Financial Statements

for

# NORTHERN KENTUCKY UNIVERSITY
**A Component Unit of the Commonwealth of Kentucky**

Years Ended June 30, 2024 and 2023
with Independent Auditor's Report

# 2023-2024
# FINANCIAL REPORT



*Current as of June 30, 2024*

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Annual Financial Report**
**June 30, 2024 and 2023**

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NKU NORTHERN KENTUCKY UNIVERSITY

Office of the President
5320 Campus Drive
Lucas Administrative Center 800
Highland Heights, Kentucky 41099

October 1, 2024

Northern Kentucky University Board of Regents
Highland Heights, KY 41099

Dear Regents:

I am pleased to share the University's 2023-2024 Annual Financial Report. The public accounting firm Dean Dorton has audited the attached statements and accompanying footnotes.

During Fiscal Year 2024, the University focused on improving the significant budget deficit in Fiscal Year 2023 and the budget for Fiscal Year 2024. The University developed a comprehensive strategy and worked closely with the Board and university constituencies to implement this strategy. Significant progress was made to improve fiscal performance and reduce the budget deficit; however, additional progress is required in Fiscal Year 2025 to achieve the Board's and my goal of balanced recurring revenues and expenditures.

The University successfully contained operating costs in Fiscal Year 2024 compared to the prior year, improving operating performance and reducing negative cash flow. We succeeded in stabilizing enrollment and decreasing institutional discounting. We also see continued improvement, particularly in institutional discounting, in the early months of fiscal year 2025, along with increased enrollment.

While focusing on the budget, the campus community has continued to focus on our student-centered and regionally engaged mission. We continue to make new investments in innovative programs and renovate campus facilities with support from the Commonwealth of Kentucky. NKU's value proposition is also being recognized on a national level. Within the past few weeks, *The Wall Street Journal* again included our university among the top 40 universities nationwide for exceptional value. NKU is the only public university in the Commonwealth and the region to make the top 100 on the list. This is a testament to our collective efforts and should fill us with pride. Considering the constant headlines about the rising cost of higher education and economic uncertainty, we should be proud of this achievement and our work to give our learners the best return on their investment.

Of course, we have more work to do, and I am certain NKU will continue to position itself to serve the ambitions of learners and the region. Fiscal Year 2025 represents my first full fiscal year as President, and many other vital members of the administration assumed their positions in 2024. These are undoubtedly challenging times for this institution, but we should be excited about a bright future. I look forward to another successful year.

Best Regards,

Cady Short-Thompson

Cady Short-Thompson, Ph.D.
President

DEANDORTON

**Independent Auditor's Report**

To the Board of Regents
Northern Kentucky University
Highland Heights, Kentucky

## Report on the Audits of the Financial Statements

### *Opinions*

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

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

### *Basis for Opinions*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

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

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

***Auditor's Responsibilities for the Audits of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

### *Required Supplementary Information*

GAAP requires that the management's discussion and analysis on pages 5 - 13, and the supplementary pension and other postemployment benefit information on pages 53 - 56 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Management is responsible for the other information included in the annual financial report. The other information comprises the letter from the President but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2024 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Dean Dorton Allen Ford, PLLC

Louisville, Kentucky
October 1, 2024

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Management's Discussion and Analysis**
**Years Ended June 30, 2024 and 2023**

Northern Kentucky University's (the University) Management's Discussion and Analysis of its financial condition provides an overview of the financial performance of the University and its affiliated corporations for the years ended June 30, 2024 and 2023, with selected comparative information for the year ended June 30, 2022. This discussion and analysis has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

As a public comprehensive university located in a major metropolitan area, the University delivers innovative, student-centered education and engages in impactful scholarly and creative endeavors, all of which empower our graduates to have fulfilling careers and meaningful lives, while contributing to the economic, civic, and social vitality of the region.

**Financial Highlights**

The University's assets decreased by $4.5 million, or 0.9 percent, for the year ended June 30, 2024 and now total $519.7 million. Liabilities decreased by $11.3 million, or 3.2 percent, for the year ended June 30, 2024 primarily due to a reduction in long-term liabilities. Long-term debt, net of discounts and premiums, totaled $293.8 million and $309 million at June 30, 2024 and 2023, respectively. The University's net position totaled $169.7 million as of June 30, 2024, an increase of $4.2 million compared to a decrease of $23.5 million from 2022 to 2023.

The University's operating and nonoperating revenues totaled $274.9 million for the year ended June 30, 2024, an increase of $19.4 million compared to 2023. Operating revenues increased by $1.4 million for the year ended June 30, 2024, primarily a result of an increase of $1.8 million in other operating revenues. Tuition and fee revenues net of scholarship allowances were down $0.5 million for the year while grant revenues increased by $0.1 million. Nonoperating revenues increased by $18.0 million for the year ended June 30, 2024. Increases in capital appropriations of $12.1 million, $2.4 million in nonoperating gifts, grants and contracts, $1.3 million in state appropriations, and $2.2 million in investment income and other nonoperating revenues combined for this result.

The University's state-funded endowments totaled $16.1 million as of June 30, 2024 an increase of $1.2 million compared to 2023. These funds, along with the private endowed gifts donated to benefit the University, are managed by Northern Kentucky University Foundation, Inc. (Foundation) and totaled $137.9 and $126.3 million as of June 30, 2024 and 2023, respectively. The endowment funds provide annual endowment spending allocations available to support the University's mission. For fiscal years 2024, 2023 and 2022, the endowment spending allocations, including support for endowed faculty positions and student scholarships, totaled $5.6 million, $5.2 million and $4.8 million, respectively.

## Using the Financial Statements

The University's financial report includes five financial statements: the statements of net position; the statements of revenues, expenses and changes in net position, the statements of cash flows, the statements of fiduciary net position and statements of changes in fiduciary net position. These financial statements and accompanying footnotes are prepared in accordance with the Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a comprehensive, entity-wide basis to focus on the University as a whole. The fiduciary activity is excluded from the condensed financial statements discussed below. In 2022, the University adopted GASB Statement No. 87, *Leases.* Under this statement, a lessee is required to recognize an intangible right-to-use asset and corresponding lease liability. Lessors are required to recognize a lease receivable and a corresponding deferred inflow of resources. The adoption of this statement did not result in a change in net position as of July 1, 2021. In 2023, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). The statement establishes a single approach for IT subscription accounting based on the principle that IT subscriptions are a means for financing the use of an underlying asset. Under this statement, the University is required to recognize an intangible right-to-use asset and corresponding subscription liability. Adoption of this statement did not result in a change in net position as of July 1, 2022.

The University is a component unit of the Commonwealth of Kentucky. The financial statements of the University include the University and its blended component unit, the Northern Kentucky University Research Foundation, Inc. (Research Foundation). Financial statements for the University's discretely presented component unit, (the Foundation), have also been included in accordance with GASB pronouncements. Financial statements presented for the Foundation consist of the consolidated statements of financial position and the consolidated statements of activities prepared in accordance with Financial Accounting Standards Board (FASB) pronouncements.

## Statement of Net Position

The statement of net position reflects the financial position of the University as of June 30, 2024, with comparative information as of June 30, 2023 and includes all assets, deferred outflows and inflows of resources, liabilities and net position. It is prepared under 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. Net position, consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the current financial condition of the University. Assets, liabilities, deferred inflows and outflows of resources are generally measured 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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2024, 2023 and 2022 follows:

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

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | $ 110,379 | $ 112,180 | $ 130,851 |
| Capital assets, net | 355,838 | 355,484 | 365,610 |
| Noncurrent assets | 53,500 | 56,595 | 70,552 |
| Total assets | 519,717 | 524,259 | 567,013 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 1,506 | 2,205 | 2,476 |
| **TOTAL ASSETS and DEFERRED OUTFLOWS** | $ 521,223 | $ 526,464 | $ 569,489 |
| **LIABILITIES** | | | |
| Current liabilities | 53,890 | 46,528 | 51,648 |
| Noncurrent liabilities | 283,488 | 302,153 | 315,092 |
| Total liabilities | 337,378 | 348,681 | 366,740 |
| **DEFERRED INFLOWS OF RESOURCES** | 14,140 | 12,266 | 13,714 |
| **NET POSITION** | | | |
| Net investment in capital assets | 251,725 | 243,380 | 244,731 |
| Restricted | | | |
| Nonexpendable | 8,341 | 7,616 | 7,616 |
| Expendable | 14,482 | 11,432 | 9,548 |
| Unrestricted | (104,843) | (96,911) | (72,860) |
| Total net position | 169,705 | 165,517 | 189,035 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS and NET POSITION** | $ 521,223 | $ 526,464 | $ 569,489 |

**Assets**

The University's assets decreased by $4.5 million, or 0.9 percent, for the year ended June 30, 2024 and now total $519.7 million. Current assets decreased by $1.8 million while noncurrent assets decreased by $2.7 million for the year ended June 30, 2024. Modest fluctuations in several asset categories contributed to this result. A decrease of $6.3 million in cash and cash equivalents for the year was offset by an increase of $1.2 million in investments for the year ended June 30, 2024 compared to a decrease in cash and cash equivalents in 2023 of $32 million. Prepaid future pension service credits from the University's cessation from KERS of $14.5 million, $17.4 million and $20.9 million for the years ending June 30, 2024, 2023 and 2022 respectively have decreased over this time period. Prepaid future pension service credits will continue to decrease as employees earn the credits each year or cease employment with the University prior to retirement.

**Deferred Outflows of Resources**

Deferred outflows of resources totaled $1.5 million, $2.2 million and $2.5 million as of June 30, 2024, 2023 and 2022, respectively. The deferred outflows of resources that represent the unamortized difference between the reacquisition price and the net carrying amount of refunded debt totaled $1.1 million, $1.5 million and $1.8 million at June 30, 2024, 2023 and 2022, respectively.

**Liabilities**

The University's liabilities decreased by $11.3 million, or 3.2 percent, for the year ended June 30, 2024 compared to a reduction in liabilities for the year ended June 30, 2023 of $18 million, or 4.9 percent. These decreases are primarily a result of a decrease in long-term debt. Long-term debt has decreased $30.7 million from June 30, 2022 to June 30, 2024. Current liabilities increased $7.4 million due largely to increases in accounts payable, accrued liabilities and unearned revenue compared to 2023. Noncurrent liabilities decreased by $18.7 million for the year as a result of a reduction of $16.6 million in long-term debt and a $2.1 million increase in other long-term liabilities.

**Deferred Inflows of Resources**

The University's deferred inflows of resources totaled $14.1 million, $12.3 million and $13.7 million as of June 30, 2024, 2023 and 2022, respectively. During fiscal year 2022, the University adopted GASB Statement No. 87, *Leases*. As a result, the University was required to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources based on the payment provisions of the contract. Lease inflows totaled $9.4 million, $9.8 million and $10.8 million as of June 30, 2024, 2023 and 2022, respectively. The agreement between the University and the University's food service providers resulted in a deferred inflow of resources of $1.9 million, $2.1 million and $2.2 million at June 30, 2024, 2023 and 2022, respectively. The deferred inflows of resources related to this agreement are recognized evenly over the life of the contract. Deferred inflows include a $1.9 million gain resulting from a bond refunding occurring in the year ended June 30, 2024. The remaining deferred inflows of resources for the years ended June 30, 2024, 2023 and 2022 consist of the KERS pension and OPEB related unamortized balances.

**Net Position**

Net position represents the difference between the University's total of assets and deferred outflows of resources and the total of liabilities and deferred inflows of resources. The University's net position totaled $169.7 million, $165.5 million and $189 million at June 30, 2024, 2023 and 2022, respectively. The University's unrestricted net position totaled $(104.8) million, $(96.9) million and $(72.9) million as of June 30, 2024, 2023 and 2022, respectively. The University's unrestricted net position decreased by $7.9 million and $24 million for the years ended June 30, 2024 and 2023, respectively.

Net invested in capital assets totaled $251.7 million, $243.4 million and $244.7 million at June 30, 2024, 2023 and 2022, respectively. At June 30, 2024, the University's restricted nonexpendable net position totaled $8.3 million, an increase of $0.7 million over the prior two years. The nonexpendable funds consist of endowments funded through the Commonwealth's Regional University Excellence Trust Fund. Restricted expendable net position totaled $14.5 million, $11.4 million and $9.5 million for the years ended June 30, 2024, 2023 and 2022, respectively. A $5 million increase over the three-year period resulted.

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

The statement of revenues, expenses and changes in net position presents the revenues and expenses incurred during the year. Activities are reported as either operating or nonoperating. GASB requires state appropriations and nonexchange grants and contracts to be classified as nonoperating revenues. Accordingly, the University will generate an operating loss prior to the addition of nonoperating revenues.

This statement is prepared on the accrual basis of accounting whereby revenues and assets are reorganized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

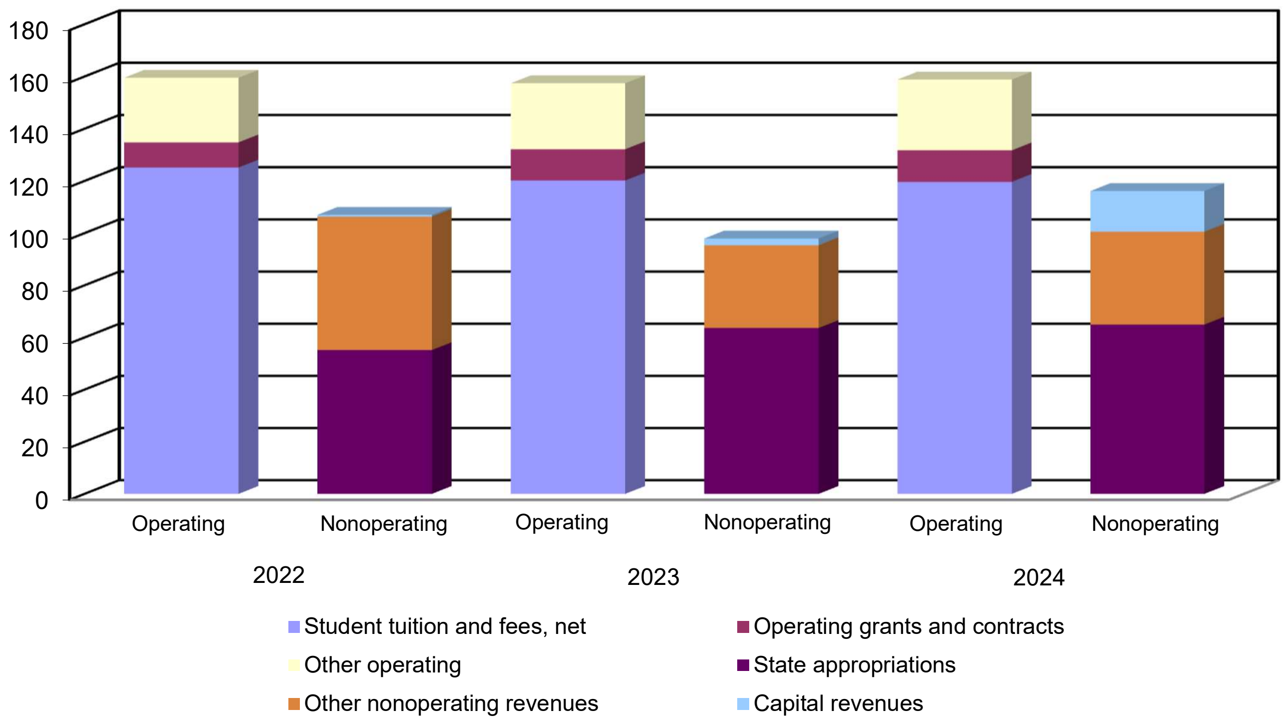
The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. A summarized comparison of the University's revenues, expenses and changes in net position for years ended June 30, 2024, 2023 and 2022 follows:

