Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky

Annual Financial Report

June 30, 2021

2020-2021
FINANCIAL REPORT

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Current as of June 30, 2021

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NORTHERN KENTUCKY UNIVERSITY

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

October 4, 2021

Northern Kentucky University Board of Regents
Highland Heights, KY 41099

Dear Members of the Board:

I am pleased to share the University's 2020-21 Annual Financial Report. The firm of BKD, LLP, has audited the attached statements and accompanying footnotes.

The pandemic continued to negatively impact the University's operations this year. Fortunately, the University received over $15.5 million in federal and state relief grants to offset much of the operating revenues that were lost due to the pandemic and to cover the added expenses associated with transitioning to a primarily online learning environment. In addition, the University disbursed $6.5 million in federal relief funds to provide emergency aid to the students that were most impacted by the pandemic. The University's accelerated online programs continued to show the significant growth in enrollment that the University was experiencing prior to the pandemic resulting in gross tuition increases of $7.1 million and $15.6 million for the years ended June 30, 2020, and 2019, respectively.

Management worked closely with the Board and University constituencies to navigate the complex issues related to the options available to the University to exit the KERS nonhazardous pension plan. Although, the University had to include both the pension bonds liability and the pension and OPEB liabilities in the financial statements for the fiscal year ended June 30, 2021, the University's future financial statements will reflect the positive impact from reduced annual pension contributions and reduced liabilities related to employee pensions. Despite the adverse impact of the pandemic and the continued negative impact from the pension and other post-employment benefits (OPEB) reporting changes, the University continues to show solid operating performance as measured by cash flows. Excluding the impact of the pension and OPEB reporting changes, the University's unrestricted net position would have increased by a combined $0.4 million for the years ended June 30, 2021 and 2020.

The University is continuing its efforts to diversify revenue sources, contain costs, and redirect resources to core mission priorities. For the five-year period that ended June 30, 2021, the endowment funds managed by the NKU Foundation have grown from $89.6 million to $130.0 million, primarily due to excellent investment returns. The continued growth in funds provided through endowments, gifts, and other sources of revenues will be essential as the University strives to meet the needs of our students. We are investing in new campus facilities, such as a new student residence hall that opened this fall, and investing in activities that support the three pillars of student success — increased access, higher levels of completion, and advancing opportunities for career and community engagement for all students.

For more than 18 months now, the campus community persevered and continued onward together in its quest to becoming a more student-ready and regionally engaged institution. NKU recently celebrated the beginning of the Fall 2021 academic semester with the vast majority of classes taking place in person after a year of transition and largely remote learning. It has been wonderful to walk around campus and see the comings and goings of the students, faculty and staff who make this such a wonderful place. Our work continues for those learners and their mentors. Late in the summer, we were pleased to announce $3 million in Equity Initiatives prioritizing students impacted the most during the pandemic and addressing their debt, learning needs such as books and supplies and, perhaps most importantly, their mental health using federal coronavirus relief funds. In September, we formed a task force to recommend a blueprint for building a hybrid university that will be based on lessons learned since the start of the pandemic. It will include a blend of face-to-face and online courses, as well as expanded student services that will meet learners where they are. We also recently helped to launch the Moonshot for Equity in the northern Kentucky/southern Ohio ecosystem, joining a national effort to close equity gaps in higher education. The Moonshot aligns well with the work we have been doing on campus through Success by Design and takes that vision into the region at large with added support of resources and national experts.

We have much more work to take pride in around the region and the world. The Institute for Health Innovations recently received a $1 million, three-year grant from the NIH to reduce the morbidity and mortality associated with substance use disorder in Carroll County. With that award, IHI has brought in more than $10 million in federal and state grant dollars in the past three years to fund a variety of important projects and partnerships. We are partnering with the Brighton Center and city of Highland Heights on an innovative project called the Opportunity House that will create 16 affordable apartments for foster care alumni ages 18-to-24 and other vulnerable youth who are pursuing a college degree or professional certificate. Finally, we opened the newest NKU Residence Hall a few weeks ago to house up to 297 students, providing the latest in amenities for modern residence hall living. It is the first building on campus equipped with 100 percent geothermal heating and cooling equipment and is tracking for LEED-Certified certification.

Of course, much more work remains as we continue to address the needs of our learners and the region. I am inspired by the optimistic and innovative spirit of this community and I look forward to moving onward together towards another successful year.

