572	93.635243-10S-1572	113,920
Through Kentucky Cabinet for Health and Family Services	PO2 736 1200004473	93.643	14,606
Through Eastern Kentucky University	452500-13-137	93.658	(12)
Through Eastern Kentucky University	452502-13-136	93.658	804
Through Eastern Kentucky University	452506-13-120	93.658	470
Through Eastern Kentucky University	452506-13-124	93.658	281
Through Eastern Kentucky University	452650-14-142	93.658	112,393
Through Eastern Kentucky University	452652-14-138	93.658	276,293
Through Eastern Kentucky University	452653-14-151	93.658	364,583
Through Eastern Kentucky University	452655-14-143	93.658	6,980
Through Eastern Kentucky University	452656-14-141	93.658	320,243
Through Eastern Kentucky University	452656-14-145	93.658	114,505
Through Eastern Kentucky University	452656-14-152	93.658	227,699
Through Kentucky Cabinet for Health and Family Services	PO2 736 1200004473	93.669	67,956
Through Eastern Kentucky University	452650-14-142	93.669	44,960
Child Abuse and Neglect Discretionary Activities		93.670	(10,810)
Through ARRA-Kentucky Cabinet for Health and Family Services	PO2 746 1200003495	93.718	353,895
Through ARRA-HealthBridge	90RC0025/01-UK	93.718	388,925
ARRA-Health Information Technology Regional Extension Centers Program		93.718	1,903,940
Through Kentucky Cabinet for Health and Family Services	PO2 746 1200002881	93.767	56,359
Through Kentucky Cabinet for Health and Family Services	PON2 746 1200001392	93.791	1,850,274
Cardiovascular Diseases Research		93.837	319,381
Lung Diseases Research		93.838	20,458
Arthritis Musculoskeletal and Skin Diseases Research		93.846	10,112
Diabetes Digestive and Kidney Diseases Extramural Research		93.847	147,048
Extramural Research Programs in the Neurosciences and Neurological Disorders		93.853	259,039
Allergy Immunology and Transplantation Research		93.855	8,000
Through University of Louisville	2 P20 GM103436-14	93.859	22,610
Through University of Louisville	ULRF 09-0109D1-07	93.859	93,022
Biomedical Research and Research Training		93.859	641,754
Aging Research		93.866	236,000
Grants for Training in Primary Care Medicine and Dentistry		93.884	256,317
Health Care and Other Facilities		93.887	121,889
Specially Selected Health Projects		93.888	(1,124)
Through University of Louisville	ULRF 13-1475A2	93.889	30,858
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200002645	93.889	100,686
Resource and Manpower Development in the Environmental Health		93.894	7
Through Trover Clinic Foundation	HRSA082012	93.912	10,419
Through Lotts Creek Community School Inc	1 D04RH23591-01-00	93.912	(11)
Through Kentucky Education and Workforce Development Cabinet	PON2 531 1200002711	93.912	15,556
Through Kentucky Education and Workforce Development Cabinet	PON2 531 1400000013	93.912	26,821
Grants to States for Operation of Offices of Rural Health		93.913	172,382
Through Kentucky Cabinet for Health and Family Services	PON2 728 1300000422	93.917	29,119
Through Kentucky Cabinet for Health and Family Services	PON2 728 1300001994	93.917	1,463,987
Through Emory University Office of Sponsored Programs	S847054	93.917	(702)
Through Emory University Office of Sponsored Programs	T066576	93.917	154,669
Grants to Provide Outpatient Early Intervention Services wit Respect to HIV Disease		93.918	627,814
Ryan White HIV/AIDS Dental Reimbursements/Community Based Dental Partnerships Grants		93.924	67,159
Special Projects of National Significance		93.928	26,548
Through Kentucky Cabinet for Health and Family Services	PON2 1200001987	93.944	76,150
Through Kentucky Cabinet for Health and Family Services	PON2 728 14000006411	93.945	10,265
PPHF-2012 Geriatric Education Centers		93.969	417,392
Through Kentucky Cabinet for Health and Family Services	PO2 728 1200004963	93.994	4,542
Through Kentucky Cabinet for Health and Family Services	PO2 728 1200005251	93.994	227,947
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200001981	93.994	(60)
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200002124	93.994	(381)
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200002194	93.994	37,941
Through Kentucky Cabinet for Health and Family Services	PON2 728 1200002277	93.994	130,757
Through Kentucky Cabinet for Health and Family Services	PON2 728 1300002245	93.994	5,153
Through George Washington University	12-M101	93.999	1,103
Department of Health and Human Services Contract	HHSF223201110045C	93.HHSF223201110045C	875
Department of Health and Human Services Contract	HHSF223201310059C	93.HHSF223201310059C	44,982
Department of Health and Human Services Contract	HHSN261201000031C	93.HHSN261201000031C	148,356
<b>SUBTOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>24,926,396</b>
Through National Institute for Hometown Security	01-09-UK	97.01-09-UK	238,388
Through Kentucky Department of Military Affairs	PO2 095 1200004867	97.039	7,059
Through Kentucky Department of Military Affairs	PON2 095 1100001421	97.039	90,970
Through Kentucky Department of Military Affairs	PON2 095 1100001569	97.039	1,165,524
Assistance to Firefighters Grant		97.044	188,702
Through Kentucky Department of Military Affairs	PO2 095 1200006117	97.047	234,197
<b>SUBTOTAL DEPARTMENT OF HOMELAND SECURITY</b>			<b>1,924,840</b>
Through Oklahoma State University	AB-5-18880-UKRF	98.001	5,471
Through FHI Development 360 LLC	4273-UKY-01	98.4273-UKY-01	5,025
Through Chemonics International Inc	AID-497-C-12-00001-UKY-0	98.AID-497-C-12-00001-UKY-0	169,477
<b>SUBTOTAL US AGENCY FOR INTERNATIONAL DEVELOPMENT</b>			<b>179,973</b>
<b>TOTAL OTHER FEDERAL ASSISTANCE</b>			<b>56,598,888</b>
<b>GRAND TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 444,564,501</b>

