



Financial Statements

for

NORTHERN KENTUCKY UNIVERSITY
A Component Unit of the Commonwealth of Kentucky

Year Ended June 30, 2025
with Independent Auditor's Report

2024-2025 FINANCIAL REPORT

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Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Annual Financial Report
June 30, 2025

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October 2, 2025

Northern Kentucky University Board of Regents
Highland Heights, KY 41099

Dear Members of the Board:

I am pleased to share the University's 2024-2025 Annual Financial Report. The public accounting firm Dean Dorton has audited the attached statements and accompanying footnotes.

During Fiscal Year 2025, the University succeeded on improving the significant budget deficits in Fiscal Years 2023 and 2024. The University has achieved positive cash flow in excess of \$7 million (the first positive cash flow since 2020) and achieved a budget surplus of \$3 million for Fiscal Year 2025. We achieved these milestones ahead of schedule, but need to continue to work closely with the Board and university constituencies to repeat Fiscal Year 2025's success in Fiscal Year 2026 and over the long term.

The University successfully increased both net tuition revenue (net student tuition and fees, less student aid) and state appropriations while simultaneously containing operating costs in Fiscal Year 2025 compared to the prior year. We successfully stabilized enrollment and reduced institutional discounting. We also see continued improvement, particularly in institutional discounting, in the early months of fiscal year 2026.

Our focus on the budget has run parallel with our continued devotion to the success of our students and our region and we have continued to make incredible progress over the past year. Last year, we made great strides in enrollment, especially among transfer students and first-year student enrollment. This fall, we have seen increases in law and undergraduate student enrollments, and housing numbers are up too. We are reaching record highs in retention as well. The momentum will continue because of new and innovative programs like our Direct Admit Program, which simplifies the admissions process for qualified students in a first-of-its-kind program for a public university in this region, and our new 3 States, 1 Rate tuition model streamlines and simplifies tuition structures and merit-based scholarships for students in Ohio and Indiana. And NKU'S Class of 2025 included more than 2,050 new graduates at Commencement ceremonies in May.

We are excited about new academic programs, new athletic teams like our stunt and men's volleyball teams, the expansion of our Hermann Science Center, and innovations like the Norse Network Hub and the Launch NKY Center for Civic Leadership. The Norse Network Hub is a place where students, alumni, employers, faculty and staff come together to find ways to expand our partnerships with external organizations and enhance our educational opportunities. LaunchNKY will begin its work in January 2026, cultivating civic-minded, regionally grounded leaders who will step into meaningful leadership roles across the region and provide a robust leadership development pipeline that equips participants with the skills, knowledge and connections to serve as effective leaders who will invest in our communities.

There are just so many exciting things happening at NKU. But, as always, there is more work to do, and we are excited for it. NKU knows education is the opportunity to open doors for people and communities, creating fulfilling lives and careers while building vibrant communities around us. We are in the business of creating the future, and we are thrilled to do it. Fiscal Year 2026 undoubtedly will present challenges, but we are excited about a great future, and I look forward to another successful year.

Best regards,

A handwritten signature in black ink that reads "Cady Short-Thompson". The signature is written in a cursive, flowing style.

Cady Short-Thompson, Ph.D.
President

Independent Auditor's Report

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

Report on the Audit 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 year ended June 30, 2025, 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, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 13, and the supplementary pension and other postemployment benefit information on pages 48 - 51 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2025 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 the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
October 2, 2025

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Management's Discussion and Analysis
Year Ended June 30, 2025

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, 2025, with selected comparative information for the year ended June 30, 2024. This discussion and analysis have 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. It 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 increased by \$35.3 million, or 6.8 percent, for the year ending June 30, 2025, and now total \$555.0 million. Liabilities increased by \$9.4 million, or 2.8 percent, for the year ended June 30, 2025. Long-term debt, net of discounts and premiums, totaled \$260.2 million and \$277.1 million on June 30, 2025, and 2024, respectively. The University's net position totaled \$196.3 million as of June 30, 2025, representing an increase of \$26.6 million, compared to a \$4.2 million increase from 2023 to 2024.

The University's operating and nonoperating revenues totaled \$289.0 million for the year ended June 30, 2025, a decrease of \$14.1 million compared to 2024. Operating revenues decreased by \$17.4 million for the year ended June 30, 2025. Tuition and fee revenues net of scholarship allowances decreased \$20.0 million for the year, while grant revenues increased by \$2.3 million. Nonoperating revenues increased by \$31.5 million for the year ended June 30, 2025. Increases in capital appropriations of \$17.9 million and \$4.5 million in state appropriations combined for this result.

The University's state-funded endowments totaled \$18.6 million as of June 30, 2025, an increase of \$2.5 million compared to 2024. These funds, along with the private endowed gifts donated to benefit the University, are managed by Northern Kentucky University Foundation, Inc. (Foundation) and totaled \$149.7 million and \$137.9 million as of June 30, 2025, and 2024, respectively. The endowment funds provide annual endowment spending allocations available to support the University's mission. For fiscal years 2025 and 2024, the endowment spending allocations, including support for endowed faculty positions and student scholarships, totaled \$5.7 million and \$5.6 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 the 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 2025, the University adopted GASB Statement 101, *Compensated Absences*. The statement establishes guidelines for compensated absences, such as vacation and sick leave. The statement requires that liabilities for compensated absences be recognized for both unused leave and leave that has been used but not yet paid. The adoption of this new standard resulted in a \$3.9 million decrease in the net position previously reported for June 30, 2024.

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, 2025, with comparative information as June 30, 2024 (as previously reported), and includes all assets, deferred outflows and inflows of resources, liabilities, and net position. For purposes of this Management Discussion and Analysis, comparative June 30, 2024, information is presented as previously reported and not restated for the impact of GASB 101. Financial statements are prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when the service is provided by others, regardless of when cash is exchanged. The net position, which comprises the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the University's current financial condition. Assets, liabilities, deferred inflows, and outflows of resources are generally measured using current values. A significant 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 on June 30, 2025, and 2024, is as follows:

Condensed Statements of Net Position (in thousands)
(fiscal year 2024 presented as previously reported)

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets	\$ 123,040	\$ 110,379
Capital assets, net	370,075	355,838
Noncurrent assets	<u>61,868</u>	<u>53,500</u>
Total assets	<u>554,983</u>	<u>519,717</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,084</u>	<u>1,506</u>
TOTAL ASSETS and DEFERRED OUTFLOWS	<u>\$ 556,067</u>	<u>\$ 521,223</u>
LIABILITIES		
Current liabilities	69,862	53,890
Noncurrent liabilities	<u>276,907</u>	<u>283,488</u>
Total liabilities	<u>346,769</u>	<u>337,378</u>
DEFERRED INFLOWS OF RESOURCES	<u>13,012</u>	<u>14,140</u>
NET POSITION		
Net investment in capital assets	277,803	251,725
Restricted		
Nonexpendable	9,031	8,341
Expendable	14,514	14,482
Unrestricted	<u>(105,062)</u>	<u>(104,843)</u>
Total net position	<u>196,286</u>	<u>169,705</u>
TOTAL LIABILITIES, DEFERRED INFLOWS and NET POSITION	<u>\$ 556,067</u>	<u>\$ 521,223</u>

Assets

The University's assets increased by \$35.3 million, or 6.8 percent, for the year ended June 30, 2025, and now total \$556.1 million. Current assets increased by \$12.7 million while noncurrent assets increased by \$8.4 million for the year ended June 30, 2025. Cash and cash equivalents increased by \$6.6 million, and investments increased \$2.5 million for the year ended June 30, 2025, compared to a decrease in cash and cash equivalents in 2024. Prepaid future pension service credits from the University's cessation from KERS of \$12.6 million and \$14.5 million for the years ending June 30, 2025 and 2024, respectively, have decreased over this time period. Prepaid future pension service credits will continue to decline as employees earn the credits each year or leave the University before retirement.