Sincerely,

A. K. Vaidya

Ashish K. Vaidya, Ph.D.
President

BKD
CPAs & Advisors

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Independent Auditor's Report

Board of Regents
Northern Kentucky University
Highland Heights, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit and the fiduciary activities of Northern Kentucky University (University), collectively a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the 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, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 1u. to the financial statements, in 2021, the University adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The letter from the president and the listing of the members of the Board of Regents and the University's administration are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Cincinnati, Ohio
October 7, 2021

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

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, 2021 and 2020, with selected comparative information for the year ended June 30, 2019. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

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

Financial Highlights

The University's assets decreased by $10.4 million, or 1.9 percent, for the year ended June 30, 2021 and now total $541.2 million. Liabilities increased by $220.0 million, or 39.3 percent, for the year ended June 30, 2021 primarily as a result of the University's issuance of taxable General Receipts bonds totaling $205.5 million in April 2021 to finance the University's exit from the Kentucky Employers Retirement System (KERS) nonhazardous pension plan effective June 30, 2021. Bonds, notes and capital leases payable, net of discounts and premiums, totaled $340.2 million and $139.9 million at June 30, 2021 and 2020, respectively. Although the effective date for the University's exit from the KERS nonhazardous pension plan was June 30, 2021, the net pension and OPEB liabilities presented in the June 30, 2021 financial statements were measured as of June 30, 2020. As such, the liabilities as of June 30, 2021 include both the pension bonds and the pension and OPEB liabilities. The University's net position totaled $(5.8) million and $15.4 million at June 30, 2021 and 2020, respectively. For the years ended June 30, 2021 and 2020, the University recognized noncash expenses of $2.3 million and $0.4 million, respectively, in accordance with the OPEB reporting changes under GASB 75 and noncash expenses of $13.9 million and $18.9 million, respectively, in accordance with the pension reporting changes under GASB 68 and GASB 71 resulting in noncash expenses totaling $35.5 million for the two-year period. Excluding the impact of the pension and OPEB reporting changes, the University's unrestricted net position would have increased by a combined $0.4 million for the years ended June 30, 2021 and 2020.

The University's operating and nonoperating revenues totaled $254.9 million for the year ended June 30, 2021, an increase of $15.3 million compared to 2020. Operating revenues decreased by $3.4 million for the year ended June 30, 2021, driven primarily by a decline in revenue generated by operations impacted by the pandemic. Gross tuition and fee revenues were down $2.6 million for the year, however, combined with a $3.2 million decrease in scholarship allowances, net tuition and fees actually increased by $0.6 million. The University's housing, food service and parking operations all operated at reduced levels for the year resulting in a $4.5 million decline in auxiliary enterprises revenues compared to the prior year, which was also impacted by the pandemic to a lesser extent. Fortunately, the University was able to offset some of the operating revenues that were lost due to the pandemic through federal grants funded by *the Federal Coronavirus Aid, Relief, and Economic Security Act* (the "CARES Act") and the *Coronavirus Response and Relief Supplemental Appropriations Act* (the "CRRSAA"). For the year ended June 30, 2021, the University recovered lost tuition and fees of $3.5 million and lost auxiliary enterprises revenue totaling $6.3 million through the CARES Act and CRRSAA grants. In total, $12.2 million of revenue from the CARES Act and CRRSAA institutional grants was recognized for the year. In addition, the University received $8.0 million in funding from the CARES Act and CRRSAA grants to fund emergency student aid grants. The University disbursed $6.5 million and $1.5 million in student emergency grants in fiscal years 2021 and 2020, respectively. The University also received $2.4 million in Coronavirus Relief Funds (CRF) from the state during the year, however, the University's state appropriation was reduced by $1.2 million in conjunction with the CRF grant.

Congress passed the American Rescue Plan Act of 2021 (the "ARP") in early March, 2021. The University received an ARP grant for emergency student aid of $11,885,988 and an ARP grant for $11,400,319 to fund institutional expenses and lost revenues directly related to the pandemic. During fiscal year 2021-22, the University will disburse the institutional and student aid ARP funds guided by the University's mission, values and strategic framework.

The University's state-funded endowments totaled $15.9 million as of June 30, 2021. These funds, along with the private endowed gifts donated to benefit the University, are managed by Northern Kentucky University Foundation, Inc. (Foundation) and totaled $130.0 million at June 30, 2021. For the five-year period that ended June 30, 2021, the endowment funds managed by the Foundation have grown from $89.6 million to $130.0 million, primarily due to excellent investment returns. The growth in the endowment funds have resulted in significant increases in the annual endowment spending allocations available to support the University's mission. For fiscal years 2021 and 2020, the endowment spending allocations, including support for endowed faculty positions and student scholarships, totaled $4.4 million and $4.5 million, respectively.