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

**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, 2014, 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**  
**Year Ended June 30, 2014**

**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 2014 Expenditures</b>
Payments to Agricultural Experiment Stations Under the Hatch Act	10 203	\$ 154
Sustainable Agriculture Research and Education	10.215	61,197
Higher Education Challenge Grants	10.217	133
Biotechnology Risk Assessment Research	10 219	53,849
Agriculture and Food Research Initiative (AFR)	10 310	554,176
Beginning Farmer and Rancher Development Program	10 311	32,853
Cooperative Extension Service	10.500	158,199
US Department of Agriculture Contract	10 XXX	1,818,934
Economic Adjustment Assistance	11.307	43,527
Measurement and Engineering Research and Standards	11.609	40,199
Basic Scientific Research	12.431	176
Research and Technology Development	12 910	72,016
Sustainable Communities Regional Planning Grant Program	14.703	104,455
Assistance to State Water Resources Research Institutes	15.805	7,727
National Institute of Justice Research Evaluation and Development Project Grants	16 560	51,855
Environmental and Scientific Partnerships and Programs	19.017	108,684
State Planning and Research	20.515	109,509
Science	43.001	77,573
Aeronautics	43.002	5,498
Education	43.008	238,164
National Aeronautics Space Commission Contract	43 XXX	73,339
Mathematical and Physical Sciences	47 049	44,581
Computer and Information Science and Engineering	47 070	7,729
Biological Sciences	47.074	31,631
Education and Human Resources	47.076	(17,213)
Office of Experimental Program to Stimulate Competitive Research	47 081	909,246
Trans-NSF Recovery Act Research Support	47.082	22,117
Small Business Development Centers	59.037	660,905
Potomac Highlands Implementation Grants	66 050	7,000
Nonpoint Source Implementation Grants	66.460	188,613
Science To Achieve Results (STAR) Research Program	66 509	127,305
Office of Science Financial Assistance Program	81 049	386,047
Fossil Energy Research and Development	81 089	258,837
Department of Energy Contract	81 XXX	119,383
Special Education Grants to States	84 027	(3,445)
Fund for the Improvement of Postsecondary Education	84.116	52,373
Research in Special Education	84.324	163,101
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	325,704