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

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Student tuition and fees, net | $ 119,641 | $ 120,148 | $ 125,129 |
| Grants and contracts | 12,077 | 11,982 | 9,619 |
| Sales and services of educational departments | 4,635 | 4,238 | 4,147 |
| Auxiliary enterprises | 11,558 | 11,923 | 11,130 |
| Other operating revenues | 10,920 | 9,100 | 9,464 |
| Total operating revenues | 158,831 | 157,391 | 159,489 |
| **OPERATING EXPENSES** | | | |
| Educational and general | 232,058 | 239,973 | 250,245 |
| Depreciation and amortization expense | 17,358 | 17,904 | 16,294 |
| Auxiliary enterprises (incl. depreciation and amortization) | 11,395 | 11,598 | 11,995 |
| Other expenses | 119 | 82 | 27 |
| Total operating expenses | 260,930 | 269,557 | 278,561 |
| Net loss from operations | (102,099) | (112,166) | (119,072) |
| **NONOPERATING REVENUES (EXPENSES)** | | | |
| State appropriations | 64,931 | 63,611 | 55,150 |
| Gifts, grants and contracts | 27,382 | 25,952 | 48,702 |
| Investment income (loss) | 7,497 | 5,777 | 2,471 |
| Interest on capital asset-related debt | (8,636) | (9,456) | (9,599) |
| Other nonoperating revenues (expenses) | (1,178) | 185 | (2,035) |
| Net nonoperating revenues | 89,996 | 86,069 | 94,689 |
| Income (loss) before other revenues, expenses, gains or losses | (12,103) | (26,097) | (24,383) |
| Capital appropriations | 14,353 | 2,298 | |
| Capital grants and gifts | 1,213 | 281 | 654 |
| State endowment match | 725 | - | - |
| Total other revenues | 16,291 | 2,579 | 654 |
| Special item - KERS-NH | - | - | 218,567 |
| Increase (decrease) in net position | 4,188 | (23,518) | 194,838 |
| Net position-beginning of year, as previously reported | 165,517 | 189,035 | (5,803) |
| Net position-end of year | $ 169,705 | $ 165,517 | $ 189,035 |

**Operating and Nonoperating Revenues**

The following chart illustrates the University's revenues by source (both operating and nonoperating), which were used to fund its operating activities for fiscal years 2022, 2023 and 2024. Significant recurring sources of revenues, including state appropriations and nonexchange grants and contracts, are considered nonoperating revenues as defined by GASB. These revenues support operating expenses; therefore, they are included in the graph of revenues by source (presented in millions).




The University's operating and nonoperating revenues totaled $274.9 million for the year ended June 30, 2024, an increase of $19.4 million compared to 2023. Operating revenues totaled $158.8 million, or 58 percent of revenues, while nonoperating revenues totaled $116.1 million, or 42 percent of revenues, for the year. The most significant sources of revenue for the University are net student tuition and fees (43.7 percent) and state appropriations (23.7 percent)

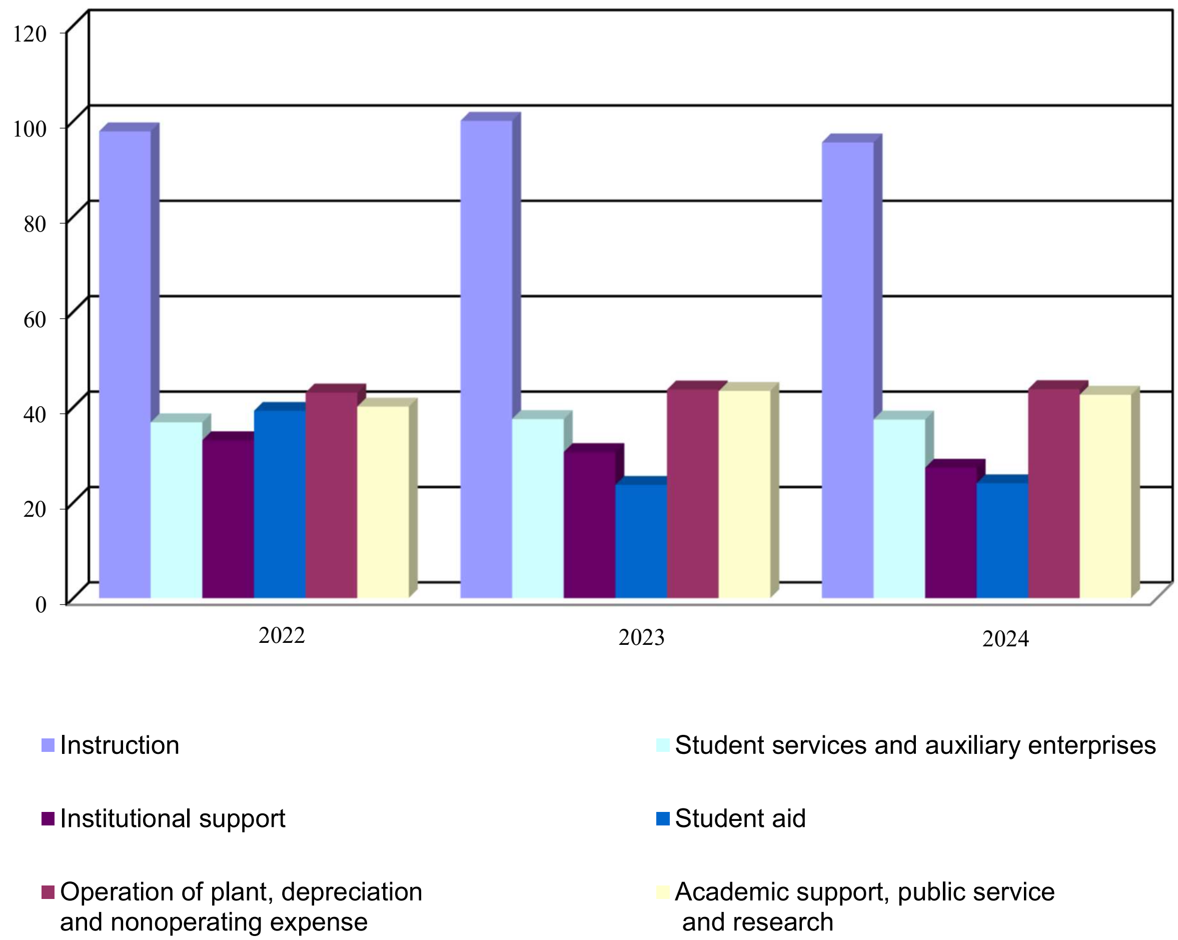
Operating revenues increased by $1.4 million compared to 2023 primarily a result of an increase of $1.8 million in other operating revenues. Other operating revenues include revenue streams such as service fees, facility and equipment rental fees, administrative cost reimbursements from external agencies, and noncredit training and development fees. Modest decreases in both tuition revenues net of scholarship allowances, $0.5 million, and auxiliary operations, $0.4 million, were offset by modest increases in several other operating categories. Operating grants and contracts increased $0.1 million, and sales and services of educational departments increased $ 0.4 million compared to 2023.

Nonoperating revenues increased in 2024 by $18.0 million compared to 2023. Primarily as a result of an increase in capital appropriations of $12.1 million for the year ended June 30, 2024. Nonoperating gifts, grants and contracts increased $2.4 million for the year ended June 30, 2024. In addition, state appropriations totaled $64.9 million, a $1.3 million increase compared to 2023. As a part of the Commonwealth's Regional University Excellence Trust fund the University received $0.7 million as a state endowment match in 2024. The year ended June 30, 2024 also included a small increase in investment income and other nonoperating revenues of $ 0.4 million. Nonoperating revenues decreased from 2022 to 2023 by $11.0 million primarily due to the expiration of pandemic related grants of $23.6 million that were offset by an $8.5 million increase in state appropriation and an increase of $4.3 million in investment income and other nonoperating revenues.

In the 2022-2024 budget of the Commonwealth of Kentucky, the Kentucky General Assembly authorized $683.5 million for a Postsecondary Education Asset Preservation Pool to provide funding for individual asset preservation, renovation, and maintenance projects at Kentucky public postsecondary institutions. The University received $12.1 million, and $2.3 million, of asset preservation appropriations for the years ended June 30, 2024 and 2023, respectively. No asset preservation appropriations were received in 2022.

**Operating and Nonoperating Expenses**

The following chart illustrates the University's expenses by function (both operating and nonoperating) for fiscal years 2022, 2023 and 2024 (presented in millions).




Operating and nonoperating expenses decreased by $8.3 million, or 3.0 percent, to a total of $270.7 million for the year ended June 30, 2024. Combined with a 2023 decrease of $ $11.2 million, operating and nonoperating expenses have been reduced by $19.5 million since 2022. For the year ended June 30, 2024, the reduction in expense was primarily attributable to decreases in instruction expenses of $4.5 million, institutional support of $3.3 million, and academic support of $1.2 million. The University continues to realign spending to more closely match revenue generation.

Tuition and fee scholarship allowances and housing scholarship allowances decreased by $0.6 million and student aid expenses increased by $0.4 million resulting in an overall decrease in student aid of $0.2 million. The year ended June 30, 2023 saw a decline in student aid of $9.6 million driven by the elimination of pandemic related grant funded aid. American Rescue Plan funded awards totaled $11.9 million in fiscal year 2022. In comparison, $0 were awarded in 2023.

## Statement of Cash Flows

Another important factor to consider when evaluating financial viability is the University's ability to meet financial obligations as they become due. The statement of cash flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital and related financing, and investing activities. A comparative summary of the University's statements of cash flows for the years ended June 30, 2024, 2023 and 2022 follows:

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

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Net cash provided (used) by: | | | |
| Operating activities | $ (77,703) | $ (92,674) | $ (94,946) |
| Noncapital financing activities | 82,708 | 78,870 | 115,200 |
| Capital and related financing activities | (17,434) | (23,301) | (31,272) |
| Investing activities | 6,141 | 5,069 | 3,940 |
| Net increase (decrease) in cash and cash equivalents | (6,288) | (32,036) | (7,078) |
| Cash and cash equivalents, beginning of year | 98,066 | 130,102 | 137,180 |
| Cash and cash equivalents, end of year | $ 91,778 | $ 98,066 | $ 130,102 |

The University's cash and cash equivalents decreased by $6.3 million in 2024. Major sources of funds generated by operating activities in 2024 included student tuition and fees ($119.2 million), grants and contracts ($11.5 million) and auxiliary enterprises ($11.2 million). The largest cash payments for operating activities were for salaries and benefits ($148.4 million), vendor payments ($61.2 million) and student financial aid ($24.8 million). Net cash used by operating activities decreased by $15 million in 2024 when compared to 2023 primarily due to decreases in payments for salaries and benefits ($9.6 million) and payments to suppliers ($2.9 million) and an increase in funds generated by tuition and fees ($1.9 million).

Net cash provided by noncapital financing activities increased by $3.8 million in 2024 compared to 2023. The 2024 increase is primarily a result of an increase in state appropriations of $1.3 million and a $2.1 million increase in noncapital gifts and grants. Net cash used by capital financing activities totaled $17.4 million, $23.3 million and $31.3 million for the years ended June 30, 2024, 2023 and 2022 respectively. Net cash provided by investing activities increased $1.1 million over the prior year resulting in a two-year increase of $2.2 million primarily due to investment earnings.

### Capital Asset and Debt Administration

**Capital Assets**

As of June 30, 2024, capital assets, net of accumulated depreciation, totaled $355.8 million, or 68.5 percent of total assets. Capital assets as of June 30, 2024, 2023 and 2022 are as follows (in thousands):

| | Balance 6/30/2022 | Net Additions (Deletions) | Balance 6/30/2023 | Net Additions (Deletions) | Balance 6/30/2024 |
|---|---|---|---|---|---|
| Land | $ 9,375 | - | $ 9,375 | - | $ 9,375 |
| Land Improvements | 43,464 | 294 | 43,758 | 296 | 44,054 |
| Buildings | 565,910 | 649 | 566,559 | 2,975 | 569,534 |
| Equipment | 74,426 | (3,875) | 70,551 | 1,742 | 72,293 |
| Library Books | 9,846 | 300 | 10,146 | 173 | 10,319 |
| Construction in Process | 2,123 | 2,651 | 4,774 | 11,440 | 16,214 |
| Accumulated Depreciation | (339,534) | (10,145) | (349,679) | (16,272) | (365,951) |
| | $ 365,610 | $ (10,126) | $ 355,484 | $ 354 | $ 355,838 |

Net capital assets increased by $0.4 million as of June 30, 2024 after decreasing the previous year by $10.1 million. The increase in 2024 is the net result of an $21.6 million increase in capitalized construction project costs, land improvements, equipment and other capital assets, less $20.1 million in depreciation, and a net reduction of $1.1 million in asset disposals.

**Debt**

The following is a summary of the University's outstanding capital debt summarized by trust indenture and type as of June 30, 2024, 2023 and 2022 (in thousands):

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| General Receipts Bonds, tax exempt, net of discounts and premiums | $ 99,631 | $ 111,474 | $ 121,669 |
| General Receipts Bonds, taxable | 189,935 | 194,875 | 199,790 |
| Lease liabilities | 974 | 1,004 | 897 |
| SBITA liabilities | 1,772 | 6,650 | 4,066 |
| Other financing arrangements | 4,254 | 2,700 | 3,019 |
| | $ 296,566 | $ 316,703 | $ 329,441 |

Debt decreased by $20.1 million for the year ended June 30, 2024, primarily due to a reduction in General Receipts Bonds of $16.8 million, a decrease in lease and subscription IT agreement liabilities of $4.9 million and an increase in other financing arrangements of $1.6 million over the year ended June 30, 2023. In April 2024, General Receipts Refunding Bonds, 2024 Series A were issued in the amount of $28.9 million. The proceeds refunded General Receipts Bonds, 2014 Series A maturing on or after September 1, 2025. The refunding reduced the University's total debt service payments over the term by $2.5 million.

**ECONOMIC FACTORS IMPACTING FUTURE PERIODS**

The following are known facts and circumstances that may impact the future financial viability of the University:

- The University's fall 2023 total enrollment of 14,985 was a decrease of 5.3% from the prior year and was the fourth year of total enrollment decline since 2017. Since 2017, undergraduate enrollments decreased 2,503 students (19.9%). Supplementing significant drops in the total enrollment was the significant growth of graduate headcount. In fall 2023, 4,916 students enrolled at the graduate-level accounting for 32.8% of total enrollment. Growth in graduate enrollment can be attributed to the spike in accelerated online offerings topping 3,667 students.