Using the Financial Statements

The University's financial report includes five financial statements: the statement of net position; the statement of revenues, expenses and changes in net position, the statement of cash flows, the statement of fiduciary net position and statement of changes in fiduciary net position. These financial statements and accompanying footnotes are prepared in accordance with 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 University adopted GASB Statement No. 84, *Fiduciary Activities*, for the year ended June 30, 2021, which requires the University to report fiduciary activities in the fiduciary fund financial statements of the basic financial statements. The fiduciary activity is excluded from the condensed financial statements discussed below.

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, Northern Kentucky University Foundation, Inc. (Foundation), have also been included in accordance with GASB pronouncements. Financial statements presented for the Foundation consist of the consolidated statement of financial position and the consolidated statement 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, 2021, with comparative information as of June 30, 2020, and includes all assets, deferred outflows and inflows of resources, liabilities and net position. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Net position, consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the current financial condition of the University. Assets, liabilities, deferred inflows and outflows of resources are generally measured using current values. A major exception is capital assets, which are stated at historical cost, less accumulated depreciation.

A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2021, 2020 and 2019 follows:

Condensed Statements of Net Position (in thousands)

	2021	Restated 2020	Restated 2019
ASSETS			
Current assets	$ 133,760	$ 134,955	$ 125,009
Capital assets, net	370,714	366,619	381,014
Noncurrent assets	36,683	49,993	22,547
Total assets	541,157	551,567	528,570
DEFERRED OUTFLOWS OF RESOURCES	242,632	40,010	43,545
LIABILITIES			
Current liabilities	48,488	43,578	38,182
Noncurrent liabilities	731,881	516,761	472,233
Total liabilities	780,369	560,339	510,415
DEFERRED INFLOWS OF RESOURCES	9,223	15,834	13,622
NET POSITION			
Net investment in capital assets	252,560	261,818	278,002
Restricted			
Nonexpendable	7,616	7,616	7,616
Expendable	9,558	4,255	2,981
Unrestricted	(275,537)	(258,285)	(240,521)
Total net position	$ (5,803)	$ 15,404	$ 48,078

Assets

The University's assets decreased by $10.4 million, or 1.9 percent, for the year ended June 30, 2021 and now total $541.2 million. Current assets decreased by $1.2 million for the year ended June 30, 2021. Noncurrent assets decreased by $9.2 million for the year ended June 30, 2021 due primarily to a $16.4 million decrease in noncurrent cash and cash equivalents, including $15.1 million decrease in unspent bond proceeds. Unspent construction bond proceeds totaled $17.2 million as of June 30, 2021 compared to $32.3 million at June 30, 2020. The decrease in noncurrent cash and cash equivalents was partially offset by a $4.1 million increase in net capital assets and a $3.2 million increase in investments driven by excellent investment returns for the year.

Net capital assets increased by $4.1 million for the year ended June 30, 2021 and decreased by $14.4 million the prior year, resulting in a combined decrease of $10.3 million, or 2.7 percent, since June 30, 2019. This two-year decrease is the net result of an $30.5 million increase in capitalized construction project costs, land improvements, equipment and other capital assets, less $40.8 million in depreciation. Net capital assets totaled $370.7 million, or 68.5 percent of total assets as of June 30, 2021.

Deferred Outflows of Resources

Deferred outflows of resources totaled $242.6 million and $40.0 million as of June 30, 2021 and 2020, respectively. Deferred outflows of resources related to the University's defined benefit pension and OPEB plans increased from $37.5 million as of June 30, 2020 to $240.4 million as of June 30, 2021 as a result of the $204.0 million lump sum contribution the University paid to the Kentucky Employers Retirement System (KERS) in accordance with the requirements related to the University's withdrawal from the KERS non-hazardous plan. The deferred outflows of resources that represent the unamortized difference between the reacquisition price and the net carrying amount of refunded debt totaled $2.2 million and $2.6 million at June 30, 2021 and 2020, respectively.

Liabilities

The University's liabilities increased by $220.0 million, or 39.3 percent, for the year ended June 30, 2021 primarily as a result of the University's issuance of taxable General Receipts bonds totaling $205.5 million in April 2021 to finance the University's exit from the KERS nonhazardous pension plan effective June 30, 2021. A $7.0 million increase in the current portion of long-term debt and a $2.2 million decrease in unearned grant revenue contributed to a $4.9 million net increase in current liabilities. Noncurrent liabilities grew by $215.1 million for the year as a result of a $21.9 million growth in the University's net pension and OPEB liabilities and a $193.3 million increase in long-term debt, which resulted from the issuance of the pension bonds. Bonds, notes and capital leases payable, net of discounts and premiums, totaled $340.2 million and $139.9 million at June 30, 2021 and 2020, respectively.