Deferred Outflows of Resources

Deferred outflows of resources totaled \$1.1 million and \$1.5 million as of June 30, 2025 and 2024, respectively. The deferred outflows of resources represent the unamortized difference between the reacquisition price and the net carrying amount of refunded debt, totaling \$0.8 million and \$1.1 million at June 30, 2025 and 2024, respectively.

Liabilities

The University's liabilities increased by \$9.4 million, or 2.8 percent, for the year ended June 30, 2025, compared to a reduction in liabilities for the year ended June 30, 2024, of \$11.3 million, or 3.2 percent (June 30, 2024 comparison as previously reported). This increase is primarily a result of accounts payable and accrued liabilities due to capital activity and GASB 101. Long-term debt has decreased \$16.9 million from June 30, 2024, to June 30, 2025. Current liabilities increased by \$16.0 million, primarily due to increases in accounts payable, accrued liabilities, and unearned revenue compared to 2024. Noncurrent liabilities decreased by \$6.6 million for the year, primarily due to a reduction of \$16.9 million in long-term debt.

Deferred Inflows of Resources

The University's deferred inflows of resources totaled \$13.0 million and \$14.1 million as of June 30, 2025 and 2024, respectively. The agreement between the University and the University's food service providers resulted in a deferred inflow of resources of \$1.6 million and \$1.9 million on June 30, 2025 and 2024, respectively. The deferred inflows of resources related to this agreement are recognized evenly over the life of the contract. Deferred inflows include a \$1.7 million and \$1.9 million gain on refunding, resulting from a bond refund occurring in the year ended June 30, 2024. The remaining deferred inflows of resources for the years ended June 30, 2025 and 2024 consist of the KERS pension and OPEB-related unamortized balances.

Net Position

Net position represents the difference between the University's total assets and deferred outflows of resources, and its total liabilities and deferred inflows of resources. The University's net position totaled \$196.3 million and \$169.7 million on June 30, 2025 and 2024, respectively. The University's unrestricted net position totaled \$(105.1) million and \$(104.8) million as of June 30, 2025 and 2024, respectively. The University's negative unrestricted net position increased by \$0.2 million and \$7.9 million for the years ended June 30, 2025, and 2024, respectively (June 30, 2024 comparison as previously reported).

Net invested in capital assets totaled \$277.8 million and \$251.7 million on June 30, 2025 and 2024, respectively. As of June 30, 2025, the University's restricted nonexpendable net position totaled \$9.0 million, representing an increase of \$0.7 million from the prior year. The nonexpendable funds consist of endowments funded through the Commonwealth's Regional University Excellence Trust Fund. Restricted expendable net position totaled \$14.5 million for the years ended June 30, 2025 and 2024.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the revenues and costs 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 before the addition of nonoperating revenues.

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

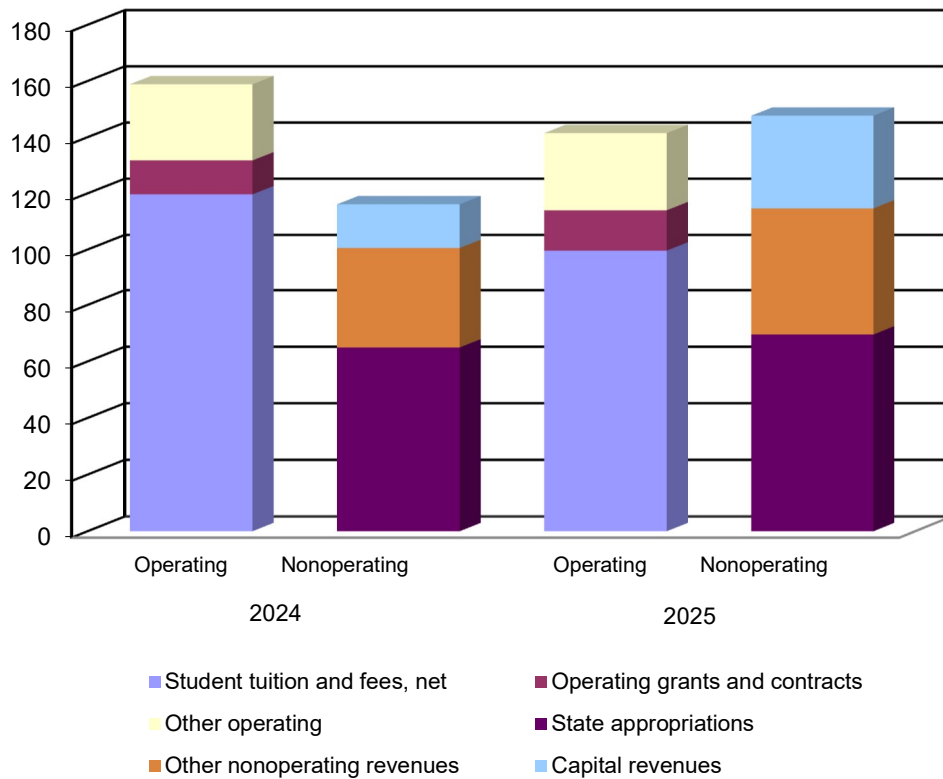
The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. A summarized comparison of the University's revenues, expenses, and changes in net position for the years ending June 30, 2025, and 2024 follows:

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

	2025	2024
OPERATING REVENUES		
Student tuition and fees, net	\$ 99,612	\$ 119,641
Grants and contracts	14,364	12,077
Sales and services of educational departments	5,873	4,635
Auxiliary enterprises	11,091	11,558
Other operating revenues	10,501	10,920
Total operating revenues	<u>141,441</u>	<u>158,831</u>
OPERATING EXPENSES		
Educational and general	221,077	232,058
Depreciation and amortization expense	17,967	17,358
Auxiliary enterprises (incl. depreciation and amortization)	11,549	11,395
Other expenses	137	119
Total operating expenses	<u>250,730</u>	<u>260,930</u>
Net loss from operations	<u>(109,289)</u>	<u>(102,099)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	69,464	64,931
Gifts, grants and contracts	37,715	27,382
Investment income	6,713	7,497
Interest on capital asset-related debt	(8,374)	(8,636)
Other nonoperating revenues (expenses)	525	(1,178)
Net nonoperating revenues	<u>106,043</u>	<u>89,996</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(3,246)</u>	<u>(12,103)</u>
Capital appropriations	32,232	14,353
Capital grants and gifts	789	1,213
State endowment match	690	725
Total other revenues	<u>33,711</u>	<u>16,291</u>
Increase in net position	30,465	4,188
Net position-beginning of year, as previously reported	169,705	165,517
Cumulative effect of change in accounting principle	(3,884)	-
Net position-beginning of year, as restated	<u>165,821</u>	<u>165,517</u>
Net position-end of year	<u>\$ 196,286</u>	<u>\$ 169,705</u>

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 2025 and 2024. Significant recurring sources of revenue, including state appropriations and non-exchange grants and contracts, are considered non-operating 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 \$281.2 million for the year ended June 30, 2025, an increase compared to 2024. Operating revenues totaled \$141.4 million, while nonoperating and other revenues totaled \$139.8 million for the year. The most significant sources of revenue for the University are net student tuition and fees (75.0 percent of operating revenues) and state appropriations (65.5 percent of nonoperating revenues)