- National Higher Education enrollment in public 4-year institutions has started a slow rebound from the COVID declines. For example, according to the National Student Clearinghouse Research Center, undergraduate enrollments in fall 2023 increased .6% from the prior fall for undergraduate programs at public 4-year institutions.

- The Kentucky Council on Postsecondary Education (CPE) established a 5% tuition cap for the 2-year period covering 2023-25. The University proposed, and CPE subsequently approved, raising tuition 2% for 2024-2025. Increases are yet to be determined for 2025-2026; however, we expect future tuition caps to be similarly modest as CPE works to keep access to postsecondary education within reach for all Kentuckians.

- The 2024-2026 biennium budget approved by the Kentucky General Assembly contained generous support for postsecondary education as a whole. The Postsecondary Education Asset Preservation Pool provides funding for asset preservation, renovation, and maintenance projects at Kentucky's public postsecondary institutions in Education and Federal, and state-owned and operated residential housing facilities. The University was allocated $23.1 million of asset preservation funds each year of the biennium. In addition, the University was allocated $52 million to renovate Steely Library and $20 million to Enhance Online Programs. Performance funding for the 2024-2025 year increased to a new high of $13.2 million to support general operations. To maintain and enhance this level of funding the University needs to continue efforts with student success and progression such as those associated with our Success by Design strategic framework.

- Management continues efforts to diversify revenue sources, contain costs, and redirect resources to core mission priorities. A few initiatives the University is implementing to transition our enrollment from declining to increasing. Direct Admit Program provides conditional admission for qualified undergraduate students who have an unofficial high school GPA at or above a 2.75 (unweighted), thus meeting the current academic admissions standards established by the University. Starting in fall 2025, high school seniors from Kentucky, Ohio, and Indiana will be direct admitted to the University, eliminating the traditional application and application fee, one step towards reducing barriers that may stand in the way for students beginning their academic journey. Another initiative rolling out in fall 2025, is the University's 3 States, 1 Rate initiative. With the support and approval of the CPE, the University will launch this tuition model for new undergraduate students in Kentucky, Ohio, and Indiana. The 3 States, 1 Rate initiative is another step in streamlining admissions standards and reducing barriers to success. This will allow all new students (including first-time freshmen and transfer students) from Kentucky, Ohio, and Indiana to pay the in-state tuition rate further streamlining admissions and cost of attendance.

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Statements of Net Position**
**As of June 30, 2024 and 2023**
*(in thousands)*

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 86,067 | $ 92,049 |
| Notes, loans and accounts receivable, net | 16,958 | 14,197 |
| Lease receivable | 1,020 | 938 |
| Other current assets | 6,334 | 4,996 |
| Total current assets | 110,379 | 112,180 |
| Noncurrent Assets | | |
| Cash and cash equivalents | 5,711 | 6,017 |
| Investments | 16,105 | 14,937 |
| Notes, loans and accounts receivable, net | 1,036 | 1,096 |
| Lease receivable | 8,726 | 9,040 |
| Right to use subscription based IT agreement asset, net | 5,050 | 6,697 |
| Right to use lease asset, net | 1,042 | 1,025 |
| Pension prepaid future service | 14,508 | 17,382 |
| OPEB asset | 823 | - |
| Capital assets, net | 355,838 | 355,484 |
| Other noncurrent assets | 499 | 401 |
| Total noncurrent assets | 409,338 | 412,079 |
| Total assets | 519,717 | 524,259 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Bond refunding loss | 1,113 | 1,465 |
| Pension and OPEB | 393 | 740 |
| Total deferred outflows of resources | 1,506 | 2,205 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS** | $ 521,223 | $ 526,464 |

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Statements of Net Position, continued**
**As of June 30, 2024 and 2023**
*(in thousands)*

| | 2024 | 2023 |
|---|---|---|
| **LIABILITIES** | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | $ 23,825 | $ 19,809 |
| Unearned revenue | 10,960 | 9,072 |
| Subscription liabilities-current portion | 1,720 | 1,725 |
| Lease liabilities-current portion | 276 | 267 |
| Long-term debt-current portion | 16,697 | 15,291 |
| Other long-term liabilities-current portion | 412 | 364 |
| Total current liabilities | 53,890 | 46,528 |
| Noncurrent Liabilities | | |
| Deposits | 40 | 41 |
| SBITA liabilities | 3,356 | 4,925 |
| Lease liabilities | 698 | 737 |
| Long-term debt | 277,123 | 293,758 |
| Other long-term liabilities | 597 | 649 |
| Net pension and OPEB liabilities | 1,674 | 2,043 |
| Total noncurrent liabilities | 283,488 | 302,153 |
| Total liabilities | 337,378 | 348,681 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Service agreements | 1,903 | 2,149 |
| Lease inflows | 9,427 | 9,782 |
| Bond refunding gain | 1,914 | - |
| Pension and OPEB | 896 | 335 |
| Total deferred inflows of resources | 14,140 | 12,266 |
| **NET POSITION** | | |
| Net investment in capital assets | 251,725 | 243,380 |
| Restricted | | |
| Nonexpendable | 8,341 | 7,616 |
| Expendable | 14,482 | 11,432 |
| Unrestricted | (104,843) | (96,911) |
| Total net position | 169,705 | $ 165,517 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION** | $ 521,223 | $ 526,464 |

*See accompanying notes to the financial statements*

**Northern Kentucky University Foundation, Inc.**
**Consolidated Statements of Financial Position**
**As of June 30, 2024 and 2023**
*(in thousands)*

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 8,076 | $ 6,567 |
| Loans and accounts receivable, net | 574 | 371 |
| Interest receivable | 79 | 43 |
| Contributions receivable, net | 5,820 | 5,992 |
| Prepaid expenses and deferred charges | 119 | 127 |
| Investments | 149,165 | 137,979 |
| Land and land improvements, net | 323 | 323 |
| Total assets | $ 164,156 | $ 151,402 |
| | | |
| **LIABILITIES AND NET ASSETS** | | |
| Accounts payable | $ 275 | $ 333 |
| Agency funds | 27 | 12 |
| Deferred income | 457 | 514 |
| Funds held in trust for Northern Kentucky University | 16,105 | 14,937 |
| Total liabilities | 16,864 | 15,796 |
| **NET ASSETS** | | |
| Without Donor Restrictions | | |
| Undesignated | 3,994 | 3,286 |
| Amounts functioning as endowment funds | 3,738 | 3,366 |
| Invested in land and land improvements | 323 | 323 |
| Total without donor restrictions | 8,055 | 6,975 |
| With Donor Restrictions | | |
| Purpose Restrictions | | |
| Unexpended funds | 14,280 | 13,368 |
| Contributions receivable | 5,820 | 5,992 |
| Loan funds | 1,123 | 1,202 |
| Endowment funds | 118,014 | 108,069 |
| Total with donor restrictions | 139,237 | 128,631 |
| Total net assets | 147,292 | 135,606 |
| Total liabilities and net assets | $ 164,156 | $ 151,402 |

*See accompanying notes to the financial statements*

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Statements of Revenues, Expenses and Changes in Net Position**
**For the Years Ended June 30, 2024 and 2023**
*(in thousands)*

| | 2024 | 2023 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Student tuition and fees (net of scholarship allowances of $44,706 in 2024 and $45,253 in 2023) | $ 119,641 | $ 120,148 |
| Federal grants and contracts | 4,480 | 4,595 |
| State and local grants and contracts | 3,977 | 3,807 |
| Nongovernmental grants and contracts | 3,620 | 3,580 |
| Sales and services of educational departments | 4,635 | 4,238 |
| Auxiliary enterprises | | |
| Housing and food service (net of scholarship allowances of $1,013 in 2024 and $1,021 in 2023) | 8,469 | 8,837 |
| Other auxiliaries | 3,089 | 3,086 |
| Other operating revenues | 10,920 | 9,100 |
| Total operating revenues | 158,831 | 157,391 |
| **OPERATING EXPENSES** | | |
| Educational and general | | |
| Instruction | 95,534 | 100,061 |
| Research | 2,491 | 3,032 |
| Public service | 13,963 | 12,806 |
| Libraries | 5,340 | 5,518 |
| Academic support | 20,837 | 22,065 |
| Student services | 25,912 | 25,824 |
| Institutional support | 27,304 | 30,593 |
| Operation and maintenance of plant | 16,616 | 16,369 |
| Depreciation and amortization | 17,358 | 17,904 |
| Student aid | 24,061 | 23,705 |
| Auxiliary enterprises | | |
| Housing and food service | 5,624 | 5,849 |
| Other auxiliaries | 934 | 942 |
| Auxiliary depreciation and amortization | 4,837 | 4,807 |
| Other expenses | 119 | 82 |
| Total operating expenses | 260,930 | 269,557 |
| Net loss from operations | (102,099) | (112,166) |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| State appropriations | 64,931 | 63,611 |
| Federal grants and contracts | 14,108 | 12,754 |
| State and local grants and contracts | 13,130 | 13,103 |
| Private gifts and grants | 144 | 95 |
| Investment income | 7,497 | 5,777 |
| Interest on debt | (8,636) | (9,456) |
| Other nonoperating revenues | (1,178) | 185 |
| Net nonoperating revenues | 89,996 | 86,069 |
| Loss before other revenues, expenses, gains or losses | (12,103) | (26,097) |
| Capital appropriations | 14,353 | 2,298 |
| Capital grants and gifts | 1,213 | 281 |
| State endowment match | 725 | - |
| Total other revenues | 16,291 | 2,579 |
| Change in net position | 4,188 | (23,518) |
| **NET POSITION-BEGINNING OF YEAR** | 165,517 | 189,035 |
| **NET POSITION-END OF YEAR** | $ 169,705 | $ 165,517 |

*See accompanying notes to the financial statements*

**Northern Kentucky University Foundation, Inc.**
**Consolidated Statement of Activities**
**For the year ended June 30, 2024**
*(in thousands)*

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **REVENUES, GAINS AND OTHER SUPPORT** | | | |
| Gifts and bequests | $ - | $ 6,468 | $ 6,468 |
| Nonfinancial contributions | - | 14 | 14 |
| State grants | - | 5 | 5 |
| Rental income | 145 | 1 | 146 |
| Investment return | 973 | 13,085 | 14,058 |
| Other revenue | 153 | 278 | 431 |
| Total revenues and gains (losses) | 1,271 | 19,851 | 21,122 |
| Net assets released from restrictions | 9,186 | (9,186) | - |
| Total revenues, gains (losses) and other support | 10,457 | 10,665 | 21,122 |
| | | | |
| **EXPENSES AND LOSSES** | | | |
| Program expenses | | | |
| Instruction | 844 | - | 844 |
| Research | 231 | - | 231 |
| Public service | 282 | - | 282 |
| Libraries | 44 | - | 44 |
| Academic support | 1,135 | - | 1,135 |
| Student services | 1,177 | - | 1,177 |
| Institutional support | 1,085 | - | 1,085 |
| University facilities and equipment acquisition | 624 | - | 624 |
| Student financial aid | 3,216 | - | 3,216 |
| Other program expenses and losses | - | 59 | 59 |
| Total program expenses (recoveries) | 8,638 | 59 | 8,697 |
| Support expenses | | | |
| Management and general | 583 | - | 583 |
| Fund raising support | 156 | - | 156 |
| Total support expenses | 739 | - | 739 |
| Total expenses and losses (recoveries) | 9,377 | 59 | 9,436 |
| Change in net assets | 1,080 | 10,606 | 11,686 |
| Net assets - beginning of year | 6,975 | 128,631 | 135,606 |
| Net assets - end of year | $ 8,055 | $ 139,237 | $ 147,292 |

*See accompanying notes to the financial statements*

**Northern Kentucky University Foundation, Inc.**
**Consolidated Statement of Activities**
**For the year ended June 30, 2023**
*(in thousands)*

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **REVENUES, GAINS AND OTHER SUPPORT** | | | |
| Gifts and bequests | $ - | $ 5,579 | $ 5,579 |
| Nonfinancial contributions | - | 21 | 21 |
| State grants | - | 10 | 10 |
| Rental income | 145 | - | 145 |
| Investment return | 397 | 8,169 | 8,566 |
| Other revenue | 145 | 481 | 626 |
| Total revenues and gains (losses) | 687 | 14,260 | 14,947 |
| Net assets released from restrictions | 9,163 | (9,163) | - |
| Total revenues, gains (losses) and other support | 9,850 | 5,097 | 14,947 |
| **EXPENSES AND LOSSES** | | | |
| Program expenses | | | |
| Instruction | 1,018 | - | 1,018 |
| Research | 133 | - | 133 |
| Public service | 225 | - | 225 |
| Libraries | 15 | - | 15 |
| Academic support | 1,220 | - | 1,220 |
| Student services | 1,262 | - | 1,262 |
| Institutional support | 1,331 | - | 1,331 |
| University facilities and equipment acquisition | 136 | - | 136 |
| Student financial aid | 3,374 | - | 3,374 |
| Other program expenses and losses | - | 115 | 115 |
| Total program expenses (recoveries) | 8,714 | 115 | 8,829 |
| Support expenses | | | |
| Management and general | 469 | - | 469 |
| Fund raising support | 201 | - | 201 |
| Total support expenses | 670 | - | 670 |
| Total expenses and losses (recoveries) | 9,384 | 115 | 9,499 |
| Change in net assets | 466 | 4,982 | 5,448 |
| Net assets - beginning of year | 6,509 | 123,649 | 130,158 |
| Net assets - end of year | $ 6,975 | $ 128,631 | $ 135,606 |

*See accompanying notes to the financial statements*

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Statements of Cash Flows**
**For the Years Ended June 30, 2024 and 2023**
*(in thousands)*

| | 2024 | 2023 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Tuition and fees | $ 119,190 | $ 117,248 |
| Grants and contracts | 11,499 | 12,439 |
| Payments to suppliers | (59,657) | (64,119) |
| Payments for salaries and benefits | (148,390) | (158,000) |
| Payments for student financial aid | (24,754) | (24,232) |
| Loans issued to students | (266) | (236) |
| Collection of loans to students | 82 | 65 |
| Auxiliary enterprise receipts: | | |
| Housing operations | 8,236 | 8,672 |
| Other auxiliaries | 2,962 | 2,892 |
| Sales and service of educational departments | 5,021 | 4,096 |
| Other receipts | 9,890 | 8,501 |
| Net cash used in operating activities | (76,187) | (92,674) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| State appropriations | 64,931 | 63,611 |
| State endowment match | 725 | - |
| Gifts and grants for other than capital purposes | 27,840 | 25,733 |
| Agency and loan program receipts | 91,368 | 89,961 |
| Agency and loan program disbursements | (91,665) | (89,944) |
| KERS cessation refund | | |
| Principal paid on noncapital debt | (4,940) | (4,915) |
| Interest paid on noncapital debt | (5,550) | (5,576) |
| Other nonoperating receipts (payments) | (1) | - |
| Net cash provided by noncapital financing activities | 82,708 | 78,870 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Proceeds from capital debt | 27,348 | - |
| Capital appropriations | 10,596 | 2,063 |
| Casualty loss reimbursement | 1,023 | 496 |
| Capital grants, gifts, and advances received | 1,018 | 97 |
| Proceeds from sale of capital assets | 46 | 18 |
| Purchases of capital assets | (17,022) | (11,001) |
| Principal paid on capital debt | (9,853) | (9,624) |
| Bond refund escrow payment | (27,116) | - |
| Interest paid on capital debt | (3,857) | (4,261) |
| Principal payments received on leases receivable | 1,153 | 976 |
| Interest payments received on leases receivable | 188 | 192 |
| Principal paid on leases payable | (184) | (199) |
| Interest paid on leases payable | (10) | (12) |
| Principal paid on SBITAs payable | (1,770) | (2,035) |
| Interest paid on SBITAs payable | (293) | (11) |
| Bond issuance costs | (217) | - |
| Net cash used in capital and related financing activities | (18,950) | (23,301) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from sales and maturities of investments | (15) | (111) |
| Interest on investments | 6,156 | 5,180 |
| Net cash provided by investing activities | 6,141 | 5,069 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (6,288) | (32,036) |
| Cash and cash equivalents-beginning of year | 98,066 | 130,102 |
| Cash and cash equivalents-end of year | $ 91,778 | $ 98,066 |