At June 30, 2021, the University's proportionate share of the KERS nonhazardous and hazardous net pension and OPEB liabilities totaled $344.1 and $61.5 million, respectively, which represents a $35.7 million increase since June 30, 2019. This two-year increase resulted from a $28.7 million increase in the University's net pension liability and a $7.0 increase in the University's OPEB liability for post-employment health insurance coverage. Although the effective date for the University's exit from the KERS nonhazardous plan was June 30, 2021, the net pension and OPEB liabilities presented in the June 30, 2021 financial statements were measured as of June 30, 2020. As such, the liabilities as of June 30, 2021 include both the pension bonds and the pension and OPEB liabilities.

Deferred Inflows of Resources

The University's deferred inflows of resources totaled $9.2 million and $15.8 million as of June 30, 2021 and 2020, respectively. Deferred inflows of resources related to the University's defined benefit pension and OPEB plan totaled $8.3 million and $15.0 million as of June 30, 2021 and 2020, respectively.

Net Position

Net position represents the difference between the University's total of assets and deferred outflows of resources and the total of liabilities and deferred inflows of resources. The University's net position totaled $(5.8) million and $15.4 million at June 30, 2021 and 2020, respectively. For the years ended June 30, 2021 and 2020, the University recognized noncash expenses of $2.3 million and $0.4 million, respectively, in accordance with the OPEB reporting changes under GASB 75 and noncash expenses of $13.9 million and $18.9 million, respectively, in accordance with the pension reporting changes under GASB 68 and GASB 71 resulting in noncash expenses totaling $35.5 million for the two year period. Excluding the impact of the pension and OPEB reporting changes, the University's unrestricted net position would have decreased by $1.2 million and increased $1.6 million for the years ended June 30, 2021 and 2020, respectively. Although the effective date for the University's exit from the KERS nonhazardous plan was June 30, 2021, the net pension and OPEB liabilities presented in the June 30, 2021 financial statements were measured as of June 30, 2020. Therefore, the liabilities as of June 30, 2021 include both the pension bonds liability and the pension and OPEB liabilities, resulting in a negative impact on the University's June 30, 2021 net position. The positive impact on the University's net position resulting from the University's exit from the KERS nonhazardous plan will not be reflected in the University's financial statements until fiscal year 2022.

Net invested in capital assets totaled $252.6 million and $261.8 million at June 30, 2021 and 2020, respectively. The $25.4 million decrease in net invested in capital assets since June 30, 2019 resulted primarily from depreciation expenses totaling $40.8 million during the two year period. At June 30, 2021, the University's restricted nonexpendable net position remained unchanged at $7.6 million. The nonexpendable funds consist of endowments funded through the Commonwealth's Regional University Excellence Trust Fund. Restricted expendable net position increased by $5.3 million primarily due to a $3.4 million increase in accumulated endowment earnings, which was driven by excellent investment returns for the year ended June 30, 2021.