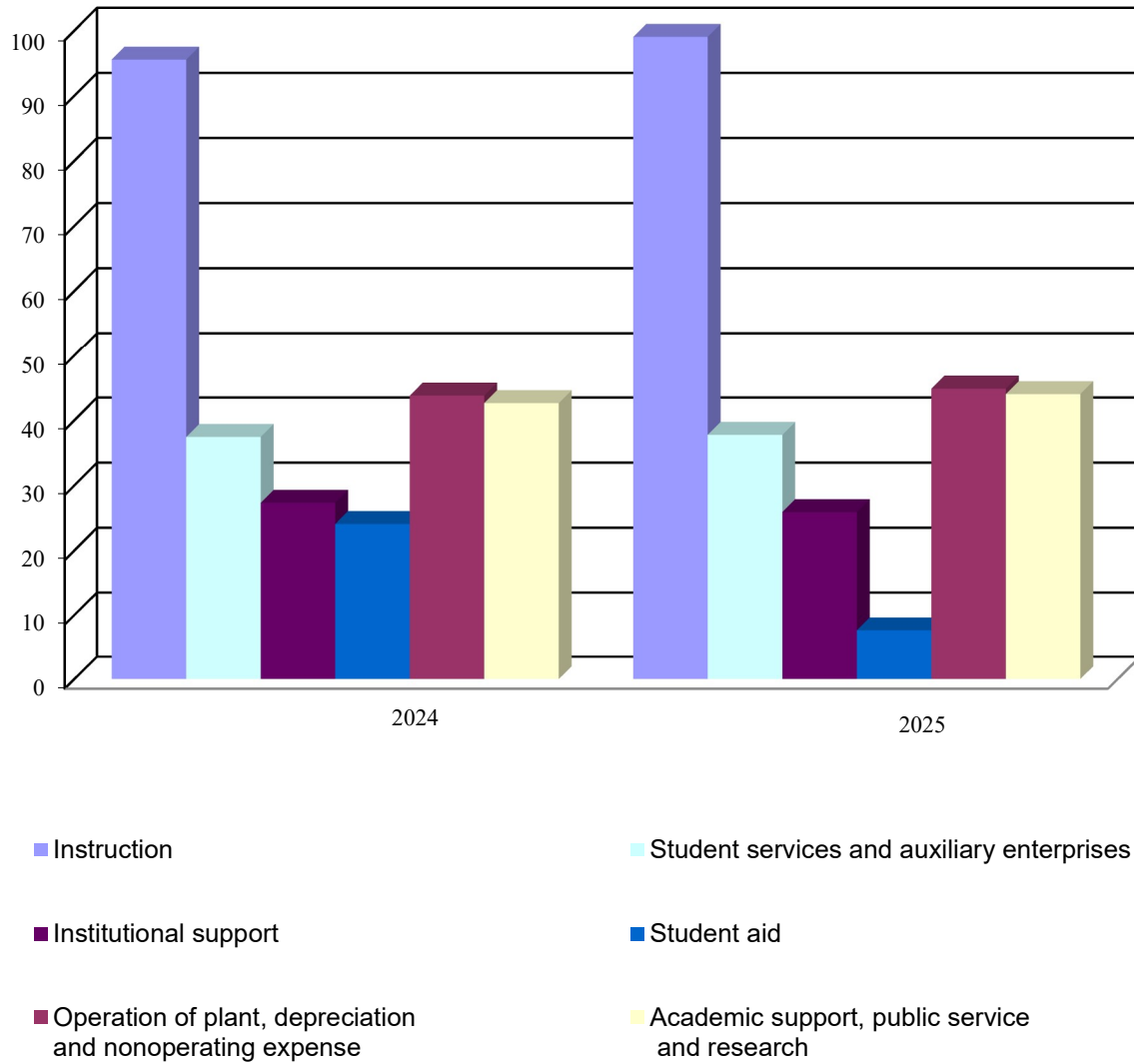
Operating revenues decreased by \$17.4 million compared to 2024, primarily due to a \$20.0 million change in student tuition and fees, net of scholarship allowances. Scholarship allowances increased from \$44.7 million in 2024 to \$66.0 million in 2025. Other operating revenues increased \$0.4 million compared to 2024.

Nonoperating revenues increased in 2025 by \$16.0 million compared to 2024, primarily because of an increase in capital appropriations of \$4.5 million, an increase in federal grants and contracts of \$5.3 million, and an increase in state and local grants and contracts of \$5.1 million for the year ended June 30, 2025 and the year ended June 30, 2025, also included a decrease in investment income of \$ 0.8 million.

In the 2022-2024 and the 2024-2026 budgets of the Commonwealth of Kentucky, the Kentucky General Assembly authorized \$683.5 million and \$563 million, respectively, 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’s allocation of the 2024-2026 asset preservation budget is \$46.15 million.

Operating and Nonoperating Expenses

The following chart illustrates the University's expenses by function (both operating and nonoperating) for fiscal years 2025, and 2024 (presented in millions).



Operating expenses decreased by \$10.2 million, to a total of \$250.7 million for the year ended June 30, 2025. Combined with a 2024 decrease of \$8.6 million and a 2023 decrease of \$9.0 million, operating expenses have been reduced by \$27.8 million since 2022. For the year ended June 30, 2025, the cost reduction was primarily attributable to decreases in student aid of \$14.6 million. The University continues to realign spending to match revenue generation more closely.

Statement of Cash Flows

Another 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, 2025, and 2024 follows:

Condensed Statements of Cash Flows (in thousands)

	<u>2025</u>	<u>2024</u>
Net cash provided (used) by:		
Operating activities	\$ (76,186)	\$ (76,187)
Noncapital financing activities	97,469	82,708
Capital and related financing activities	(20,511)	(18,950)
Investing activities	<u>4,037</u>	<u>6,141</u>
Net increase (decrease) in cash and cash equivalents	4,809	(6,288)
Cash and cash equivalents, beginning of year	<u>91,778</u>	<u>98,066</u>
Cash and cash equivalents, end of year	<u><u>\$ 96,587</u></u>	<u><u>\$ 91,778</u></u>

The University's cash and cash equivalents increased by \$4.8 million in 2025. Primary sources of funds generated by operating activities in 2025 included student tuition and fees (\$104.4 million), grants and contracts (\$13.3 million), and auxiliary enterprises (\$11.0 million). The largest cash payments for operating activities were for salaries and benefits (\$146.7 million), supplier payments (\$65.4 million), and student financial aid (\$7.4 million). Net cash used by operating activities was materially unchanged when compared to 2024.

Net cash provided by noncapital financing activities increased by \$14.8 million in 2025. The 2025 increase is primarily a result of an increase in state appropriations of \$4.5 million and a \$9.8 million increase in noncapital gifts and grants. Net cash provided by investing activities decreased by \$1.6 million compared to the prior year.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2025, capital assets, net of accumulated depreciation, totaled \$370.1 million, or 66.7 percent of total assets. Capital assets as of June 30, 2025, and 2024 are as follows (in thousands):

	Balance <u>6/30/2024</u>	Net Additions (Deletions)	Balance <u>6/30/2025</u>
Land	\$ 9,375	-	\$ 9,375
Land Improvements	44,054	18	44,072
Buildings	569,534	3,022	572,556
Equipment	72,293	370	72,663
Library Books	10,319	(49)	10,270
Construction in Process	16,214	28,621	44,835
Accumulated Depreciation	<u>(365,951)</u>	<u>(17,745)</u>	<u>(383,696)</u>
	<u><u>\$ 355,838</u></u>	<u><u>\$ 14,237</u></u>	<u><u>\$ 370,075</u></u>

Net capital assets increased by \$14.2 million as of June 30, 2025, after a slight increase the previous year by \$0.4 million. The increase in 2025 is the net result of an increase in capitalized construction project costs, land improvements, equipment, and other capital assets, less depreciation. The increase in capitalized costs is primarily due to the rise in state capital appropriations in the form of direct project appropriations and asset preservation appropriations.