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Statements of Cash Flows, continued**
For the Years Ended June 30, 2024 and 2023
*(in thousands)*

| | 2024 | 2023 |
|---|---|---|
| **RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:** | | |
| Net loss from operations | $ (102,099) | $ (112,166) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | |
| Depreciation and amortization expense | 22,195 | 22,711 |
| Deferred inflows of resources | (888) | (1,517) |
| Deferred outflows of resources | 347 | (90) |
| Reduction in prepaid pension/future service | 2,874 | 3,621 |
| Gain on write-off of sick time accrual | | |
| Changes in assets and liabilities: | | |
| Receivables, net | (191) | 1,320 |
| Other assets | 133 | (508) |
| Accounts payable, accrued liabilities and deposits | 848 | (4,297) |
| Unearned revenue | 1,923 | (2,042) |
| Pension and OPEB liabilities | (1,192) | 483 |
| Long-term liabilities | (137) | (189) |
| Net cash used in operating activities | $ (76,187) | $ (92,674) |
| | | |
| **SUPPLEMENTAL CASH FLOWS INFORMATION** | | |
| Gifts of capital assets and trade-in credits | $ 218 | $ 195 |
| Capital asset acquisitions in accounts payable | 5,858 | 2,249 |
| Unrealized gains and losses on investments | 1,541 | 986 |
| Cisco noncash equipment financing | 2,249 | - |
| | | |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION** | | |
| Cash and cash equivalents - current | $ 86,067 | $ 92,049 |
| Cash and cash equivalents - noncurrent | 5,711 | 6,017 |
| | $ 91,778 | $ 98,066 |

*See accompanying notes to the financial statements*

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Fiduciary Funds**
**Statements of Fiduciary Net Position**
**For the Years Ended June 30, 2024 and 2023**
*(in thousands)*

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 15,622 | $ 15,488 |
| Total assets | $ 15,622 | $ 15,488 |
| | | |
| **LIABILITIES** | | |
| Accounts payable and other liabilities | $ 117 | $ 125 |
| Total liabilities | 117 | 125 |
| | | |
| **NET POSITION** | | |
| Restricted for: | | |
| Individuals, organizations and other governments | 15,505 | 15,363 |
| Total net position | 15,505 | 15,363 |
| | | |
| Total liabilities and net position | $ 15,622 | $ 15,488 |

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Fiduciary Funds**
**Statements of Changes in Fiduciary Net Position**
**For the Years Ended June 30, 2024 and 2023**
*(in thousands)*

| | 2024 | 2023 |
|---|---|---|
| **ADDITIONS** | | |
| In-lieu fees | $ 921 | $ 572 |
| Investment income | 804 | 594 |
| Total additions | 1,725 | 1,166 |
| | | |
| **DEDUCTIONS** | | |
| Contract expense | 1,386 | 1,207 |
| Land and right of way | 141 | - |
| Administrative fees | 56 | 35 |
| Total deductions | 1,583 | 1,242 |
| Net decrease in fiduciary net position | 142 | (76) |
| Net position - beginning | 15,363 | 15,439 |
| Net position - ending | $ 15,505 | $ 15,363 |

*See accompanying notes to the financial statements*

## Note 1 – Organization and Summary of Significant Accounting Policies

### a. Reporting Entity

Northern Kentucky University (the University) is a component unit of the Commonwealth of Kentucky (the Commonwealth) and is included in the general-purpose financial statements of the Commonwealth. The financial statements of the University include the operations of the Northern Kentucky University Research Foundation (the Research Foundation), which is a legally separate, tax-exempt organization supporting the University. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, the Research Foundation is reported as a blended component unit of the University and condensed financial information is provided in Note 14.

The Northern Kentucky University Foundation, Inc. (the Foundation) is a legally separate, tax-exempt organization supporting the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation's Board of Directors is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The accompanying financial statements do not include the financial position or operating results of the Chase College Foundation, Inc. This foundation is a separately incorporated not-for-profit entity organized for the purpose of promoting the educational mission of the University's Salmon P. Chase College of Law. Although this entity benefits the University's Salmon P. Chase College of Law, it is governed by an independent Board of Directors and is not controlled by the University.

### b. Basis of Presentation

The accompanying financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. In accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35) and subsequent standards issued by GASB, the University has elected to report as an entity engaged in business-type activities (BTA). BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services. GASB 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- **Net investment in capital assets:** Capital and lease assets, net of accumulated depreciation and amortization and outstanding principal balances of debt and leases 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.

  ***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. Expendable net position consists primarily of accumulated endowment earnings.

- **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 Regents or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation required by GASB 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.

**c. 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.

**d. Cash and Cash Equivalents**

Cash and cash equivalents include all readily available sources of cash such as petty cash, demand deposits, certificates of deposit and temporary investments in marketable debt securities with original maturities less than three months. Funds held by the Commonwealth are also considered cash equivalents.

**e. Notes, Loans and Accounts Receivable, Net**

This classification consists of tuition and fee charges to students, charges for auxiliary enterprise services provided to students, faculty and staff, loans to students and amounts due from sponsors for reimbursement of expenses made pursuant to contracts and grants. Accounts receivable are recorded net of estimated uncollectible amounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

**f. Capital and Lease 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. Equipment with a unit cost of $5,000 or more and having an estimated useful life of greater than one year 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.

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made before or at the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 40 years for land improvements, 10 – 40 years for buildings and fixed equipment, 10 years for library books and 3 – 10 years for equipment. The University capitalizes, but does not depreciate, works of art and historical treasures that are held for exhibition, education, research and public service.

The University evaluates capital and lease assets for impairment whenever events or circumstances indicate significant, unexpected decline in the service utility of a capital and lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, an impairment loss would be recorded. No impairment losses were recognized during the year ended June 30, 2024. Impairment losses of approximately $462,000, due to freezing weather conditions, were recognized during the year ended June 30, 2023.

**g. Compensated Absences**

University policies permit employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized except for employees currently eligible to retire from the Kentucky Employers Retirement System (KERS). A liability is accrued equal to the estimated amount to be paid to the Kentucky Public Pensions Authority (KPPA) for sick leave converted to time worked at retirement. Compensated absence liabilities are computed using the regular 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.

**h. Investments**

Investments are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of interest and dividend income, realized gains and losses and the net change for the year in the fair value of investments carried at fair value.

**i. Unearned Revenue**

Unearned revenue includes amounts received for tuition and other student fees prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenue also includes amounts received from grants and contracts with sponsors that have not yet been earned. Unearned revenue is recognized as services are rendered.

**j. Cost-Sharing Defined Benefit Pension Plan**

The University participates in a cost-sharing multiple-employer defined benefit pension plan administered by KPPA. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**k. Cost-Sharing Defined Benefit Other Postemployment Benefit Plan**

The University participates in a cost-sharing multiple-employer defined benefit other postemployment benefit plan, also administered by KPPA (the OPEB Plan). For purposes of measuring the net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deduction from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**l. Deferred Outflows and Inflows of Resources**

A deferred outflow of resources is a loss in net position by the University that is applicable to a future reporting period. Deferred outflows of resources are reported in the statement of net position, but are not recognized in the financial statements as expense until in the related period. Deferred outflows of resources include $1,113,000 and $1,465,000 of losses on bond refunding for the years ended June 30, 2024 and 2023, respectively. The remaining balance of deferred outflows for years ended June 30, 2024 and 2023 consist of the KERS pension and OPEB related unamortized balances.

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. The agreement between the University and the University's food service providers resulted in a deferred inflow of resources of $1,903,000 and $2,149,000 at June 30, 2024 and 2023, respectively. The deferred inflows of resources related to this agreement are recognized evenly over the life of the contract. Lease agreements between the University and third-party entities for rental space resulted in a deferred inflow of resources of $9,427,000 and $9,782,000 at June 30, 2024 and 2023. Deferred inflows include $1,914,000 of gains on bond refunding for the year ended June 30, 2024. There was no gain on bond refunding for the year ended June 30, 2023. The remaining deferred inflows of resources for the years ended June 30, 2024 and 2023 consist of the KERS pension and OPEB related unamortized balances.

**m. Scholarship Allowances**

Student tuition and fee revenues and other student related revenues are reported net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the differences between the stated charge for services provided by the University, and the amounts that are paid by the students or third parties making payments on a student's behalf. 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.

**n. Income Taxes**

The University is an agency and instrumentality of the Commonwealth, pursuant to Kentucky Revised Statutes sections 164.290 through 164.475. Accordingly, the University is generally exempt from federal income taxes as an organization described in Section 115 of the Internal Revenue Code of 1986, as amended. The Research Foundation 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).

**o. Restricted Asset Spending Policy**

The University's policy states 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.

**p. 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 services and goods 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 35. In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* and related GASB implementation guidance, Pell Grants, College Access Program (CAP) Grants and Kentucky Educational Excellence Scholarship (KEES) are considered nonexchange transactions and are recorded as nonoperating revenues in the accompanying financial statements.

**q. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**r. Component Unit Disclosure**

The accompanying financial statements of the Foundation have been prepared in accordance with GAAP as prescribed by the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Complete financial statements for the Foundation can be obtained from the Northern Kentucky University Foundation, Inc. at Lucas Administrative Center Room 820, Nunn Drive, Highland Heights, KY 41099.

**s. Related Party Transactions**

During the years ended June 30, 2024 and 2023, the Foundation made payments on behalf of the University of $360,000 and $334,000, respectively, for salaries, benefits, and other administrative costs for University staff that directly support the Foundation's operations. These payments are made by agreement between the Foundation and University. There were no amounts owed as of June 30, 2024. As of June 30, 2023, $2,000 was owed to the University for such costs.

In support of University programs, the Foundation incurred program expenses of $8,697,000 and $8,829,000 for 2024 and 2023, respectively, which consisted of payments on behalf of the University of $5,709,000 and $6,052,000 for 2024 and 2023, respectively; and amounts transferred to the University for restricted purposes of $2,988,000 and $2,777,000 for 2024 and 2023, respectively.

**t. Reclassifications**

Certain items have been reclassified for the year ended June 30, 2023 in order to conform to classifications used for the year ended June 30, 2024. These reclassifications had no effect on total net position or the change in net position.

**u. Change in Accounting Principle**

During fiscal year 2024, the University adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. The statement provides guidance for retroactive restatements for accounting changes and error corrections. The adoption of this statement had no impact on the University's financial statement.

**v. Recent Accounting Pronouncements**

In June 2022, the GASB approved Statement No. 101, *Compensated Absences,* requiring the University to recognize liabilities for compensated absences for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through non-cash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means. This statement is effective for the fiscal year ending June 30, 2025. The University is currently evaluating the effects of this statement on its financial statements.

In December 2023, the GASB approved Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to improve financial reporting by providing users of financial statements with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The provisions of this statement are effective for the fiscal year ending June 30, 2025. The University is currently evaluating the effects of this statement on its financial statements.

In April 2024, the GASB approved Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The provisions of this statement are effective for the fiscal year ending June 30, 2026. The University is currently evaluating the effects of this statement on its financial statements.

**w. Subsequent Events**

Events occurring after June 30, 2024 have been evaluated for possible adjustment to the financial statements or disclosures through October 1, 2024, the date on which the financial statements were available to be issued.

**Note 2 – Cash, Cash Equivalents and Investments**

At June 30, 2024, petty cash funds totaled $32,000 and the carrying amount of the deposits was $91,746,000 with a corresponding total bank balance of $92,737,000. Of the bank balance, $43,043,000 was covered by federal depository insurance, or collateralized with securities held by the pledging bank, or bank's agents, in the University's name and $49,694,000 was held and invested by the Commonwealth. These deposits were covered by federal depository insurance or by collateral held by the Commonwealth in the Commonwealth's name.

**Investments**

The investments which the University may purchase are limited by the Commonwealth's law and the University's bond resolutions to the following (1) securities or obligations which are fully guaranteed by the U.S. Government or agencies of the U.S. Government as to principal and interest; (2) certificates of deposit or time deposits of banks, trust companies or national banking associations which are insured by the Federal Deposit Insurance Corporation; and (3) mutual funds investing solely in U.S. securities.

*Custodial credit risk*: Custodial credit risk for deposits is the risk that in the event of a bank failure, a government's deposits or collateral securities may not be returned to it. The University currently uses commercial banks and the Commonwealth as its depositories. Deposits with commercial banks are substantially covered by federal depository insurance or collateral held by the bank in the University's name. At the Commonwealth, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth-pooled deposits are substantially covered by federal depository insurance or by collateral held by the Commonwealth in the Commonwealth's name. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The fair value of the University's investments was $16,105,000 and $14,937,000 at June 30, 2024 and 2023, respectively. These investments represent the University's Regional University Excellence Trust Fund endowments which are invested in an investment pool managed by the Foundation. See Note 15 (c) for the required GASB fair value disclosures for the University's investments that are included in the Foundation's investment pool. University assets in the Foundation's investment pool at June 30, 2024 and 2023 are invested as follows:

| | 2024 | 2023 |
|---|---|---|
| **Type of Investment:** | | |
| Fixed income funds | 13% | 12% |
| Domestic equity funds | 28% | 31% |
| International equity funds | 12% | 13% |
| Emerging markets | 4% | 6% |
| Private equity | 22% | 20% |
| Natural resources | 7% | 9% |
| Other | 14% | 9% |
| **Total Investments** | 100% | 100% |

*Interest Rate Risk*: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As stated in the University's investment policy, the bond resolution governs the investment of bond reserves. The bond resolution limits the investment maturities by the lesser of the remaining life of the bond issue or ten years. Certificates of deposit can have a maturity of not more than two years from the date of issue.

*Credit Risk:* Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires investments to be in compliance with state statute. University investments that are managed by the Foundation are governed by the Foundation's investment policy. This policy contains several provisions which are intended to limit credit risk, including a requirement that fixed income portfolios maintain a weighted-average credit rating of at least AA (Standard and Poor's) and have no more than 10 percent of the portfolio in below investment grade bonds.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The University debt service reserves are invested by the bond trustees in accordance with the governing bond resolutions. There are no specific limits 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 interest-bearing direct obligations of the U.S. government or obligations fully guaranteed by the U.S. government.

*Foreign Currency Risk:* This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The University had no investments denominated in foreign currency at June 30, 2024 or June 30, 2023.