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

<b>CFDA Description</b>	<b>CFDA Number</b>	<b>Fiscal 2014 Expenditures</b>
Special Education Technical Assistance on State Data Collection	84.373	1,683
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	57,828
Training in General Pediatric and Public Health Dentistry	93.059	51,153
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	188,180
Centers for Research and Demonstration for Health Promotion	93.135	211,134
Injury Prevention and Control Research and State and Community Based Programs	93.136	155,400
Grants To States for Loan Repayment Program	93.165	215,886
Telehealth Programs	93.211	109,031
State Rural Hospital Flexibility Program	93.241	226,944
Mental Health Research Grants	93.242	102,157
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5,833
Public Health Training Centers Program	93.249	7,222
Occupational Safety and Health Program	93.262	263,434
Drug Abuse and Addiction Research Programs	93.279	962,912
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	127,126
Small Rural Hospital Improvement Grant Program	93.301	295,854
Minority Health and Health Disparities Research	93.307	34,681
Trans-NIH Research Support	93.310	31,065
National Center for Advancing Translational Sciences	93.350	141,947
Nursing Research	93.361	517
Cancer Cause and Prevention Research	93.393	21,299
Cancer Detection and Diagnosis Research	93.394	96,433
Cancer Treatment Research	93.395	54,685
Cancer Biology Research	93.396	104,669
Cancer Centers Support Grants	93.397	722,469
Cancer Control	93.399	22,315
Temporary Assistance for Needy Families	93.558	2,487,365
Strong Start for Mothers and Newborns	93.611	118,511
Non-Construction Grants	93.701	29,570
Health Information Technology Regional Extension Centers Program	93.718	82,500
Cardiovascular Diseases Research	93.837	10,366
Arthritis Musculoskeletal and Skin Diseases Research	93.846	124,865
Diabetes Digestive and Kidney Diseases Extramural Research	93.847	4,517
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	65,448
Allergy Immunology and Transplantation Research	93.855	5,900
Biomedical Research and Research Training	93.859	359,456
Child Health and Human Development Extramural Research	93.865	74,280
Aging Research	93.866	736,329
National Bioterrorism Hospital Preparedness Program	93.889	16,883
PPHF-2012 Geriatric Education Centers	93.969	317,329
Department of Health and Human Services Contract	93.XXX	1,125
Department of Homeland Security Contract	97.XXX	371,763
<b>TOTAL FEDERAL FUNDS PROVIDED TO SUBRECIPIENTS</b>		<b>\$ 15,914,195</b>

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

**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, 2014, were as follows:

	<u>CFDA #</u>	<u>Total</u>
Federal Perkins Loan Program	84.038	\$ 4,685,218
Nurse Faculty Loan Program	93.264	31,809
Health Professions Primary Care	93.342	<u>418,500</u>
Total noncash financial assistance		<u>\$ 5,135,527</u>

Outstanding loan balances at June 30, 2014, were as follows:

	<u>CFDA #</u>	<u>Total</u>
Federal Perkins Loan Program	84.038	\$ 20,345,726
Nurse Faculty Loan Program	93.264	115,455
Health Professions Primary Care	93.342	<u>4,856,958</u>
Total student loans outstanding		<u>\$ 25,318,139</u>

**Independent Auditor's 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, 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 basic financial statements of the University of Kentucky (University), a component unit of the Commonwealth of Kentucky, which comprise the statement of financial position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the basic financial statements, and have issued our report thereon dated October 3, 2014, which contained a reference to the report of other auditors and an emphasis of a matter paragraph regarding a change in an accounting principle. Other auditors audited the financial statements of Kentucky Medical Services Foundation, Inc. (KMSF), as described in our report on the University's financial statements. The financial statements of KMSF, a component unit included in the financial statements of the University, were not audited in accordance with *Governmental Auditing Standards*.

### **Internal Control Over Financial Reporting**

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the University's internal control to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

## **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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Louisville, Kentucky  
October 3, 2014

**Report on Compliance for Each Major Federal Program,  
Report on Internal Control Over Compliance and  
Report on Schedule of Expenditures of Federal Awards Required by  
OMB Circular A-133**

**Independent Auditor's Report**

Board of Directors  
University of Kentucky  
Lexington, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the University of Kentucky (University) with the types of compliance requirements described in the 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, 2014. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above.

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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

### ***Basis for Qualified Opinion on Student Financial Aid Cluster***

As described in item 2014-001 in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding verification for its Student Financial Aid Cluster program. Compliance with such requirements is necessary, in our opinion, for the University to comply with requirements applicable to that program.