Debt

The following is a summary of the University's outstanding capital debt, summarized by trust indenture and type, as of June 30, 2025, and 2024 (in thousands):

	<u>2025</u>	<u>2024</u>
General Receipts Bonds, tax exempt, net of discounts and premiums	\$ 88,630	\$ 99,631
General Receipts Bonds, taxable	184,955	189,935
Lease liabilities	698	974
SBITA liabilities	14,663	5,076
Other financing arrangements	3,538	4,254
	<u>\$ 292,484</u>	<u>\$ 299,870</u>

Debt decreased by \$7.4 million for the year ended June 30, 2025, primarily due to a reduction in General Receipts Bonds of \$15.9 million, an increase in lease and subscription IT agreement liabilities of \$9.6 million, and a decrease in other financing arrangements of \$0.7 million over the year ended June 30, 2024. 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:

- Preliminary fall 2025 enrollment, pending the start of all five and seven-week sessions, shows an increase in net tuition revenue due to tuition increases and new fees, but slightly lower total enrollment (headcount). The University's fall 2024 total enrollment of 15,370 was an increase of 2.6% from the prior year. From 2017 to 2024, undergraduate enrollments decreased by 2,503 students (19.9%). Supplementing the significant drop in total enrollment was the substantial growth in 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 online offerings, topping 3,667 students.
- The Kentucky Council on Postsecondary Education (CPE) established a 5.1% tuition cap for the 2 years covering 2025-27. The University proposed, and CPE subsequently approved, raising undergraduate tuition 3.9% for 2025-2026. Increases are yet to be determined for 2026-2027.
- 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, 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. Performance funding for the 2025-2026 year decreased to \$11.8 million, supporting 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. The Direct Admit Program offers conditional admission to qualified undergraduate students who have an unofficial high school GPA of 2.75 or higher (unweighted), thereby meeting the current academic admissions standards established by the University. Starting in fall 2025, high school seniors from Kentucky, Ohio, and Indiana will be directly admitted to the University, eliminating the traditional application and application fee, one step towards reducing barriers that may stand in the way of 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
Statement of Net Position
As of June 30, 2025
(in thousands)

ASSETS

Current Assets

Cash and cash equivalents	\$ 92,685
Notes, loans and accounts receivable, net	22,906
Lease receivable	673
Other current assets	6,776
Total current assets	123,040

Noncurrent Assets

Cash and cash equivalents	3,902
Investments	18,575
Notes, loans and accounts receivable, net	800
Lease receivable	8,742
Right to use subscription based IT agreement asset, net	15,133
Right to use lease asset, net	743
Pension prepaid future service	12,630
OPEB asset	759
Capital assets, net	370,075
Other noncurrent assets	584
Total noncurrent assets	431,943
Total assets	554,983

DEFERRED OUTFLOWS OF RESOURCES

Bond refunding loss	762
Pension and OPEB	322
Total deferred outflows of resources	1,084

TOTAL ASSETS AND DEFERRED OUTFLOWS

\$556,067

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statement of Net Position, continued
As of June 30, 2025
(in thousands)

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 32,524
Unearned revenue	12,681
Subscription liabilities-current portion	2,183
Lease liabilities-current portion	261
Long-term debt-current portion	16,895
Deposits and other long-term liabilities-current portion	<u>5,318</u>
Total current liabilities	<u>69,862</u>

Noncurrent Liabilities

Deposits	42
Subscription based IT agreement liabilities	12,480
Lease liabilities	437
Long-term debt	260,228
Other long-term liabilities	2,514
Net pension liability	<u>1,206</u>
Total noncurrent liabilities	<u>276,907</u>
Total liabilities	<u>346,769</u>

DEFERRED INFLOWS OF RESOURCES

Service agreements	1,572
Lease inflows	8,956
Bond refunding gain	1,705
Pension and OPEB	<u>779</u>
Total deferred inflows of resources	<u>13,012</u>

NET POSITION

Net investment in capital assets	277,803
Restricted	
Nonexpendable	9,031
Expendable	14,514
Unrestricted	<u>(105,062)</u>
Total net position	<u>196,286</u>

TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 556,067</u>
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See accompanying notes to the financial statements

Northern Kentucky University Foundation, Inc.

Consolidated Statement of Financial Position

As of June 30, 2025

(in thousands)

ASSETS

Cash and cash equivalents	\$	8,575
Loans and accounts receivable, net		1,196
Interest receivable		50
Contributions receivable, net		4,975
Prepaid expenses and deferred charges		148
Investments		161,392
Land and land improvements, net		423
Total assets	\$	<u>176,759</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	442
Agency funds		43
Deferred income		534
Funds held in trust for Northern Kentucky University		<u>18,575</u>
Total liabilities		<u>19,594</u>

NET ASSETS

Without Donor Restrictions		
Undesignated		4,444
Amounts functioning as endowment funds		4,078
Invested in land and land improvements		<u>423</u>
Total without donor restrictions		<u>8,945</u>
With Donor Restrictions		
Purpose Restrictions		
Unexpended funds		14,628
Contributions receivable		4,975
Loan funds		1,523
Endowment funds		<u>127,094</u>
Total with donor restrictions		<u>148,220</u>
Total net assets		<u>157,165</u>
Total liabilities and net assets	\$	<u>176,759</u>

See accompanying notes to the consolidated financial statements

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025
(in thousands)

OPERATING REVENUES

Student tuition and fees (net of scholarship allowances of \$65,977)	\$ 99,612
Federal grants and contracts	5,084
State and local grants and contracts	5,677
Nongovernmental grants and contracts	3,603
Sales and services of educational departments	5,873
Auxiliary enterprises	
Housing and food service (net of scholarship allowances of \$2,337)	7,931
Other auxiliaries	3,160
Other operating revenues	10,501
Total operating revenues	141,441

OPERATING EXPENSES

Educational and general	
Instruction	99,030
Research	2,484
Public service	15,488
Libraries	5,251
Academic support	20,783
Student services	26,040
Institutional support	25,876
Operation and maintenance of plant	18,515
Depreciation and amortization	17,967
Student aid	7,610
Auxiliary enterprises	
Housing and food service	5,736
Other auxiliaries	992
Auxiliary depreciation and amortization	4,821
Other expenses	137
Total operating expenses	250,730
Net loss from operations	(109,289)

NONOPERATING REVENUES (EXPENSES)

State appropriations	69,464
Federal grants and contracts	19,419
State and local grants and contracts	18,216
Private gifts and grants	80
Investment income	6,713
Interest on debt	(8,374)
Other nonoperating revenues	525
Net nonoperating revenues	106,043
Loss before other revenues, expenses, gains or losses	(3,246)
Capital appropriations	32,232
Capital grants and gifts	789
State endowment match	690
Total other revenues	33,711
Change in net position	30,465

NET POSITION-BEGINNING OF YEAR, AS PREVIOUSLY REPORTED

Cumulative effect of change in accounting principle	169,705
Net position-beginning of year, as restated	(3,884)

NET POSITION-END OF YEAR

	\$ 196,286
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See accompanying notes to the financial statements

Northern Kentucky University Foundation, Inc.