**Note 3 – Notes, Loans and Accounts Receivable, net**

Notes, loans and accounts receivable as of June 30, 2024 and 2023 are as follows (in thousands):

| | 2024 | | |
|---|---|---|---|
| | Gross Receivable | Allowance | Net Receivable |
| Student accounts receivable | $ 13,811 | $ (5,298) | $ 8,513 |
| Student loans | 1,066 | (152) | 914 |
| Reimbursement receivable grants and contracts | 1,436 | - | 1,436 |
| Reimbursement receivable-casualty loss | 22 | - | 22 |
| State appropriations receivable | 4,004 | - | 4,004 |
| NKU Foundation receivable | 156 | - | 156 |
| Other | 3,991 | (1,042) | 2,949 |
| Total | $ 24,486 | $ (6,492) | $ 17,994 |
| Current portion | | | $ 16,958 |
| Noncurrent portion | | | 1,036 |
| Total | | | $ 17,994 |

| | 2023 | | |
|---|---|---|---|
| | Gross Receivable | Allowance | Net Receivable |
| Student accounts receivable | $ 13,695 | $ (5,014) | $ 8,681 |
| Student loans | 1,085 | (287) | 798 |
| Reimbursement receivable grants and contracts | 1,582 | - | 1,582 |
| Reimbursement receivable-casualty loss | 1,000 | - | 1,000 |
| State appropriations receivable | 235 | - | 235 |
| NKU Foundation receivable | 272 | - | 272 |
| Other | 3,689 | (964) | 2,725 |
| Total | $ 21,558 | $ (6,265) | $ 15,293 |
| Current portion | | | $ 14,197 |
| Noncurrent portion | | | 1,096 |
| Total | | | $ 15,293 |

**Note 4 – Leases Receivable**

The University leases a portion of its property to various third parties, the terms of which expire at various times from 2025 to 2060. Payments increase based upon the terms of the agreement. The leases without rate increases specified were measured based upon the Consumer Price Index at lease commencement.

Revenue recognized under lease contracts during the years ended June 30, 2024 and 2023 was $1,253,000 and $1,175,000, respectively, which includes both lease revenue and interest. Lease revenue is reported in both housing and food service and other operating revenues on the statements of revenues, expenses and changes in net position. The interest earnings from these leases are reported in investment income.

**Note 5 – Capital and Lease Right to Use Assets, net**

Capital assets for the years ended June 30, 2024 and 2023, are summarized as follows (in thousands):

| | July 1, 2023 Beginning Balance | Additions | Reductions | June 30, 2024 Ending Balance |
|---|---|---|---|---|
| Cost: | | | | |
| Land | $ 9,375 | - | - | $ 9,375 |
| Land improvements | 43,758 | 984 | 688 | 44,054 |
| Buildings | 566,559 | 6,033 | 3,058 | 569,534 |
| Equipment | 70,551 | 2,896 | 1,154 | 72,293 |
| Library books | 10,146 | 199 | 26 | 10,319 |
| Construction in process | 4,774 | 11,440 | - | 16,214 |
| | 705,163 | 21,552 | 4,926 | 721,789 |
| Accumulated Depreciation: | | | | |
| Land improvements | 15,000 | 1,196 | 373 | 15,823 |
| Buildings | 265,787 | 16,191 | 2,370 | 279,608 |
| Equipment | 60,715 | 2,291 | 1,053 | 61,953 |
| Library books | 8,177 | 416 | 26 | 8,567 |
| | 349,679 | 20,094 | 3,822 | 365,951 |
| Capital assets, net | $ 355,484 | $ 1,458 | $ 1,104 | $ 355,838 |

| | July 1, 2022 Beginning Balance | Additions | Reductions | June 30, 2023 Ending Balance |
|---|---|---|---|---|
| Cost: | | | | |
| Land | $ 9,375 | - | - | $ 9,375 |
| Land improvements | 43,464 | 511 | 217 | 43,758 |
| Buildings | 565,910 | 6,304 | 5,655 | 566,559 |
| Equipment | 74,426 | 1,740 | 5,615 | 70,551 |
| Library books | 9,846 | 459 | 159 | 10,146 |
| Construction in process | 2,123 | 2,651 | - | 4,774 |
| | 705,144 | 11,665 | 11,646 | 705,163 |
| Accumulated Depreciation: | | | | |
| Land improvements | 14,026 | 1,172 | 198 | 15,000 |
| Buildings | 253,869 | 16,311 | 4,393 | 265,787 |
| Equipment | 63,700 | 2,556 | 5,541 | 60,715 |
| Library books | 7,939 | 397 | 159 | 8,177 |
| | 339,534 | 20,436 | 10,291 | 349,679 |
| Capital assets, net | $ 365,610 | $ (8,771) | $ 1,355 | $ 355,484 |

The estimated cost to complete construction under contract at June 30, 2024 was approximately $20,364,000.

As of June 30, 2024 and 2023, the net book value of capital assets acquired through capital leases included in the above schedules totaled $2,559,000 and $2,663,000, respectively.

Right to use assets for the years ended June 30, 2024 and 2023, are summarized as follows (in thousands):

| | July 1, 2023 Beginning Balance | Additions | Reductions | June 30, 2024 Ending Balance |
|---|---|---|---|---|
| Right to use assets: | | | | |
| Lease assets | $ 1,719 | $ 261 | $ 95 | $ 1,885 |
| SBITA assets | 8,685 | 210 | - | 8,895 |
| | 10,404 | 471 | 95 | 10,780 |
| Accumulated Amortization: | | | | |
| Lease assets | 694 | 244 | 95 | 843 |
| SBITA assets | 1,988 | 1,857 | - | 3,845 |
| | 2,682 | 2,101 | 95 | 4,688 |
| Right to use assets, net | $ 7,722 | $ (1,630) | $ - | $ 6,092 |

| | July 1, 2022 Beginning Balance | Additions | Reductions | June 30, 2023 Ending Balance |
|---|---|---|---|---|
| Right to use assets: | | | | |
| Lease assets | $ 1,274 | $ 445 | $ - | $ 1,719 |
| SBITA assets | 4,066 | 4,619 | - | 8,685 |
| | 5,340 | 5,064 | - | 10,404 |
| Accumulated Amortization: | | | | |
| Lease assets | 402 | 292 | - | 694 |
| SBITA assets | - | 1,988 | - | 1,988 |
| | 402 | 2,280 | - | 2,682 |
| Right to use assets, net | $ 4,938 | $ 2,784 | $ - | $ 7,722 |

**Note 6 – Accounts Payable and Accrued Liabilities**

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

| | 2024 | 2023 |
|---|---|---|
| Payable to vendors and contractors | $ 11,939 | $ 6,645 |
| Accrued expenses, primarily payroll and vacation leave | 7,742 | 7,931 |
| Accrued interest | 3,012 | 3,443 |
| Employee withholdings and deposits payable to third parties | 412 | 384 |
| Self-insured health liability | 720 | 1,406 |
| Total | $ 23,825 | $ 19,809 |

## Note 7 – Long-Term Liabilities

The changes in long-term liabilities for the years ended June 30, 2024 and 2023 are summarized as follows (in thousands):

| | Balance July 1, 2023 | Additions | Reductions | Balance June 30, 2024 | Current Portion | Noncurrent Portion |
|---|---|---|---|---|---|---|
| General Receipts Bonds Taxable | $ 194,875 | $ - | $ 4,940 | $ 189,935 | $ 4,980 | $ 184,955 |
| General Receipts Bonds Tax Exempt (net of premiums) | 111,474 | 27,339 | 39,182 | 99,631 | 11,001 | 88,630 |
| Other financing arrangements | 2,700 | 2,261 | 707 | 4,254 | 716 | 3,538 |
| Total long-term debt | 309,049 | 29,600 | 44,829 | 293,820 | 16,697 | 277,123 |
| Federal portion of loan programs | 614 | 76 | 126 | 564 | - | 564 |
| Unearned revenue | 9,076 | 11,007 | 9,123 | 10,960 | 10,960 | - |
| KERS-sick leave | 34 | 2 | - | 36 | 3 | 33 |
| Deposits | 402 | 478 | 431 | 449 | 409 | 40 |
| Total other long-term liabilities | 10,126 | 11,563 | 9,680 | 12,009 | 11,372 | 637 |
| Lease liability | 1,004 | 261 | 291 | 974 | 276 | 698 |
| SBITA liability | 6,650 | 198 | 1,772 | 5,076 | 1,720 | 3,356 |
| Net pension and OPEB liability | 2,043 | | 369 | 1,674 | - | 1,674 |
| Total long-term liabilities | $ 328,872 | $ 41,622 | $ 56,941 | $ 313,553 | $ 30,065 | $ 283,488 |

| | Balance July 1, 2022 | Additions | Reductions | Balance June 30, 2023 | Current Portion | Noncurrent Portion |
|---|---|---|---|---|---|---|
| General Receipts Bonds Taxable | $ 199,790 | $ - | $ 4,915 | $ 194,875 | $ 4,940 | $ 189,935 |
| General Receipts Bonds Tax Exempt (net of premiums) | 121,669 | - | 10,195 | 111,474 | 10,023 | 101,451 |
| Other financing arrangements | 3,019 | - | 319 | 2,700 | 328 | 2,372 |
| Total long-term debt | 324,478 | - | 15,429 | 309,049 | 15,291 | 293,758 |
| Federal portion of loan programs | 598 | 125 | 109 | 614 | - | 614 |
| Unearned revenue | 11,131 | 9,601 | 11,656 | 9,076 | 9,072 | 4 |
| KERS-sick leave | 29 | 5 | - | 34 | 3 | 31 |
| Deposits | 417 | 438 | 453 | 402 | 361 | 41 |
| Total other long-term liabilities | 12,175 | 10,169 | 12,218 | 10,126 | 9,436 | 690 |
| Lease liability | 897 | 416 | 309 | 1,004 | 267 | 737 |
| SBITA liability | 4,066 | 4,619 | 2,035 | 6,650 | 1,725 | 4,925 |
| Net pension and OPEB liability | 1,601 | 442 | - | 2,043 | - | 2,043 |
| Total long-term liabilities | $ 343,217 | $ 15,646 | $ 29,991 | $ 328,872 | $ 26,719 | $ 302,153 |

a. **Bonds**

The outstanding obligation as of June 30, 2024 and 2023 for the Northern Kentucky University General Receipts Bonds are reported net of premiums totaling $6,056,000 and $6,689,000, respectively. The premiums on the bonds are being amortized to income over the life of the applicable bonds. The amortization reduced interest expense by $981,000 and $890,000 for the years ended June 30, 2024 and 2023, respectively. General Receipts Bonds are collateralized by the operating and nonoperating income of the University excluding income which as a condition of the receipt is not available for payment of debt service charges.

On April 25, 2024, Northern Kentucky University General Receipts Refunding Bonds, 2024 Series A were issued in the amount of $28,890,000 and a net interest cost of 3.36 percent. The proceeds refunded the General Receipts Bonds, 2014 Series A maturing on or after September 1, 2025. The refunding reduced the University's total debt service payments over the term by $2,488,000, representing an economic gain of $2,155,000. Economic gain is determined by calculating the difference between the present value of the debt service payments on the old and new debt.

The total bonds payable as of June 30 are as follows (in thousands):

| | 2024 | 2023 |
|---|---|---|
| **General Receipts Taxable bond payable** | | |
| Series A 2021 (taxable) , dated April 20, 2021, with interest rates from 0.89% to 3.43%. Final principal payment date September 1, 2050. | $ 189,935 | $ 194,875 |
| **Total General Receipts Taxable bond payable** | 189,935 | 194,875 |
| **General Receipts Tax Exempt bonds payable** | | |
| Series A 2014, dated January 7, 2014, with interest rate of 5.00%. Final principal payment date September 1, 2024. | 2,340 | 31,515 |
| Series A 2016, dated May 17, 2016, with interest rates from 2.25% to 4.00%. Final principal payment date September 1, 2027. | 12,550 | 15,390 |
| Series A 2016, dated August 25, 2016, with interest rates from 2.00% to 4.00%. Final principal payment date September 1, 2028. | 9,430 | 10,670 |
| Series A 2019, dated November 12, 2019, with interest rates from 3.00% to 5.00%. Final principal payment date September 1, 2044. | 34,840 | 35,900 |
| Series A 2020, dated November 4, 2020, with interest rate of 3.00%. Final principal payment date September 1, 2027. | 3,440 | 4,240 |
| Series B 2020, dated November 4, 2020, with interest rates from 2.00% to 3.00%. Final principal payment date September 1, 2028. | 2,045 | 2,525 |
| Series B 2021, dated October 21, 2021, with interest rates from 2.00% to 3.50%. Final principal payment date September 1, 2030. | 4,040 | 4,545 |
| Series A 2024, dated April 25, 2024, with interest rate of 5.00%. Final principal payment date September 1, 2034. | 24,890 | |
| **Total General Receipts Tax Exempt bonds payable** | 93,575 | 104,785 |
| Plus: Net of premiums | 6,056 | 6,689 |
| **Total bonds payable** | $ 289,566 | $ 306,349 |

Principal maturities and interest on bonds for the next five years and in subsequent five-year periods are as follows (in thousands):

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 15,000 | $ 8,639 | $ 23,639 |
| 2026 | 15,280 | 8,346 | 23,626 |
| 2027 | 15,775 | 7,867 | 23,642 |
| 2028 | 16,225 | 7,401 | 23,626 |
| 2029 | 11,835 | 6,989 | 18,824 |
| 2030 - 2034 | 52,355 | 29,795 | 82,150 |
| 2035 - 2039 | 41,320 | 22,437 | 63,757 |
| 2040 - 2044 | 48,190 | 15,564 | 63,754 |
| 2045 - 2049 | 47,245 | 7,472 | 54,717 |
| 2050 - 2054 | 20,285 | 701 | 20,986 |
| Subtotal | 283,510 | 115,211 | 398,721 |
| Plus: Net premiums | 6,056 | - | 6,056 |
| Total | $ 289,566 | $ 115,211 | $ 404,777 |

**b. Other financing arrangements**

The total other financing arrangements as of June 30 are as follows (in thousands):

| | 2024 | 2023 |
|---|---|---|
| Energy Management project, dated January 24, 2019, with interest rate of 2.81%. Final principal payment date November 24, 2030. | $ 2,372 | $ 2,700 |
| Cisco equipment, dated October 1, 2023, with interest rate of 0%. Final principal payment date January 1, 2029. | 1,874 | - |
| Exciting Events equipment, dated October 5, 2023, with interest rate of 0%. Final principal payment dated November 1, 2025. | 8 | - |
| **Total other financing arrangements** | $ 4,254 | $ 2,700 |

Principal maturities and interest on other financing arrangements for the next five years and in subsequent five-year periods are as follows (in thousands):

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 716 | $ 64 | $ 780 |
| 2026 | 726 | 55 | 781 |
| 2027 | 732 | 45 | 777 |
| 2028 | 742 | 35 | 777 |
| 2029 | 752 | 24 | 776 |
| 2030 - 2034 | 586 | 17 | 603 |
| Total | $ 4,254 | $ 240 | $ 4,494 |

**c. Leases**

The University leases equipment, the terms of which expire in various years through 2034. The leases were measured based upon the University's incremental borrowing rate at lease commencement.