### ***Qualified Opinion on Student Financial Aid Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Student Financial Aid Cluster paragraph, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Aid cluster for the year ended June 30, 2014.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

### ***Other Matter***

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses and therefore, material weaknesses may exist that were not identified. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the University as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 3, 2014, which contained an unmodified opinion on those financial statements, a reference to the report of other auditors, and an emphasis of a matter paragraph regarding a change in an accounting principle. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*BKD, LLP*

Louisville, Kentucky  
October 3, 2014

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2014**

**Summary of Auditor's Results**

1. The opinion expressed in the independent auditor's report was:  
 Unmodified       Qualified       Adverse       Disclaimer
  
2. The independent auditor's 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 auditor's report on internal control over compliance for major federal awards programs disclosed:  
Significant deficiency(ies)?       Yes       None reported  
Material weakness(es)?       Yes       No
  
5. The opinions expressed in the independent auditor's report on compliance for major federal awards were:  
 Unmodified       Qualified       Adverse       Disclaimer  
  
SNAP Cluster – Unmodified  
  
Research and Development Cluster – Unmodified  
  
Student Financial Aid Cluster – Qualified
  
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**  
**Year Ended June 30, 2014**

7. The University's major programs were:

<b>Cluster/Program</b>	<b>CFDA Number</b>
SNAP Cluster	10.561
Research and Development Cluster	Various
Student Financial Aid Cluster	Various

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**  
**Year Ended June 30, 2014**

**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**  
**Year Ended June 30, 2014**

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

Reference Number	Finding	Questioned Costs
2014-001	<b>Federal Program – Student Financial Aid Cluster, U.S. Department of Education, Program Year 2014</b>	\$ 2,583

**Criteria or Specific Requirement:** Special tests and provisions – Verification

**Condition:** 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 students’ award information for exceptions noted during the verification program.

**Context:** Out of a population of 4,045 students selected by the Central Processing System for verification, a sample of 25 students was selected for testing. For three students tested, the University did not properly complete verification and update the students’ applications. For two of these students, the student’s Expected Family Contribution changed based on these updates.

**Effect:** An incorrect amount of Pell Grants and direct loans were awarded to one student.

**Cause:** The Financial Aid Office did not obtain appropriate information to verify the information on the students’ applications in some instances and did not update the amounts awarded based on the information received.

**Recommendation:** The University should ensure all information obtained during the verification process is appropriate and sufficient and 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.

**Views of Responsible Officials and Planned Corrective Action**

**Plan:** Management is in agreement that at the time of the audit testing, the verification records for three students were not completed properly. The University contracted with our state

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2014**

Reference Number	Finding	Questioned Costs
	<p>agency, Kentucky Higher Education Assistance Authority (KHEAA), for verification services beginning June 2013. As part of its verification process, KHEAA completes an initial and second verification review of all verified files. The mistakes which resulted in this finding were made by the staff at KHEAA during the early phase of implementing the University's contract.</p> <p>In December of 2013, KHEAA implemented a new quality control program which should eliminate the likelihood of these types of errors in the future. As part of the quality control program KHEAA will be continuously monitoring the flow of the verification process and will be regularly reviewing the document processing on behalf of the University of Kentucky. Additionally, KHEAA will conduct a monthly evaluation and verification review of 10 percent of all the accounts with verification completed by the agency, testing to ensure accurate handling of the verification process and outcomes. They will be conducting selected reviews of individual employees as part of this process based on their level of training and/or the results of prior reviews. In addition to these reviews, KHEAA will also be testing 5 percent of all the documents imaged, 5 percent of all electronic correspondences (emails) and 5 percent of all telephone communications to ensure accuracy of their handling and disposition.</p> <p>The University is currently receiving a report denoting the outcomes of these reviews each month, which is promptly reviewed and discussed with KHEAA's management. In addition to these aggressive steps implemented by KHEAA to ensure UK's Title IV compliance, the UK Student Financial Aid office will implement an in-house review process beginning in the 2014-2015 aid year. Each fall semester, UK staff will review 100 randomly selected KHEAA verified records during the month of October to ensure accuracy. If the review results in an error finding, then we will request that KHEAA take action to resolve the finding during the current semester.</p> <p>UK is confident that the actions already taken by KHEAA and University Staff will help to ensure accurate verification in future years.</p>	

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2014**

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