Consolidated Statement of Activities

For the year ended June 30, 2025

(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Gifts and bequests	\$ -	\$ 5,746	\$ 5,746
Nonfinancial contributions	100	3	103
State grants	-	10	10
Rental income	145	2	147
Investment return	912	11,997	12,909
Other revenue	154	934	1,088
Total revenues and gains (losses)	1,311	18,692	20,003
Net assets released from restrictions	9,417	(9,417)	-
Total revenues, gains (losses) and other support	10,728	9,275	20,003
EXPENSES AND LOSSES			
Program expenses			
Instruction	816	-	816
Research	253	-	253
Public service	220	-	220
Libraries	33	-	33
Academic support	1,376	-	1,376
Student services	1,107	-	1,107
Institutional support	1,247	-	1,247
University facilities and equipment acquisition	735	-	735
Student financial aid	3,188	-	3,188
Other program expenses and losses	-	292	292
Total program expenses (recoveries)	8,975	292	9,267
Support expenses			
Management and general	747	-	747
Fund raising support	116	-	116
Total support expenses	863	-	863
Total expenses and losses (recoveries)	9,838	292	10,130
Change in net assets	890	8,983	9,873
Net assets - beginning of year	8,055	139,237	147,292
Net assets - end of year	\$ 8,945	\$ 148,220	\$ 157,165

See accompanying notes to the consolidated financial statements

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statement of Cash Flows
For the Year Ended June 30, 2025
(in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 104,376
Grants and contracts	13,342
Payments to suppliers	(65,450)
Payments for salaries and benefits	(146,725)
Payments for student financial aid	(7,364)
Loans issued to students	(73)
Collection of loans to students	68
Auxiliary enterprise receipts:	
Housing operations	7,971
Other auxiliaries	3,004
Sales and service of educational departments	5,396
Other receipts	9,269
	(76,186)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	69,464
State endowment match	690
Gifts and grants for other than capital purposes	37,657
Agency and loan program receipts	98,234
Agency and loan program disbursements	(98,069)
Principal paid on noncapital debt	(4,980)
Interest paid on noncapital debt	(5,513)
Other nonoperating receipts (payments)	(14)
	97,469

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital appropriations	22,237
Casualty loss reimbursement	950
Capital grants, gifts, and advances received	764
Purchases of capital assets	(28,418)
Principal paid on capital debt	(10,736)
Interest paid on capital debt	(3,191)
Principal payments received on leases receivable	1,045
Interest payments received on leases receivable	206
Principal paid on leases payable	(163)
Interest paid on leases payable	(14)
Principal paid on SBITAs payable	(2,969)
Interest paid on SBITAs payable	(222)
	(20,511)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	1,588
Purchase of investments	(792)
Interest on investments	3,241
	4,037

NET INCREASE IN CASH AND CASH EQUIVALENTS

Cash and cash equivalents-beginning of year	91,778
Cash and cash equivalents-end of year	\$ 96,587

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statement of Cash Flows, continued
For the Year Ended June 30, 2025
(in thousands)

**RECONCILIATION OF NET OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES:**

Net loss from operations	\$ (109,289)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization expense	22,788
Deferred inflows of resources	(1,626)
Deferred outflows of resources	71
Reduction in prepaid pension/future service	1,877
Changes in assets and liabilities:	
Receivables, net	4,020
Other assets	1,223
Accounts payable, accrued liabilities and deposits	4,205
Unearned revenue	1,730
Pension and OPEB liabilities	(403)
Long-term liabilities	(782)
Net cash used in operating activities	\$ (76,186)

SUPPLEMENTAL CASH FLOWS INFORMATION

Gifts of capital assets and trade-in credits	\$ 31
Capital asset acquisitions in accounts payable	13,796
Unrealized gains and losses on investments	(231)

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO STATEMENTS OF NET POSITION**

Cash and cash equivalents - current	\$ 92,685
Cash and cash equivalents - noncurrent	3,902
	\$ 96,587

See accompanying notes to the financial statements

Northern Kentucky University Research Foundation
A Component Unit of Northern Kentucky University
Fiduciary Funds
Statement of Fiduciary Net Position
For the Year ended June 30, 2025
(in thousands)

ASSETS	
Cash and cash equivalents	\$ 16,506
Total assets	16,506
LIABILITIES	
Accounts payable and other liabilities	211
Total liabilities	211
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	16,295
Total net position	16,295
Total liabilities and net position	\$ 16,506

Northern Kentucky University Research Foundation
A Component Unit of Northern Kentucky University
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year ended June 30, 2025
(in thousands)

ADDITIONS	
In-lieu fees	\$ 1,773
Investment income	749
Total additions	2,522
DEDUCTIONS	
Contract expense	1,626
Administrative fees	106
Total deductions	1,732
Net change in fiduciary net position	790
Net position - beginning of year	15,505
Net position - end of year	\$ 16,295

See accompanying notes to the financial statements

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Notes to the Financial Statements
For the Year Ended June 30, 2025

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 (GAAP) 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, Lease and Subscription Based IT 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.

Right of use (RoU) 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.

Right of use (RoU) subscription based IT assets (SBITA) are initially recorded at the initial measurement of the SBITA liability, plus payments made before or at the commencement of the subscription term, less any incentives received from the provider 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, 2025.

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 benefits when earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits are also accrued 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.

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, 2025, the University had recognized an accrued sick leave of \$2,956,000 and an accrued vacation liability of \$3,979,000. These amounts are reported in the statement of net position, included in the other long-term liabilities.

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 held during the year.

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 the related period. Deferred outflows of resources include \$762,000 of losses on bond refunding for the year ended June 30, 2025. The remaining balance of deferred outflows for years ended June 30, 2025 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 the related period. The agreement between the University and the University's food service providers resulted in a deferred inflow of resources of \$1,572,000 at June 30, 2025. 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 \$8,956,000 at June 30, 2025. Deferred inflows include \$1,705,000 of gains on bond refunding for the year ended June 30, 2025. The remaining deferred inflows of resources for the years ended June 30, 2025 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 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 year ended June 30, 2025, the Foundation made payments on behalf of the University of \$315,000 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.

In support of University programs, the Foundation incurred program expenses of \$9,267,000 for 2025, which consisted of payments on behalf of the University of \$6,004,000 for 2025 and amounts transferred to the University for restricted purposes of \$3,263,000 for 2025.

t. Change in Accounting Principle

Effective July 1, 2024, the University adopted GASB Statement No. 101, *Compensated Absences*, requiring the University to recognize liabilities for compensated absences earned 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 is 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.

The adoption of GASB Statement No. 101 resulted in an increase in the liability for compensated absences. In accordance with GASB standards, the University adopted GASB Statement No. 101 retrospectively resulting in a decrease in net position at July 1, 2024 of \$3,884,000.

u. Change in Accounting Estimate

The University implemented NACUBO Advisory 2023-1, *Public Institutions: Accounting for and Reporting Financial Aid as a Discount*. This guidance outlines more precise methodologies for calculating financial aid discounts compared to the previously used alternative method. Under the new approach, the University identified all institutional aid on a student-by-student basis and applied it directly against student assessments to determine the financial aid discount more accurately. The change in estimate had no impact on the University's net position.

v. Recent Accounting Pronouncements

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 financial statements for fiscal periods beginning after June 15, 2025. The University is currently evaluating the effects of this statement on its financial statements.

In September 2024, the GASB approved Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to improve financial reporting by providing information about certain types of capital assets in order to make informed decisions and assess accountability. The disclosure requirements will improve consistency and comparability between governments. The provisions of this statement are effective for fiscal years beginning after June 15, 2025. The University is currently evaluating the effects of this statement on its financial statements.

w. Subsequent Events

Events occurring after June 30, 2025 have been evaluated for possible adjustment to the financial statements or disclosures through October 2, 2025, the date on which the financial statements were available to be issued.

Note 2 – Cash, Cash Equivalents and Investments

At June 30, 2025, petty cash funds totaled \$29,000 and the carrying amount of the deposits was \$96,558,000 with a corresponding total bank balance of \$96,951,000. Of the bank balance, \$25,231,000 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 \$71,720,000 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.

Cash balances held for capital projects and debt service requirements are classified as noncurrent. At June 30, 2025, this balance was \$3,902,000.

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 \$18,575,000 at June 30, 2025. 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 (e) 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, 2025 are invested as follows:

Type of Investment:	
Fixed income funds	14%
Domestic equity funds	31%
International equity funds	10%
Emerging markets	3%
Private equity	22%
Natural resources	3%
Hedge Funds	2%
Other	15%
Total Investments	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, 2025.