During the years ended June 30, 2024 and 2023, the University recognized $244,000 and $292,000 in lease amortization expense, respectively.

The following is a schedule by year of payments under the leases as of June 30, 2024 (in thousands):

| Fiscal year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 276 | $ 19 | $ 295 |
| 2026 | 261 | 13 | 274 |
| 2027 | 167 | 9 | 176 |
| 2028 | 69 | 8 | 77 |
| 2029 | 70 | 6 | 76 |
| 2030 - 2034 | 131 | 14 | 145 |
| Total | $ 974 | $ 69 | $ 1,043 |

**d. Subscriptions**

The University has IT software arrangements, the terms of which expire in various years through 2028. The subscriptions were measured based upon the University's incremental borrowing rate at subscription commencement.

During the years ended June 30, 2024 and 2023, the University recognized $1,857,000 and $1,988,000 in subscription amortization expense, respectively.

The following is a schedule by year of payments under the subscriptions as of June 30, 2024 (in thousands):

| Fiscal year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 1,720 | $ 163 | $ 1,883 |
| 2026 | 1,527 | 95 | 1,622 |
| 2027 | 1,605 | 25 | 1,630 |
| 2028 | 224 | 2 | 226 |
| Total | $ 5,076 | $ 285 | $ 5,361 |

**Note 8 – Pension Plans and Accrued Compensated Absences**

Employees of the University were covered by one of the following plans for the year ended June 30, 2024 and 2023.

**a. Defined Contribution Plan**

A Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA CREF) sponsored plan, adopted by the Board of Regents in July 1970, is available upon completion of ninety days of service, to all regular full-time members of the faculty, administrative officers and other staff that were first employed on or after January 1, 2014. The TIAA CREF retirement plan is a defined contribution, money purchase retirement plan. The employees contribute 5 percent of their base salary to the plan. The University contributed 10 percent of base salary of participating employees for the year ended June 30, 2024. All payments are vested immediately and the contracts with the providers are owned by the individual employees. The employee is entitled to various payment options upon retirement. Benefit payments at retirement depend on the total contributions with interest deposited into the employee's account. Retirement benefits can begin upon retirement or termination of employment with the University. Covered payroll totaled $75,763,000 and $78,623,000 for the years ended June 30, 2024 and 2023, respectively. The University's contribution totaled $7,576,000 and $7,862,000 for the years ended June 30, 2024 and 2023, respectively.

**b. Defined Benefit Plan**

*Plan Description* - All regular employees not participating in the above plan were required to participate in either the Nonhazardous or Hazardous cost-sharing multiple employer defined benefit pension plan, both of which are under KERS, that is administered by the Board of Trustees of KPPA. The defined benefit plans provide for retirement, disability and death benefits. Participants have a fully vested interest after the completion of 60 months of service, 12 of which are current service. KERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPPA, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601-6124 or by calling (502) 696-8800.

*Cessation* – Effective June 30, 2021, the University ceased participation in the nonhazardous plan, resulting in the conversion of all Tier 3 employees to the University's defined contribution plan on July 1, 2021. All new hires hired after the effective date will also participate in the defined contribution plan. Under this provision, Tier 1 and Tier 2 employees will continue to participate in the nonhazardous system with the University funding the actuarial liability calculated for these employees.

The final calculation for the cost of cessation included both payment of the University's share of the unfunded liability, as well as the estimated future service expense for Tier 1 and Tier 2 employees. For the year ended June 30, 2024, the University recognized $1,438,000 in expense for the amortization of the future service, in addition to $1,573,000 in future service expense write-off. For the year ended June 30, 2023, the University recognized $1,721,000 in expense for the amortization of the future service, in addition to $1,901,000 in future service expense write-off. Amortization was calculated at the cessation date assuming a 2 percent annual increase over the remaining years through each employee's first eligible retirement date. Future service write-offs occur when employees covered by this arrangement cease employment with the University prior to retirement.

University police officers continue to participate in the Hazardous plan and were not part of the cessation. There were 14 employees actively participating at June 30, 2024 and 2023.

**c. Compensated Absences**

University employees begin to accumulate annual vacation allowance from the initial date of employment; however, no vacation is granted until three months of continuous employment have been completed. The maximum accumulation of vacation leave is limited to the number of days that can be accumulated in twelve months, based upon length of service and employment classification. Eligible employees are paid their accumulated vacation upon termination, subject to certain limitations. At June 30, 2024 and 2023, the University had recognized an accrued vacation liability of $3,696,000 and $3,764,000, respectively.

## Note 9 – Other Post-Employment Benefits

### a. Defined Benefit Plan

*Plan Description* - The University contributes to the OPEB Plan, which was established to provide hospital and medical insurance for eligible members receiving benefits from KERS. The OPEB Plan pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The OPEB Plan is administered by the Board of Trustees of the KPPA. Benefit provisions are contained in the plan document and were established and can be amended by action of the Commonwealth of Kentucky Legislature. KERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPPA, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601-6124 or by calling (502) 696-8800.

*Cessation* -Effective June 30, 2021, the University ceased participation in the nonhazardous plan, resulting in the conversion of all nonhazardous Tier 3 employees to the University's defined contribution plan on July 1, 2021. All new hires hired after the effective date will also participate in the defined contribution plan. Under this provision, Tier 1 and Tier 2 employees will continue to participate in the nonhazardous system with the University funding the actuarial liability calculated for these employees. There was no change for hazardous employees.

## Note 10 – Operating Expenses By Natural Classification

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

| | 2024 | 2023 |
|---|---|---|
| Salaries and wages | $ 115,424 | $ 123,913 |
| Employee benefits-other | 36,524 | 38,518 |
| Utilities | 6,100 | 6,085 |
| Supplies and other services | 56,094 | 54,106 |
| Depreciation and amortization | 22,195 | 22,711 |
| Student scholarships and financial aid | 24,593 | 24,224 |
| Total | $ 260,930 | $ 269,557 |

## Note 11 – 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 Kentucky Claims Commission, 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 $10,000 and $5 million per occurrence. Losses in excess of $5 million are insured by commercial carriers up to $1.5 billion per occurrence with buildings insured at replacement cost and contents on an actual cash value basis. As a state agency, the University is vested with Sovereign Immunity and is subject to the provisions of the Board of Claims Act, under which the University's liability for certain negligence claims is limited to $250,000 for any one person or $400,000 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 2023 to 2024. Settlements have not exceeded insurance coverage during the past three years.

The University began self-insuring employee health insurance as of January 1, 2014. Accrued expenses are based on the estimated costs of health care claims based on claims filed subsequent to year end and an additional amount for incurred but not yet reported claims based on prior experience. The University purchases both specific and aggregate stop loss coverage on medical and prescription drug claims. The stop loss insurance limits its exposure for claims to $300,000 per individual and 85 percent of projected aggregate claims.

The health self-insurance liability is included in accounts payable and accrued liabilities on the statements of net position. The health self-insurance liability as of June 30, 2024 and 2023, is detailed below (in thousands):

| | 2024 | 2023 |
|---|---|---|
| Liability, beginning of year | $ 1,406 | $ 1,722 |
| Claims and changes in estimates | 13,104 | 15,412 |
| Claims paid | (13,790) | (15,728) |
| Liability, end of year | $ 720 | $ 1,406 |

The University also self-insures certain other employee benefits, including worker's compensation claims to the extent not covered by insurance. The University has recorded an estimate for asserted claims at June 30, 2024 and 2023.

**Note 12 – Contingencies**

The University is a party to various litigation and other claims in the ordinary course of business. University officials are of the opinion, based upon the advice of legal counsel, that the ultimate resolution of these matters will not have a material effect on the financial position of the University.

**Note 13 – Restricted Expendable Net Position**

At June 30, 2024 and 2023, restricted expendable net position was available for the following purposes:

| | 2024 | 2023 |
|---|---|---|
| Appreciation on permanent endowments | $ 8,489 | $ 7,321 |
| Capital projects and debt service | 5,028 | 3,439 |
| Funds restricted for noncapital purposes | 965 | 672 |
| Total | $ 14,482 | $ 11,432 |

**Note 14 –Blended Entity Condensed Financial Information**

Condensed financial information for the Research Foundation is provided below for the years ended June 30, 2024 and 2023 (in thousands):

**The Research Foundation Condensed Statements of Net Position**

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| Current assets | $ 2,035 | $ 1,719 |
| Total assets | 2,035 | 1,719 |
| **LIABILITIES** | | |
| Current liabilities | 656 | 385 |
| Total liabilities | 656 | 385 |
| **NET POSITION** | | |
| Restricted expendable | 46 | 40 |
| Unrestricted | 1,333 | 1,294 |
| Total net position | 1,379 | 1,334 |
| Total liabilities and net position | $ 2,035 | $ 1,719 |

**The Research Foundation**
**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

| | 2024 | 2023 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Grants and contracts | $ 3,152 | $ 2,915 |
| Recoveries of facilities and administrative costs | 186 | 116 |
| Other operating revenues | 256 | 160 |
| Total operating revenues | 3,594 | 3,191 |
| **OPERATING EXPENSES** | | |
| Educational and general | 3,470 | 3,114 |
| Operating income | 124 | 77 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Noncapital transfers to the University | (131) | (128) |
| Gifts and grants revenues | 59 | 40 |
| Capital transfers to the University | (7) | - |
| Net nonoperating expenses | (79) | (88) |
| Change in net position | 45 | (11) |
| Net position-beginning of year | 1,334 | 1,345 |
| Net position-end of year | $ 1,379 | $ 1,334 |

**The Research Foundation Condensed Statements of Cash Flows**

| | 2024 | 2023 |
|---|---|---|
| Net cash used in operating activities | $ (85) | $ (94) |
| Net cash provided by noncapital financing activities | 129 | 98 |
| Net cash used in capital financing activities | (7) | - |
| Net increase in cash and cash equivalents | 37 | 4 |
| Cash and cash equivalents-beginning of year | 1,296 | 1,292 |
| Cash and cash equivalents-end of year | $ 1,333 | $ 1,296 |

**Note 15 – Northern Kentucky University Foundation, Inc. Notes to Financial Statements**

Selected disclosures from the Foundation are included as follows:

**a. Summary of Significant Accounting Policies**

**1. Scope of Statements**

The consolidated financial statements of the Northern Kentucky University Foundation, Inc. include the operations of the Foundation and several single member limited liability companies. All material intercompany transactions and balances have been eliminated for the years ended June 30, 2024 and 2023.

**2. Basis of Presentation**

The consolidated financial statements have been prepared in conformity with GAAP, which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Foundation in preparation of its consolidated financial statements.

These statements are presented on the accrual basis of accounting, and have been prepared to focus on the Foundation as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of balances and transactions into two classes of net assets – with donor restrictions and without donor restrictions.

**Net Assets**

Net assets and changes therein are classified as follows:

- ***With donor restrictions*** - Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.
- ***Without donor restrictions*** - Net assets not subject to donor-imposed stipulations. And are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

**Revenues and Expenses**

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Restricted contributions and net investment returns earned are reported as with donor restrictions and reclassified as without donor restricted when any donor-imposed restrictions are satisfied. Expirations of donor restrictions on net assets are met when a donor stipulated time restriction ends or purpose restriction is accomplished and reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Funds received for which required conditions have not yet been met are recorded as deferred income. Contributions of assets other than cash are recorded at their estimated fair value. Contributions receivable are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of such factors as prior collection history, type of contribution and nature of the fund-raising activity.

The value recorded for each contribution is recognized as follows:

| Nature of the Gift | Value Recognized |
|---|---|
| *Conditional gifts, with or without restriction* | |
| Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds | Not recognized until the gift becomes unconditional, *i.e.* the donor-imposed barrier is met |
| *Unconditional gifts, with or without restriction* | |
| Received at date of gift – cash and other assets | Fair value |
| Received at date of gift – property, equipment and long-lived assets | Estimated fair value |
| Expected to be collected within one year | Net realizable value |
| Collected in future years | Initially reported at fair value determined using the discounted present value of estimated future cash flows technique |

Income and realized net gains on long-term investments are reported as follows:

- As increases in net assets with donor restrictions – if the terms of the gift require that they be added to the principal of a permanent endowment fund or if the terms of the gift impose restrictions on the use of the income.

- As increases in net assets without donor restrictions – in all other cases.

**3. Cash and Cash Equivalents**

Cash and cash equivalents include all readily available sources of cash such as petty cash, demand deposits and temporary investments in marketable securities with maturities of less than three months. Cash and cash equivalents representing investments purchased with endowment net assets are reported as investments.

At various times throughout the year, the Foundation has cash in certain financial institutions in excess of insured limits. Additionally, at June 30, 2024 and 2023, $4,043,000 and $3,797,000, respectively, was insured by federal depository insurance. At June 30, 2024 and 2023, balances of $3,973,000 and $2,675,000, respectively, were not insured.

**4. Loans and Accounts Receivable**

Loans receivable consists primarily of loans made to students under privately funded loan programs. The advances are evidenced by signed promissory notes, bearing interest at varying stated interest rates, with varying due dates. Loans, accounts and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for an allowance for credit losses based on its assessment of the current status of individual accounts combined with an assessment of current and projected future economic conditions. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to loans and accounts receivable. The allowance for credit losses as of June 30, 2024 was approximately $50,000.

Prior to adoption of Accounting Standards Codification 326, the Foundation maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables. The allowance for doubtful accounts as of June 30, 2023, was approximately $48,000.

**5. Investments**

Investments in equity securities with readily determinable fair values and all debt securities are reported at their fair value. The estimated fair value of investments is based on quoted market prices, except for investments for which quoted market prices are not available. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The estimated fair value of certain alternative investments, such as private equity interests, is based on valuations provided by the external investment managers adjusted for cash receipts, cash disbursements and distributions. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. The Foundation also holds investments in certain held-to-maturity debt securities and financial institution certificates of deposit which are presented at amortized cost basis.

The Foundation invests its endowment investment portfolio and allocates the related earnings for expenditure in accordance with the total return concept. A distribution of endowment return that is independent of the cash yield and appreciation (depreciation) of investments earned during the year is provided for program support.

The Foundation has significant exposure to a number of risks including interest rate, market and credit risks for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the Foundation's consolidated financial statements.

All true endowment investments and long-term net assets functioning as endowments are managed in a pool, unless special considerations or donor stipulations require that they be held separately.

**6. Land and Land Improvements**

At June 30, 2024 and 2023, land and land improvements (in thousands) consisted of:

| | 2024 | 2023 |
|---|---|---|
| **Type of asset:** | | |
| Land | $ 178 | $ 178 |
| Land held for future use by the University | 145 | 145 |
| Land improvements | 208 | 208 |
| Gross land and land improvements | 531 | 531 |
| Less: accumulated depreciation | (208) | (208) |
| Total land and land improvements, net | $ 323 | $ 323 |

Assets acquired for Foundation use with a useful life greater than one year and a value of $5,000 or more are capitalized. Annual depreciation for land improvements is calculated on a straight-line basis, beginning in the month of acquisition based on a useful life of 30 years. Assets purchased or constructed through the Foundation for immediate use by the University are recorded by the Foundation as a program expense.

**7. Long-Lived Asset Impairment**

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2024 or 2023.

**8. Reclassifications**

Certain reclassifications have been made to the 2023 consolidated financial statement to conform to the 2024 consolidated financial statement presentation. These reclassifications had no effect on total changes in net assets.

**9. Adoption of New Accounting Standards**

Effective July 1, 2023, the Foundation adopted Accounting Standards Update (ASU) 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and associated amendments. This standard creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the consolidated statement of activities as the amounts expected to be collected change.

The adoption of the new standard did not result in a cumulative-effect adjustment to the opening balance of net assets.

**b. Unconditional and Conditional Promises to Give**

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts are computed using a risk free interest rate and amortization of the discount is included in gifts and bequests revenue.

At June 30, 2024 and 2023, the Foundation recognized contributions based on the following unconditional promises to give (in thousands):

| | 2024 | 2023 |
|---|---|---|
| **Purpose:** | | |
| Endowment giving | $ 1,433 | $ 1,094 |
| Capital purposes | 5 | 70 |
| Operating programs | 5,047 | 5,446 |
| Gross unconditional promises to give | 6,485 | 6,610 |
| Less: Discount and allowance for uncollectible accounts | (665) | (618) |
| Net unconditional promises to give | $ 5,820 | $ 5,992 |
| **Amounts due in:** | | |
| Less than one year | $ 2,243 | $ 2,252 |
| One to five years | 3,342 | 3,158 |
| More than five years | 900 | 1,200 |
| Total | $ 6,485 | $ 6,610 |

The discount rates used to calculate the present value of contributions receivable at June 30, 2024 and 2023 vary from 0.6% to 5.6%, depending on when the promise was made.

Conditional promises to give are not included as support until such time as the conditions are substantially met. The Foundation had received conditional promises to give of approximately $5.1 million at June 30, 2024 and $5.3 million at June 30, 2023, consisting of the face value of life insurance policies, net of accumulated cash surrender value, as well as conditional promises of $3 million from one donor for the completion of a new facility, and $1.4 million from two donors for support of specified administrative positions.

Approximately 37% of total pledges receivable were due from one donor at June 30, 2024. Approximately 41% of total pledges receivable were due from one donor at June 30, 2023.

**c. Leases**

At June 30, 2024, the Foundation owned properties subject to lease agreements with unrelated parties, as follows:

One property is subject to a lease covering approximately 23 acres of Foundation land. The lease is for 48 years ending on July 31, 2040, with four additional lease option terms of ten years each. As a condition of the lease, the Foundation has executed fee title mortgages to institutional lenders which subordinates its title in the real estate leased as security for construction financing of permanent improvements thereon. Any improvements constructed on the leased property of the Foundation shall become the property of the Foundation only upon termination of the lease or termination of the last such renewal term as may be exercised.

A second property is subject to a property lease and easements covering approximately .2 (two tenths) acre of Foundation land. The initial lease term was 5 years, beginning January 1, 1997, with nine additional 5-year automatic renewals at the option of the lessee.

A third property is subject to two leases for office space with terms ending August 31, 2024 and September 30, 2024.

Rental income for these properties was approximately $146,000 and $145,000 for the years ended June 30, 2024 and 2023, respectively.

The following is a schedule by years of the future rentals receivable (in thousands) on property leases as of June 30, 2024:

| **Fiscal Year ending June 30** | | |
|---|---|---|
| 2025 | $ | 146 |
| 2026 | | 157 |
| 2027 | | 149 |
| 2028 | | 139 |
| 2029 | | 139 |
| 2030 and thereafter | | 1,755 |
| **Total future rentals** | **$** | **2,485** |

**d. Fair Value Measurements**

The three levels of the fair value hierarchy under generally accepted accounting principles are described as follows:

**Level 1** – Quoted prices in active markets for identical assets or liabilities

**Level 2** – Observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Other inputs that are observable for the asset or liability;
- Other inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 investments include short term money market funds, cash surrender value, fixed income funds and equity funds.

Level 2 investments are based on quoted prices of securities or other property with similar characteristics and include a remainder interest in real property subject to a life estate.

Level 3 investments include those in which there is no active market. The Foundation held no Level 3 investments at June 30, 2024 or 2023.

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date

The following assets were measured at fair value on a recurring basis as of June 30, 2024 (in thousands):

| | | Fair Value Measurements Using | | | |
|---|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Measured at NAV* |
| **June 30, 2024** | | | | | |
| **Type of Investment:** | | | | | |
| Cash surrender value | $ 501 | $ 501 | $ - | $ - | $ - |
| Fixed income funds: | | | | | |
| Core | 14,904 | 14,904 | - | - | - |
| Global | 4,475 | 4,475 | - | - | - |
| Equity funds: | | | | | |
| Large/mid-cap - broad | 28,553 | 28,553 | - | - | - |
| Large/mid-cap - growth | 2,252 | 2,252 | - | - | - |
| Large/mid-cap - value | 6,052 | 6,052 | | | |
| Small cap - growth | 2,257 | 2,257 | - | - | - |
| Small cap - value | 3,302 | 3,302 | - | - | - |
| International - core | 13,545 | 13,545 | - | - | - |
| International - value | - | - | - | - | - |
| International small cap - value | 3,869 | 3,869 | - | - | - |
| Emerging markets - value | 3,301 | 3,301 | - | - | - |
| Emerging markets - growth | 3,233 | 3,233 | - | - | - |
| Real estate investment trust | 24 | 24 | - | - | - |
| Exchange traded funds | 205 | 205 | - | - | - |
| Certificates of deposit | 5,485 | 5,485 | - | - | - |
| Remainder interest in real property and other | 1,130 | - | 1,130 | - | - |
| Public natural resources-master limited partnerships | 3,419 | - | - | - | 3,419 |
| Private equity | 32,233 | - | - | - | 32,233 |
| Private debt | 5,389 | - | - | - | 5,389 |
| Natural resources | 7,529 | - | - | - | 7,529 |
| Private real estate | 6,366 | - | - | - | 6,366 |
| Total | $ 148,024 | $ 91,958 | $ 1,130 | $ - | $ 54,936 |

*Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of net position.

The following assets were measured at fair value on a recurring basis as of June 30, 2023 (in thousands):

| | | Fair Value Measurements Using | | | |
|---|---|---|---|---|---|
| | **Total** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Investments Measured at NAV*** |
| **June 30, 2023** | | | | | |
| **Type of Investment:** | | | | | |
| Cash surrender value | $ 486 | $ 486 | $ - | $ - | $ - |
| Fixed income funds: | | | | | |
| Core | 14,079 | 14,079 | - | - | - |
| Global | 3,556 | 3,556 | - | - | - |
| Equity funds: | | | | | |
| Large/mid-cap - broad | 27,147 | 27,147 | - | - | - |
| Large/mid-cap - growth | 1,895 | 1,895 | - | - | - |
| Large/mid-cap - value | 6,435 | 6,435 | | | |
| Small cap - growth | 2,073 | 2,073 | - | - | - |
| Small cap - value | 3,097 | 3,097 | - | - | - |
| International - core | 9,953 | 9,953 | - | - | - |
| International - value | 3,332 | 3,332 | - | - | - |
| International small cap - value | 3,324 | 3,324 | - | - | - |
| Emerging markets - value | 3,588 | 3,588 | - | - | - |
| Emerging markets - growth | 3,469 | 3,469 | - | - | - |
| Real estate investment trust | 34 | 34 | - | - | - |
| Exchange traded funds | 172 | 172 | - | - | - |
| Certificates of deposit | 4,000 | 4,000 | - | - | - |
| Remainder interest in real property and other | 1,190 | - | 1,190 | - | - |
| Public natural resources-master limited partnerships | 2,532 | - | - | - | 2,532 |
| Private equity | 27,351 | - | - | - | 27,351 |
| Private debt | 5,555 | - | - | - | 5,555 |
| Natural resources | 8,292 | - | - | - | 8,292 |
| Private real estate | 5,256 | - | - | - | 5,256 |
| Total | $ 136,816 | $ 86,640 | $ 1,190 | $ - | $ 48,986 |

*Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of net position.

**e. Investments**

The market values (in thousands) of the Foundation's investments as of June 30, 2024 and 2023 are categorized by type below:

| | 2024 | 2023 |
|---|---|---|
| **Type of Investment:** | | |
| Cash and cash surrender value | $ 1,642 | $ 1,649 |
| Fixed income funds: | | |
| Core | 14,904 | 14,079 |
| Core plus | 4,475 | - |
| Global | - | 3,556 |
| Equity funds: | | |
| Large/mid cap - broad | 28,553 | 27,147 |
| Large/mid cap - growth | 2,252 | 1,895 |
| Large/mid cap - value | 6,052 | 6,435 |
| Small cap - growth | 2,257 | 2,073 |
| Small cap - value | 3,302 | 3,097 |
| International - core | 13,545 | 9,953 |
| International - value | - | 3,332 |
| International small cap - value | 3,869 | 3,324 |
| Emerging markets - value | 3,301 | 3,588 |
| Emerging markets - growth | 3,233 | 3,469 |
| Real estate investment trust | 24 | 34 |
| Exchange traded funds | 205 | 172 |
| Certificates of deposit | 5,485 | 4,000 |
| Public natural resources - master limited partnerships | 3,419 | 2,532 |
| Remainder interest in real property and other | 1,130 | 1,190 |
| Private equity: | | |
| Buyout | 10,676 | 8,397 |
| Diversified | 74 | 207 |
| Growth | 6,893 | 5,735 |
| Venture capital | 12,635 | 11,146 |
| Secondary | 1,955 | 1,866 |
| Private debt: | | |
| Distressed | 5,389 | 5,548 |
| Mezzanine | - | 7 |
| Natural resources: | | |
| Diversified | 1,227 | 1,589 |
| Energy | 3,130 | 3,595 |
| Commodities | 3,172 | 3,108 |
| Private real estate: | | |
| Opportunistic | 5,950 | 5,124 |
| Value added | 416 | 132 |
| Total Investments | $ 149,165 | $ 137,979 |

Investment return (in thousands) for the years ended June 30, 2024 and 2023 consists of:

| | 2024 | 2023 |
|---|---|---|
| Interest and dividend income (net of investment fees: 2024 - $1,044, 2023 - $1,086) | $ 2,450 | $ 1,915 |
| Net realized gains (losses) | (102) | (767) |
| Net unrealized gains (losses) | 11,710 | 7,418 |
| | $ 14,058 | $ 8,566 |

The Foundation records the cost of managing its endowment portfolio as a decrease in investment income within the appropriate net asset class in the consolidated statements of activities. Some of the Foundation's investment managers report investment transactions net of fees.

The investments of the Foundation are commingled with certain investments which the Foundation holds in trust for the University. The market value of funds held in trust for the University at June 30, 2024 and 2023 was approximately $16,105,000 and $14,937,000 respectively. (See Note h)

At June 30, 2024 and 2023, the Foundation had committed approximately $88,000,000 and $87,000,000, respectively, of its endowment investment resources to alternative investments, of which approximately $26,500,000 and $28,300,000, respectively, had not yet been called by the investment managers. Alternative investments for which commitments have been made consist of private equity/debt, natural resources, private real estate and low-volatility.

Alternative investments of the Foundation have limited marketability and the related investment agreements generally contain restrictive redemption provisions to the extent that the underlying investments should be considered illiquid for the duration of the investment through normal maturity. Early redemption of such investments would likely result in recovery of significantly less than the original investment amount. Foundation management believes the investment portfolio contains sufficient liquidity among other asset classes to make early redemption of alternative investments unlikely for reasons of meeting current spending needs.

**f. Endowments**

The Foundation's endowment consists of 399 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The board, at their discretion, can at any time permit spending from the principal of any quasi-endowed fund, provided the expenditure complies with any donor-imposed restrictions related to the fund.

Kentucky enacted the Kentucky Uniform Prudent Management of Institutional Funds Act (KUPMIFA), the provisions of which apply to endowment funds existing on or established after enactment, with an effective date of July 15, 2010.

An interpretation of KUPMIFA provisions by the Foundation Board of Directors requires that the historical dollar amount of a donor-restricted endowment fund be preserved. As a result of this requirement, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. The net appreciation of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

Under KUPMIFA, the Foundation endowment spending policy allows for prudent spending of future endowment earnings for accounts without accumulated earnings based upon consideration of the following factors, if applicable:

Duration and preservation of the endowment fund
Purpose of the institution and the endowment fund
General economic conditions
Possible effect of inflation or deflation
Expected total return on investments
Other resources of the institution
Investment policy

The approved annual endowment spending rate is reduced by a proportion of 5% for each 1% the affected endowment is below the value of original and subsequent gifts to the permanent endowment (i.e. principal).

*Return Objectives and Risk Parameters.* The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return a rate equal to the Consumer Price Index +5%, net of investment fees. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives.* To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that includes fixed income investments as well as publicly traded equity-based investments and various alternative investment strategies to achieve its long-term return objectives within prudent risk parameters.

*Spending Policy and How the Objectives Relate to Spending Policy.* The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The current spending policy is to distribute an amount at least equal to 3-5% of a moving sixteen quarter average of the fair value of the endowment funds. Accordingly, over the long term, the Foundation expects its current spending policy to allow the Foundation to meet its objective to maintain the historical dollar amount of endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of endowment (in thousands) as of June 30, 2024 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total Net Endowment Assets |
|---|---|---|---|
| Donor restricted endowment funds | $ - | $ 113,149 | $ 113,149 |
| Quasi-endowment funds | 3,738 | 4,865 | 8,603 |
| Total endowment funds | $ 3,738 | $ 118,014 | $ 121,752 |

Changes in endowment net assets (in thousands) for the year ended June 30, 2024 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total Net Endowment Assets |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 3,366 | $ 108,069 | $ 111,435 |
| Contributions collected and other additions | - | 1,608 | 1,608 |
| Investment income | 55 | 1,778 | 1,833 |
| Net investment gain (loss) | 350 | 11,051 | 11,401 |
| Amounts appropriated for expenditure | (33) | (4,492) | (4,525) |
| Endowment net assets, end of year | $ 3,738 | $ 118,014 | $ 121,752 |

Endowment net asset composition by type of endowment (in thousands) as of June 30, 2023 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total Net Endowment Assets |
|---|---|---|---|
| Donor restricted endowment funds | $ - | $ 103,241 | $ 103,241 |
| Quasi-endowment funds | 3,366 | 4,828 | 8,194 |
| Total endowment funds | $ 3,366 | $ 108,069 | $ 111,435 |

Changes in endowment net assets (in thousands) for the year ended June 30, 2023 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total Net Endowment Assets |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 3,147 | $ 102,190 | $ 105,337 |
| Contributions collected and other additions | - | 2,029 | 2,029 |
| Investment income | 54 | 1,754 | 1,808 |
| Net investment gain (loss) | 196 | 6,331 | 6,527 |
| Amounts appropriated for expenditure | (31) | (4,235) | (4,266) |
| Endowment net assets, end of year | $ 3,366 | $ 108,069 | $ 111,435 |

*Funds with Deficiencies.* From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or KUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2024. As of June 30, 2023 deficiencies of this nature were approximately $1,000. The endowment principal of the effected endowments were $118,000 as of June 30, 2023. These deficiencies resulted from unfavorable market conditions that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

**g. Contingent Liabilities**
Legal counsel for the Foundation have advised that they know of no pending or threatened litigation, claims or assessments involving the Foundation that could have a material adverse financial effect on the Foundation.