Note 3 – Notes, Loans and Accounts Receivable, net

Notes, loans and accounts receivable as of June 30, 2025 are as follows (in thousands):

	2025		
	Gross Receivable	Allowance	Net Receivable
Student accounts receivable	\$ 8,376	\$ (4,607)	\$ 3,769
Student loans	870	(94)	776
Reimbursement receivable grants and contracts	2,150	-	2,150
State appropriations receivable	13,987	-	13,987
NKU Foundation receivable	340	-	340
Other	3,571	(887)	2,684
Total	<u>\$ 29,294</u>	<u>\$ (5,588)</u>	<u>\$ 23,706</u>
Current portion			\$ 22,906
Noncurrent portion			800
Total			<u>\$ 23,706</u>

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 year ended June 30, 2025 was \$1,250,000 which includes both lease revenue and interest. Lease revenue is reported in both housing and food service and other operating revenues on the statement 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 year ended June 30, 2025 are summarized as follows (in thousands):

	July 1, 2024 Beginning Balance	Additions	Reductions	June 30, 2025 Ending Balance
Cost:				
Land	\$ 9,375	-	-	\$ 9,375
Land improvements	44,054	41	23	44,072
Buildings	569,534	4,116	1,094	572,556
Equipment	72,293	1,963	1,593	72,663
Library books	10,319	110	159	10,270
Construction in process	16,214	30,157	1,536	44,835
	<u>721,789</u>	<u>36,387</u>	<u>4,405</u>	<u>753,771</u>
Accumulated Depreciation:				
Land improvements	15,823	1,202	18	17,007
Buildings	279,608	15,995	702	294,901
Equipment	61,953	2,466	1,392	63,027
Library books	8,567	353	159	8,761
	<u>365,951</u>	<u>20,016</u>	<u>2,271</u>	<u>383,696</u>
Capital assets, net	<u>\$ 355,838</u>	<u>\$ 16,371</u>	<u>\$ 2,134</u>	<u>\$ 370,075</u>

The estimated cost to complete construction under contract at June 30, 2025 was approximately \$84,451,000.

As of June 30, 2025, the net book value of capital assets acquired through capital leases included in the above schedule totaled \$2,435,000.

Right to use assets for the year ended June 30, 2025 are summarized as follows (in thousands):

	July 1, 2024			June 30, 2025
	Beginning Balance	Additions	Reductions	Ending Balance
Right to use assets:				
Lease assets	\$ 1,885	\$ -	\$ 299	\$ 1,586
SBITA assets	8,895	12,556	845	20,606
	<u>10,780</u>	<u>12,556</u>	<u>1,144</u>	<u>22,192</u>
Accumulated Amortization:				
Lease assets	843	299	299	843
SBITA assets	3,845	2,473	845	5,473
	<u>4,688</u>	<u>2,772</u>	<u>1,144</u>	<u>6,316</u>
Right to use assets, net	<u>\$ 6,092</u>	<u>\$ 9,784</u>	<u>\$ -</u>	<u>\$ 15,876</u>

Note 6 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2025 are as follows (in thousands):

Payable to vendors and contractors	\$ 23,176
Accrued expenses, primarily payroll and vacation leave	4,098
Accrued interest	3,278
Employee withholdings and deposits payable to third parties	400
Self-insured health liability	1,572
Total	<u>\$ 32,524</u>

Note 7 – Long-Term Liabilities

The changes in long-term liabilities for the year ended June 30, 2025 are summarized as follows (in thousands):

	Balance			Balance		Current	Noncurrent
	July 1, 2024	Additions	Reductions	June 30, 2025	Portion	Portion	
General Receipts Bonds Taxable	\$ 189,935	\$ -	\$ 4,980	\$ 184,955	\$ 5,035		\$ 179,920
General Receipts Bonds Tax Exempt (net of premiums)	99,631		11,001	88,630	11,134		77,496
Other financing arrangements	4,254		716	3,538	726		2,812
Total long-term debt	293,820	-	16,697	277,123	16,895		260,228
Federal portion of loan programs	564	59	111	512			512
Unearned revenue	10,960	12,584	10,863	12,681	12,681		
Compensated absences (net addition)	7,615		680	6,935	4,933		2,002
Total other long-term liabilities	19,139	12,643	11,654	20,128	17,614		2,514
Deposits	449	631 #	653	427	385		42
Lease liability	974	3,736	4,012	698	261		437
SBITA liability	5,076	12,474	2,887	14,663	2,183		12,480
Net pension and OPEB liability	1,674		468	1,206			1,206
Total long-term liabilities	<u>\$ 321,132</u>	<u>\$ 29,484</u>	<u>\$ 36,371</u>	<u>\$ 314,245</u>	<u>\$ 37,338</u>		<u>\$ 276,907</u>

a. Bonds

The outstanding obligation as of June 30, 2025 for the Northern Kentucky University General Receipts Bonds are reported net of premiums totaling \$5,075,000. 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 for the year ended June 30, 2025. 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.

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

Consolidated Educational Building Revenue bonds payable	
General Receipts Taxable bond payable	
Series A 2021 (taxable) , dated April 20, 2021, with interest rates from 1.35% to 3.43%. Final principal payment date September 1, 2050.	\$ 184,955
Total General Receipts Taxable bond payable	<u>184,955</u>
General Receipts Tax Exempt bonds payable	
Series A 2016, dated May 17, 2016, with interest rates from 2.25% to 4.00%. Final principal payment date September 1, 2027.	9,575
Series B 2016, dated August 25, 2016, with interest rates from 2.00% to 4.00%. Final principal payment date September 1, 2028.	7,680
Series A 2019, dated November 12, 2019, with interest rates from 3.00% to 5.00%. Final principal payment date September 1, 2044.	33,725
Series A 2020, dated November 4, 2020, with interest rate of 3.00%. Final principal payment date September 1, 2027.	2,615
Series B 2020, dated November 4, 2020, with interest rates from 2.00% to 3.00%. Final principal payment date September 1, 2027.	1,555
Series B 2021, dated October 21, 2021, with interest rates from 2.00% to 3.50%. Final principal payment date September 1, 2030.	3,515
Series A 2024, dated April 25, 2024, with interest rates of 5.00%. Final principal payment date September 1, 2033.	24,890
Total General Receipts Tax Exempt bonds payable	<u>83,555</u>
Plus: Net of premiums	5,075
Total bonds payable	<u>\$ 273,585</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	10,170	6,646	16,816
2031 - 2035	49,975	28,110	78,085
2036 - 2040	42,565	21,190	63,755
2041 - 2045	49,780	13,978	63,758
2046 - 2050	46,590	5,868	52,458
2051 - 2055	10,315	177	10,492
	<u>268,510</u>	<u>106,572</u>	<u>375,082</u>
Net discounts and premiums	5,075	-	5,075
Total	<u>\$ 273,585</u>	<u>\$ 106,572</u>	<u>\$ 380,157</u>

b. Other financing arrangements

The total other financing arrangements as of June 30, 2025 are as follows (in thousands):

Other Financing Arrangements

Energy Management lease, dated January 24, 2019, with an interest rate of 2.81%. Final principal payment date November 24, 2030. \$ 2,035

Cisco Lease dated October 1, 2023 with an interest rate of 0%. Final Principal Payment date January 1, 2029. 1,499

Exciting Event Lease dated October 1, 2023 with an interest rate of 0% Final principal payment date November 1, 2025 4

Total Other Financing Arrangements \$ 3,538

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 726	\$ 55	\$ 781
2027	732	45	777
2028	742	35	777
2029	752	24	776
2030	388	13	401
2031 - 2035	198	3	201
Total	<u>\$ 3,538</u>	<u>\$ 175</u>	<u>\$ 3,713</u>

c. Leases

The University leases equipment, the terms of which expire in various years through 2035. The leases were measured based upon the University's incremental borrowing rate at lease commencement. During the year ended June 30, 2025, the University recognized \$299,000 in lease amortization expense.

The following is a schedule by year of payments under the leases as of June 30, 2025 (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 261	\$ 13	\$ 274
2027	167	9	176
2028	69	8	77
2029	70	6	76
2030	24	5	29
2031 - 2035	107	9	116
Total	<u>\$ 698</u>	<u>\$ 50</u>	<u>\$ 748</u>

d. Subscriptions

The University has IT software arrangements, the terms of which expire in various years through 2035. The subscriptions were measured based upon the University's incremental borrowing rate at subscription commencement. During the year ended June 30, 2025, the University recognized \$2,473,000 in subscription amortization expense.

The following is a schedule by year of payments under the subscriptions as of June 30, 2025 (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,183	\$ 646	\$ 2,829
2027	2,799	533	3,332
2028	1,480	450	1,930
2029	1,313	383	1,696
2030	1,221	319	1,540
2031 - 2035	5,667	615	6,282
Total	<u>\$ 14,663</u>	<u>\$ 2,946</u>	<u>\$ 17,609</u>

Note 8 – Pension Plans

Employees of the University were covered by one of the following plans for the year ended June 30, 2025.

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, 2025. 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 \$75,854,000 for the year ended June 30, 2025. The University's contribution totaled \$7,585,000 for the year ended June 30, 2025.

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, 2025, the University recognized \$1,559,000 in expense for the amortization of the future service, in addition to \$419,000 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 13 employees actively participating at June 30, 2025.

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, 2025 (in thousands):

Salaries and wages	\$ 113,088
Employee benefits-other	37,282
Utilities	6,210
Supplies and other services	63,699
Depreciation and amortization	22,788
Student scholarships and financial aid	7,663
Total	\$ 250,730

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 2024 to 2025. 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 statement of net position. The health self-insurance liability as of June 30, 2025 is detailed below (in thousands):

Liability, beginning of year	\$ 720
Claims and changes in estimates	17,371
Claims paid	<u>(16,519)</u>
Liability, end of year	<u>\$ 1,572</u>

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, 2025.

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, 2025, restricted expendable net position was available for the following purposes:

Appreciation on permanent endowments	\$ 9,544
Capital projects and debt service	4,185
Funds restricted for noncapital purposes	<u>785</u>
Restricted Expendable Net Position, end of year	<u>\$ 14,514</u>

Note 14 –Blended Entity Condensed Financial Information

Condensed financial information for the Research Foundation is provided below for the year ended June 30, 2025 (in thousands):

The Research Foundation Condensed Statement of Net Position

ASSETS	
Current assets	\$ 1,854
Total assets	<u>\$ 1,854</u>
LIABILITIES	
Current liabilities	\$ 370
Total liabilities	<u>370</u>
NET POSITION	
Restricted expendable	62
Unrestricted	1,422
Total net position	<u>1,484</u>
Total liabilities and net position	<u>\$ 1,854</u>

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

OPERATING REVENUES	
Grants and contracts	\$ 3,078
Recoveries of facilities and administrative costs	228
Other operating revenues	313
Total operating revenues	<u>3,619</u>
OPERATING EXPENSES	
Educational and general	3,421
Operating income (loss)	<u>198</u>
NONOPERATING REVENUES (EXPENSES)	
Noncapital transfers (to)/from the University	(125)
Gifts and grants revenues	32
Net nonoperating expenses	<u>(93)</u>
Change in net position	105
Net position-beginning of year	1,379
Net position-end of year	<u>\$ 1,484</u>

The Research Foundation Condensed Statement of Cash Flows

Net cash provided by operating activities	\$ 426
Net cash used in noncapital financing activities	(337)
Net increase in cash and cash equivalents	89
Cash and cash equivalents-beginning of year	1,333
Cash and cash equivalents-end of year	<u>\$ 1,422</u>

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 Foundation include the operations of the Foundation and several single member limited liability companies. All material intercompany transactions and balances have been eliminated for the year ended June 30, 2025.

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 consolidated 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 at the date of donation.

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
<i>Conditional gifts, with or without restriction</i>	
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>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
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, 2025, \$5,107,000 was insured by federal depository insurance. At June 30, 2025 a balance of \$3,396,000 was 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, 2025 was \$86,000.

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, 2025, land and land improvements (in thousands) consisted of:

Type of asset:	
Land	\$ 178
Land held for future use by the University	245
Land improvements	<u>208</u>
Gross land and land improvements	631
Less: accumulated depreciation	<u>(208)</u>
Total land and land improvements, net	<u>\$ 423</u>

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 year ended June 30, 2025.

b. Leases

At June 30, 2025, 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. At June 30, 2025, the Foundation is in year four of the fifth 5-year renewal.

A third property is subject to two leases for office space with terms ending August 31, 2024 and September 30, 2024. The Foundation did not renew these leases.

Rental income for these properties was approximately \$147,000 for the year ended June 30, 2025.

The following is a schedule by years of the future rentals receivable (in thousands) on property leases as of June 30, 2025:

<u>Fiscal Year ending June 30</u>	
2026	\$ 157
2027	149
2028	139
2029	139
2030	139
Thereafter	<u>1,616</u>
Total future rentals	<u>\$ 2,339</u>

c. 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, 2025, the Foundation recognized contributions based on the following unconditional promises to give (in thousands):

Purpose:

Endowment giving	\$ 1,138
Capital purposes	42
Operating programs	<u>4,520</u>
Gross unconditional promises to give	5,700
Less: Discount and allowance for uncollectible accounts	<u>(725)</u>
Net unconditional promises to give	<u>\$ 4,975</u>

Amounts due in:

Less than one year	\$ 2,184
One to five years	2,916
More than five years	<u>600</u>
Total	<u>\$ 5,700</u>

The discount rates used to calculate the present value of contributions receivable at June 30, 2025 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 \$4.6 million at June 30, 2025 consisting of the face value of life insurance policies, net of accumulated cash surrender value, as well as conditional promises of \$2.7 million from one donor for the construction of a new facility and \$1.1 million from two donors for support of specified administrative positions.

Approximately 42% of total pledges receivable were due from one donor at June 30, 2025.

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, real estate investment funds, exchange traded funds, certificates of deposit, 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, 2025.

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, 2025 (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*
Type of Investment:					
Cash surrender value	\$ 512	\$ 512	\$ -	\$ -	\$ -
Fixed income funds:					
Core	13,556	13,556	-	-	-
Global	9,365	9,365	-	-	-
Equity funds:					
Large/mid-cap - broad	38,735	38,735	-	-	-
Large/mid-cap - growth	2,717	2,717	-	-	-
Large/mid-cap - value	3,211	3,211	-	-	-
Small/mid cap - broad	5,415	5,415	-	-	-
Small cap - growth	19	19	-	-	-
International - core	12,480	12,480	-	-	-
International small cap - value	3,447	3,447	-	-	-
Emerging markets - value	2,384	2,384	-	-	-
Emerging markets - growth	1,934	1,934	-	-	-
Real estate investment trust	27	27	-	-	-
Exchange traded funds	213	213	-	-	-
Certificates of deposit	6,527	6,527	-	-	-
Remainder interest in real property and other	1,145	-	1,145	-	-
Public natural resources-master limited partnerships	4,194	-	-	-	4,194
Private equity	35,070	-	-	-	35,070
Private debt	4,732	-	-	-	4,732
Natural resources	4,237	-	-	-	4,237
Private real estate	7,588	-	-	-	7,588
Hedge funds	3,712	-	-	-	3,712
Total	\$ 161,220	\$ 100,542	\$ 1,145	\$ -	\$ 59,533

*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, 2025 are categorized by type below:

Type of Investment:

Cash and cash surrender value	\$ 684	
Fixed income funds:		
Core	13,556	
Global	9,365	
Equity funds:		
Large/mid cap - broad	38,735	
Large/mid cap - growth	2,717	
Large/mid cap - value	3,211	
Small/mid cap - broad	5,415	
Small cap - growth	19	
International - core	12,480	
International small cap - value	3,447	
Emerging markets - value	2,384	
Emerging markets - growth	1,934	
Real estate investment trust	27	
Exchange traded funds	213	
Certificates of deposit	6,527	
Public natural resources - master limited partnerships	4,194	
Remainder interest in real property and other	1,145	
Private equity:		
Buy out	10,300	
Diversified	2	
Growth	7,952	
Venture capital	14,659	
Secondary	2,157	
Private debt:		
Distressed	4,732	
Natural resources:		
Diversified	793	
Energy	1,384	
Commodities	2,060	
Private real estate:		
Opportunistic	6,461	
Value added	1,127	
Hedge funds	3,712	
	<u>3,712</u>	.
Total Investments	<u>\$ 161,392</u>	:

Investment return (in thousands) for the year ended June 30, 2025 consists of:

Interest and dividend income	\$ 3,045	
(net of investment fees of \$1,161)		
Net realized gains (losses)	11,470	
Net unrealized gains (losses)	(1,606)	
	<u>\$ 12,909</u>	.