**h. Regional University Excellence Trust Fund**
The Foundation holds certain funds, consisting of endowment matching funds received by the University from the Commonwealth of Kentucky's Regional University Excellence Trust Fund, which were subsequently transferred to the Foundation for management and investment.

The Foundation reports these funds and accumulated earnings as assets held in trust for the University. Investment earnings, gains and losses and expenditures from these funds are reported as changes in the balance held in trust, rather than as revenue and expenses of the Foundation. (See d. Investments)

**i. Related Party Transactions**
During the years ended June 30, 2024 and 2023, the Foundation made payments on behalf of the University of $360,000 and $334,000, respectively, for salaries, benefits, and other administrative costs for University staff that directly support the Foundation's operations. These payments are made by agreement between the Foundation and University. There were no amounts due as of June 30, 2024. Approximately $2,000 was owed to the University for such costs as of June 30, 2023.

In support of University Programs, the Foundation incurred program expenses of $8,697,000 and $8,829,000 for 2024 and 2023, respectively, which consisted of payments on behalf of the University of $5,709,000 and $6,052,000, for 2024 and 2023, respectively; and amounts transferred to the University for restricted purposes of $2,988,000 and $2,777,000 for 2024 and 2023, respectively.

**j. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 and 2023, comprise the following (in thousands):

| | **2024** | **2023** |
|---|---|---|
| Cash and equivalents | $ 5,772 | $ 4,806 |
| Accounts receivable | 217 | 217 |
| Contributions receivable | 1,690 | 1,682 |
| Less allowance for uncollectible pledges | (21) | (12) |
| | $ 7,658 | $ 6,693 |

The Foundation receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended June 30, 2024 and 2023, restricted contributions of $1,669,000 and $1,670,000, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment for the years ended June 30, 2024 and 2023, of $8,000,000 and $7,400,000 is subject to an annual spending rate as described in Note G. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation's Finance and Audit Committee reviews the liquidity policy annually and the summarized financial reports at its regular meetings.

**k. Schedule of Functional Expenses**

The Foundation accounts for expenses in both natural classification categories and functional area categories. The summary of these for the year ended June 30, 2024 is as follows (in thousands):

**Schedule of Functional Expenses**

**For the Year Ended June 30, 2024**

**(in thousands)**

| | Subgranted to NKU-Payroll | Subgranted to NKU-Other | Legal Services | Accounting Services | Other Contracted Services | Advertising & Promotion | Office Expenses | Information Technology | Occupancy | Travel | Insurance | Other Operating | Scholarships & Awards | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Instruction | $ 625 | $ 21 | $ - | $ - | $ 51 | $ 3 | $ 42 | $ 3 | $ 4 | $ 35 | $ - | $ 60 | $ - | $ 844 |
| Research | 123 | - | 8 | - | 30 | - | 8 | - | - | 3 | - | 59 | - | 231 |
| Public service | 111 | - | - | - | 73 | 8 | 26 | 1 | 41 | 8 | - | 14 | - | 282 |
| Libraries | 2 | - | - | - | - | - | 21 | 5 | - | - | - | 16 | - | 44 |
| Academic support | 551 | - | - | - | 107 | 20 | 214 | 13 | - | 141 | - | 89 | - | 1,135 |
| Student services | 310 | - | - | - | 134 | 7 | 163 | 20 | 1 | 351 | - | 191 | - | 1,177 |
| Institutional support | 680 | - | - | - | 76 | 45 | 162 | 25 | - | 7 | - | 90 | - | 1,085 |
| University facilities and equipment acquisition | 2 | 563 | - | - | 8 | - | 2 | 3 | - | - | - | 46 | - | 624 |
| Student financial aid | - | - | - | - | - | - | - | - | - | - | - | - | 3,216 | 3,216 |
| Other program expenses and losses (recoveries) | - | - | - | - | - | - | - | - | - | - | - | 59 | - | 59 |
| Total program expenses | $ 2,404 | $ 584 | $ 8 | $ - | $ 479 | $ 83 | $ 638 | $ 70 | $ 46 | $ 545 | $ - | $ 624 | $ 3,216 | $ 8,697 |
| Management and general | 360 | - | 1 | 35 | 9 | - | 28 | 3 | - | 6 | 17 | 124 | - | 583 |
| Fund raising support | - | - | - | - | 19 | 5 | 87 | - | 6 | 5 | - | 34 | - | 156 |
| Total support expenses | $ 360 | $ - | $ 1 | $ 35 | $ 28 | $ 5 | $ 115 | $ 3 | $ 6 | $ 11 | $ 17 | $ 158 | $ - | $ 739 |
| Total expenses and losses | $ 2,764 | $ 584 | $ 9 | $ 35 | $ 507 | $ 88 | $ 753 | $ 73 | $ 52 | $ 556 | $ 17 | $ 782 | $ 3,216 | $ 9,436 |

The summary for the year ended June 30, 2023 is as follows (in thousands):

**Schedule of Functional Expenses**
**For the Year Ended June 30, 2023**
**(in thousands)**

| | Subgranted to NKU-Payroll | Subgranted to NKU-Other | Legal Services | Accounting Services | Other Contracted Services | Advertising & Promotion | Office Expenses | Information Technology | Occupancy | Travel | Insurance | Other Operating | Scholarships & Awards | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Instruction | $ 644 | $ 6 | $ - | $ - | $ 73 | $ 10 | $ 72 | $ - | $ 2 | $ 55 | $ - | $ 156 | $ - | $ 1,018 |
| Research | 105 | - | - | - | - | - | 4 | 1 | - | 13 | - | 10 | - | 133 |
| Public service | 18 | - | - | - | 68 | 26 | 46 | - | 33 | 9 | - | 25 | - | 225 |
| Libraries | - | - | - | - | - | - | 8 | - | - | 1 | - | 6 | - | 15 |
| Academic support | 756 | 10 | - | - | 3 | 28 | 229 | 4 | 2 | 114 | - | 74 | - | 1,220 |
| Student services | 388 | 26 | - | - | 56 | 11 | 181 | 6 | 6 | 322 | 1 | 265 | - | 1,262 |
| Institutional support | 761 | - | - | - | 54 | 17 | 213 | 3 | - | 33 | - | 250 | - | 1,331 |
| University facilities and equipment acquisition | 2 | 61 | - | - | 5 | - | 3 | - | - | 1 | - | 64 | - | 136 |
| Student financial aid | - | - | - | - | - | - | - | - | - | - | - | - | 3,374 | 3,374 |
| Other program expenses and losses (recoveries) | - | - | - | - | - | - | - | - | - | - | - | 115 | - | 115 |
| Total program expenses | $ 2,674 | $ 103 | $ - | $ - | $ 259 | $ 92 | $ 756 | $ 14 | $ 43 | $ 548 | $ 1 | $ 965 | $ 3,374 | $ 8,829 |
| Management and general | 334 | - | 5 | 45 | 9 | - | 20 | - | - | 3 | 17 | 36 | - | 469 |
| Fund raising support | - | - | - | - | 22 | 3 | 72 | - | 34 | 17 | - | 53 | - | 201 |
| Total support expenses | $ 334 | $ - | $ 5 | $ 45 | $ 31 | $ 3 | $ 92 | $ - | $ 34 | $ 20 | $ 17 | $ 89 | $ - | $ 670 |
| Total expenses and losses | $ 3,008 | $ 103 | $ 5 | $ 45 | $ 290 | $ 95 | $ 848 | $ 14 | $ 77 | $ 568 | $ 18 | $ 1,054 | $ 3,374 | $ 9,499 |

**l. Nonfinancial Contributions**

For the years ended June 30, contributed nonfinancial assets (in thousands) recognized within the consolidated statements of activities included:

| | 2024 | 2023 |
|---|---|---|
| Event Supplies/Administrative Costs | $ 2 | $ 19 |
| Athletic/Educational Supplies | 10 | - |
| Other | 2 | 2 |
| | $ 14 | $ 21 |

The Foundation recognized nonfinancial assets within revenue with donor restrictions, including event, athletic, and educational supplies/administrative costs, and NKU FUEL Pantry supplies. The recognized values of these donated items are based on the fair market value of the contributions at the time of donation based upon a review of advertised similar products.

Contributed event supplies/administrative costs were utilized by various NKU events.

Contributed athletic/educational supplies were utilized by the NKU FUEL Pantry which provides food and other necessities for NKU students, as well as the NKU Athletics program, Nursing program, and STEM (Science, Technology, Engineering, and Math) programs.

Volunteers contribute significant amounts of time to the program services and the Foundation, however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP.

# Required Supplementary Information

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Schedule of Proportionate Share of the Collective Net Pension Liability**
**Kentucky Employees' Retirement System**
**For the Years Ended June 30**
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Hazardous** | | | | | | | | | | |
| University's proportionate share of the net pension liability | 0.395696% | 0.396579% | 0.359247% | 0.384598% | 0.373520% | 0.386465% | 0.370876% | 0.401133% | 0.444514% | 0.414511% |
| University's proportionate share of the collective net pension liability | $ 1,674 | $ 2,013 | $ 1,601 | $ 2,156 | $ 2,041 | $ 1,952 | $ 1,844 | $ 1,571 | $ 1,524 | $ 1,059 |
| University's covered-employee payroll | $ 886 | $ 748 | $ 621 | $ 661 | $ 600 | $ 591 | $ 662 | $ 637 | $ 563 | $ 535 |
| University's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 188.90% | 269.03% | 258.00% | 326.28% | 340.16% | 330.29% | 278.50% | 246.58% | 270.64% | 197.80% |
| Pension plan fiduciary net position as a % of the total pension liability | 67.87% | 61.51% | 66.03% | 55.18% | 55.49% | 56.10% | 54.80% | 57.41% | 61.70% | 68.70% |

*The amounts presented for the fiscal year were determined as of June 30, of the previous fiscal year (measurement date).

See Independent Auditor's Report and Notes to the Schedules

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Schedule of University Pension Contributions**
**Kentucky Employees' Retirement System**
**For the Years Ended June 30**
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Hazardous** | | | | | | | | | | |
| Contractually required contribution | $ 275 | $ 271 | $ 240 | $ 233 | $ 287 | $ 256 | $ 180 | $ 170 | $ 127 | $ 136 |
| University's contributions in relation to the contractually required contribution | 275 | 271 | 240 | 233 | 287 | 256 | 180 | 170 | 127 | 136 |
| Contribution deficiency | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $ 863 | $ 850 | $ 717 | $ 646 | $ 835 | $ 744 | $ 838 | $ 806 | $ 776 | $ 831 |
| Contributions as a percentage of covered-employee payroll | 31.82% | 31.82% | 33.43% | 36.00% | 34.39% | 34.39% | 21.44% | 21.08% | 16.37% | 16.37% |

Notes to the Schedules:
The following summarizes key changes in assumptions from year to year.

*Changes in assumptions from 2022 to 2023:* There were no material changes.
*Changes in assumptions from 2021 to 2022:* There were no material changes.
*Changes in assumptions from 2020 to 2021:* There were no material changes.
*Changes in assumptions from 2019 to 2020:* The salary increase assumption changed from 3.05% to an average of 3.55% to 20.05%, based on service.
*Changes in assumptions from 2018 to 2019:* The salary increase assumption changed from 4.00% to3.05%.
*Changes in assumptions from 2017 to 2018:* The investment rate and discount rate both decreased from 7.50% to 6.25%. The plan inflation rate decreased from 3.25% to 2.30%.
*Changes in assumptions from 2016 to 2017:* There were no material changes.
*Changes in assumptions from 2015 to 2016:* There were no material changes.

* The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See Independent Auditor's Report and Notes to the Schedules

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Schedule of Proportionate Share of the Net OPEB Liability**
**Kentucky Employees' Retirement System**
**For the Years Ended June 30**
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| **Hazardous** | | | | | | | |
| University's proportionate share of the net OPEB liability (asset) | 0.395776% | 0.396584% | 0.359216% | 0.384513% | 0.372729% | 0.386561% | 0.370876% |
| University's proportionate share of the net net OPEB liability (asset) | $ (823) | $ 30 | $ (41) | $ 164 | $ (100) | $ (128) | $ 22 |
| University's covered-employee payroll | $ 886 | $ 748 | $ 620 | $ 701 | $ 564 | $ 736 | $ 635 |
| University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | (92.89%) | 4.04% | (6.67%) | 23.47% | (17.73%) | (17.43%) | 3.46% |
| Plan fiduciary net position as a % of the total OPEB liability | 149.84% | 98.72% | 101.85% | 92.42% | 105.29% | 106.83% | 98.80% |

*The amounts presented for the fiscal year were determined as of June 30, of the previous fiscal year (measurement date).

*This schedule is presented to illustrate the requirement to show informaiton for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

See Independent Auditor's Report and Notes to the Schedules

**Northern Kentucky University**
**A Component Unit of the Commonwealth of Kentucky**
**Schedule of University OPEB Contributions**
**Kentucky Employees' Retirement System**
**For the Years Ended June 30**
(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| **Hazardous** | | | | | | | |
| Contractually required contribution | $ - | $ - | $ - | $ - | $ 21 | $ 18 | $ 19 |
| University's contributions in relation to the contractually required contribution | - | - | - | - | 21 | 18 | 19 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $ 863 | $ 850 | $ 717 | $ 656 | $ 835 | $ 744 | $ 838 |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 2.46% | 2.46% | 2.26% |

Notes to the Schedules:

The following summarizes key changes in assumptions from year to year.

*Changes in assumptions from 2022 to 2023:* The discount rate increased from 5.59% to 5.94%, while the long-term expected rate of return increased from 6.25% to 6.50%.

*Changes in assumptions from 2021 to 2022:* There were no material changes.

*Changes in assumptions from 2020 to 2021:* The healthcare trend rates for Under Age 65 and Ages 65 and Older decreased from 7.00% to 6.40% and 5.00% to 2.90%, respectively. The discount rate decreased from 5.66% to 5.28%.

*Changes in assumptions from 2019 to 2020:* The salary increase assumption changed from 3.05% to an average of 3.55% to 20.05%, based on service. The discount rate decreased from 5.88% to 5.66%.

*Changes in assumptions from 2018 to 2019:* The discount rate increased from 5.87% to 5.88%.

*Changes in assumptions from 2017 to 2018:* The discount rate decreased from 7.20% to 5.87%, while the investment rate decreased from 7.50% to 6.25%. Estimated salary increases decreased from 4.00% to 3.05%. The inflation rate decreased from 3.25% to 2.30%.

*The amounts presented for the fiscal year were determined as of June 30, of the previous fiscal year (measurement date).

*This schedule is presented to illustrate the requirement to show informaiton for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

See Independent Auditor's Report and Notes to the Schedules

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

Board of Regents
Northern Kentucky University
Highland Heights, Kentucky

We have audited, in accordance with the 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 (G*overnment Auditing Standards*), the financial statements of the business-type activities, the discretely presented component unit, and the fiduciary activities of Northern Kentucky University (the University), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 1, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 entity’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 or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dean Dorton Allen Ford, PLLC

Louisville, Kentucky
October 1, 2024