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, 2025 was approximately \$18,575,000. (See Note h).

At June 30, 2025, the Foundation had committed approximately \$88,300,000 of its endowment investment resources to alternative investments, of which approximately \$20,800,000 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 426 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 net assets with donor restrictions (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 net assets with purpose restrictions 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, 2025 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Donor restricted endowment funds	\$ -	\$ 122,629	\$ 122,629
Quasi-endowment funds	<u>4,078</u>	<u>4,465</u>	<u>8,543</u>
Total endowment funds	<u>\$ 4,078</u>	<u>\$ 127,094</u>	<u>\$ 131,172</u>

Changes in endowment net assets (in thousands) for the year ended June 30, 2025 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 3,738	\$ 118,014	\$ 121,752
Contributions collected and other additions	-	1,798	1,798
Investment return, net	374	11,683	12,057
Amounts appropriated for expenditure	(34)	(4,555)	(4,589)
Reclassify to held in perpetuity	<u>0</u>	<u>154</u>	<u>154</u>
Endowment net assets, end of year	<u>\$ 4,078</u>	<u>\$ 127,094</u>	<u>\$ 131,172</u>

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, 2025.

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 e. Investments)

i. Related Party Transactions

During the year ended June 30, 2025, the Foundation made payments on behalf of the University of \$315,000, for salaries, benefits, and other administrative costs for University staff that directly support the Foundation's operations.

In support of University Programs, the Foundation incurred program expenses of \$9,267,000 for 2025, which consisted of payments on behalf of the University of \$6,004,000 and amounts transferred to the University for restricted purposes of \$3,263,000.

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, 2025, comprise the following (in thousands):

Cash and equivalents	\$	6,428
Accounts receivable		222
Contributions receivable		1,478
Less allowance for uncollectible pledges		(23)
	\$	<u>8,105</u>

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, 2025, restricted contributions of \$1,455,000 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 of \$8,500,000 for the year ended June 30, 2025 is subject to an annual spending rate as described in Note f. 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, 2025 is as follows (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	\$ 549	\$ -	\$ -	\$ -	\$ 37	\$ 8	\$ 53	\$ 28	\$ 5	\$ 36	\$ -	\$ 100	\$ -	\$ 816
Research	115	-	-	-	70	1	5	-	-	8	-	54	-	253
Public service	102	-	-	-	68	7	17	2	3	10	-	11	-	220
Libraries	9	-	-	-	1	-	10	4	-	4	-	5	-	33
Academic support	802	-	-	-	56	22	256	13	10	129	-	88	-	1,376
Student services	374	-	-	-	35	7	145	17	2	322	-	205	-	1,107
Institutional support	709	10	-	-	264	26	129	7	3	15	-	84	-	1,247
University facilities and equipment acquisition	-	593	-	-	74	-	18	5	-	-	-	45	-	735
Student financial aid	-	-	-	-	-	-	-	-	-	-	-	-	3,188	3,188
Other program expenses and losses (recoveries)	-	-	-	-	-	-	-	-	-	-	-	292	-	292
Total program expenses	2,660	603	-	-	605	71	633	76	23	524	-	884	3,188	9,267
Management and general	315	-	7	35	16	-	22	3	-	4	17	328	-	747
Fund raising support	-	-	-	-	18	10	55	-	8	12	-	13	-	116
Total support expenses	315	-	7	35	34	10	77	3	8	16	17	341	-	863
Total expenses and losses	\$ 2,975	\$ 603	\$ 7	\$ 35	\$ 639	\$ 81	\$ 710	\$ 79	\$ 31	\$ 540	\$ 17	\$ 1,225	\$ 3,188	\$ 10,130

I. Nonfinancial Contributions

For the year ended June 30, 2025, contributed nonfinancial assets (in thousands) recognized within the consolidated statements of activities included:

Event Supplies/Administrative Costs	\$	2
Athletic/Educational Supplies		1
Property		100
	\$	<u>103</u>

The Foundation recognized nonfinancial assets within revenue with donor restrictions, including event, athletic, and educational supplies/administrative costs, NKU FUEL Pantry supplies, and property. 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 University events.

Contributed athletic/educational supplies were utilized by the NKU FUEL Pantry which provides food and other necessities for students, as well as the University Athletics and Nursing programs.

Contributed property was for land to be held for future use by the University.

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)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Hazardous										
University's proportionate share of the net pension liability	0.322605%	0.395696%	0.396579%	0.359247%	0.384598%	0.373520%	0.386465%	0.370876%	0.401133%	0.444514%
University's proportionate share of the collective net pension liability	\$ 1,206	\$ 1,674	\$ 2,013	\$ 1,601	\$ 2,156	\$ 2,041	\$ 1,952	\$ 1,844	\$ 1,571	\$ 1,524
University's covered-employee payroll*	\$ 901	\$ 886	\$ 748	\$ 621	\$ 661	\$ 600	\$ 591	\$ 662	\$ 637	\$ 563
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	133.86%	188.90%	269.03%	258.00%	326.28%	340.16%	330.29%	278.50%	246.58%	270.64%
Pension plan fiduciary net position as a % of the total pension liability	73.18%	67.87%	61.51%	66.03%	55.18%	55.49%	56.10%	54.80%	57.41%	61.70%

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

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)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Hazardous										
Contractually required contribution	\$ 181	\$ 275	\$ 271	\$ 240	\$ 233	\$ 287	\$ 256	\$ 180	\$ 170	\$ 127
University's contributions in relation to the contractually required contribution	181	275	271	240	233	287	256	180	170	127
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 764	\$ 863	\$ 850	\$ 717	\$ 646	\$ 835	\$ 744	\$ 838	\$ 806	\$ 776
Contributions as a percentage of covered-employee payroll	23.74%	31.82%	31.82%	33.43%	36.00%	34.39%	34.39%	21.44%	21.08%	16.37%

Notes to the Schedules:

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

Changes in assumptions from 2023 to 2024: There were no material changes.

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% to 3.05%.

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.

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)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Hazardous								
University's proportionate share of the net OPEB liability (asset)	0.322630%	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)	\$ (759)	\$ (823)	\$ 30	\$ (41)	\$ 164	\$ (100)	\$ (128)	\$ 22
University's covered-employee payroll*	\$ 901	\$ 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	(84.21%)	(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	153.10%	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 information 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)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Hazardous								
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ 18	\$ 19
University's contributions in relation to the contractually required contribution	-	-	-	-	-	21	18	19
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 764	\$ 863	\$ 850	\$ 717	\$ 656	\$ 835	\$ 744	\$ 838
Contributions as a percentage of covered-employee payroll	0.00%	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 2023 to 2024: The discount rate increased from 5.94% to 5.99%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

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%.

This schedule is presented to illustrate the requirement to show information 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 (*Government 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, 2025, 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 2, 2025.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 audit 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 Dotson Allen Ford, PLLC

Louisville, Kentucky
October 2, 2025