Statement of Revenues, Expenses and Changes in Net Position

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

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

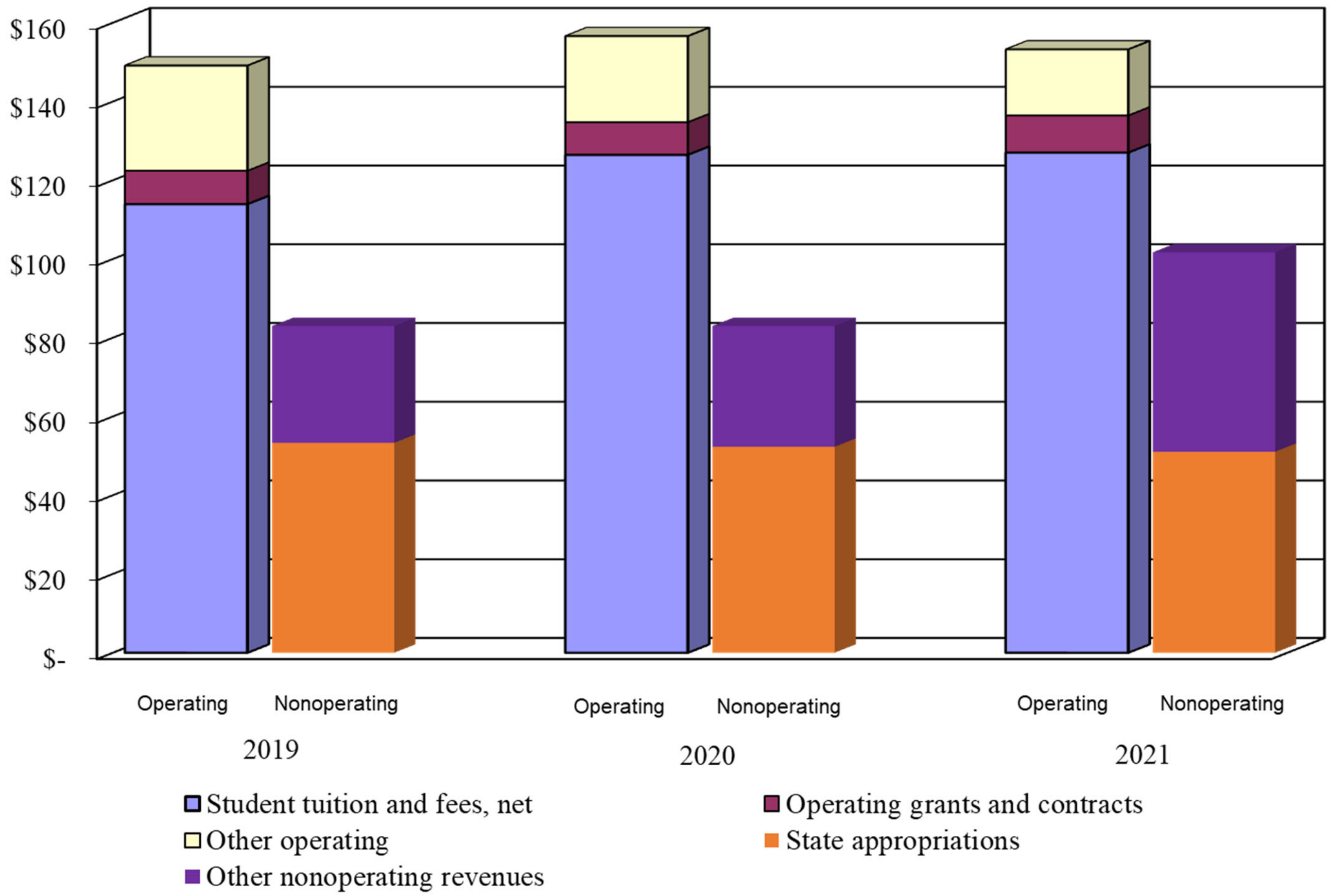
The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. A summarized comparison of the University's revenues, expenses and changes in net position for years ended June 30, 2021, 2020 and 2019 follows:

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

	2021	2020	2019
OPERATING REVENUES			
Student tuition and fees, net	$ 127,035	$ 126,477	$ 113,949
Grants and contracts	9,428	8,286	8,484
Sales and services of educational departments	3,036	3,543	4,286
Auxiliary enterprises	6,909	11,410	14,746
Other operating revenues	6,841	6,907	7,674
Total operating revenues	153,249	156,623	149,139
OPERATING EXPENSES			
Educational and general	242,517	240,161	221,189
Depreciation	16,513	16,995	18,231
Auxiliary enterprises (including depreciation)	10,147	10,992	11,660
Other expenses	30	122	70
Total operating expenses	269,207	268,270	251,150
Net loss from operations	(115,958)	(111,647)	(102,011)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	51,040	52,300	53,315
Gifts, grants and contracts	46,696	29,109	26,436
Investment income (loss)	3,941	1,513	3,210
Interest on capital asset-related debt	(5,531)	(4,353)	(3,787)
Other nonoperating revenues (expenses)	(1,837)	43	(1,529)
Net nonoperating revenues	94,309	78,612	77,645
Income (loss) before other revenues, expenses, gains or losses	(21,649)	(33,035)	(24,366)
Capital grants and gifts	442	361	7,534
Total other revenues	442	361	7,534
Increase (decrease) in net position	(21,207)	(32,674)	(16,832)
Net position-beginning of year	15,404	48,078	64,910
Net position-end of year	$ (5,803)	$ 15,404	$ 48,078

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 2019, 2020 and 2021. Significant recurring sources of revenues, including state appropriations and nonexchange grants and contracts, are considered nonoperating revenues as defined by GASB. These revenues support operating expenses; therefore, they are included in the graph of revenues by source (presented in millions).



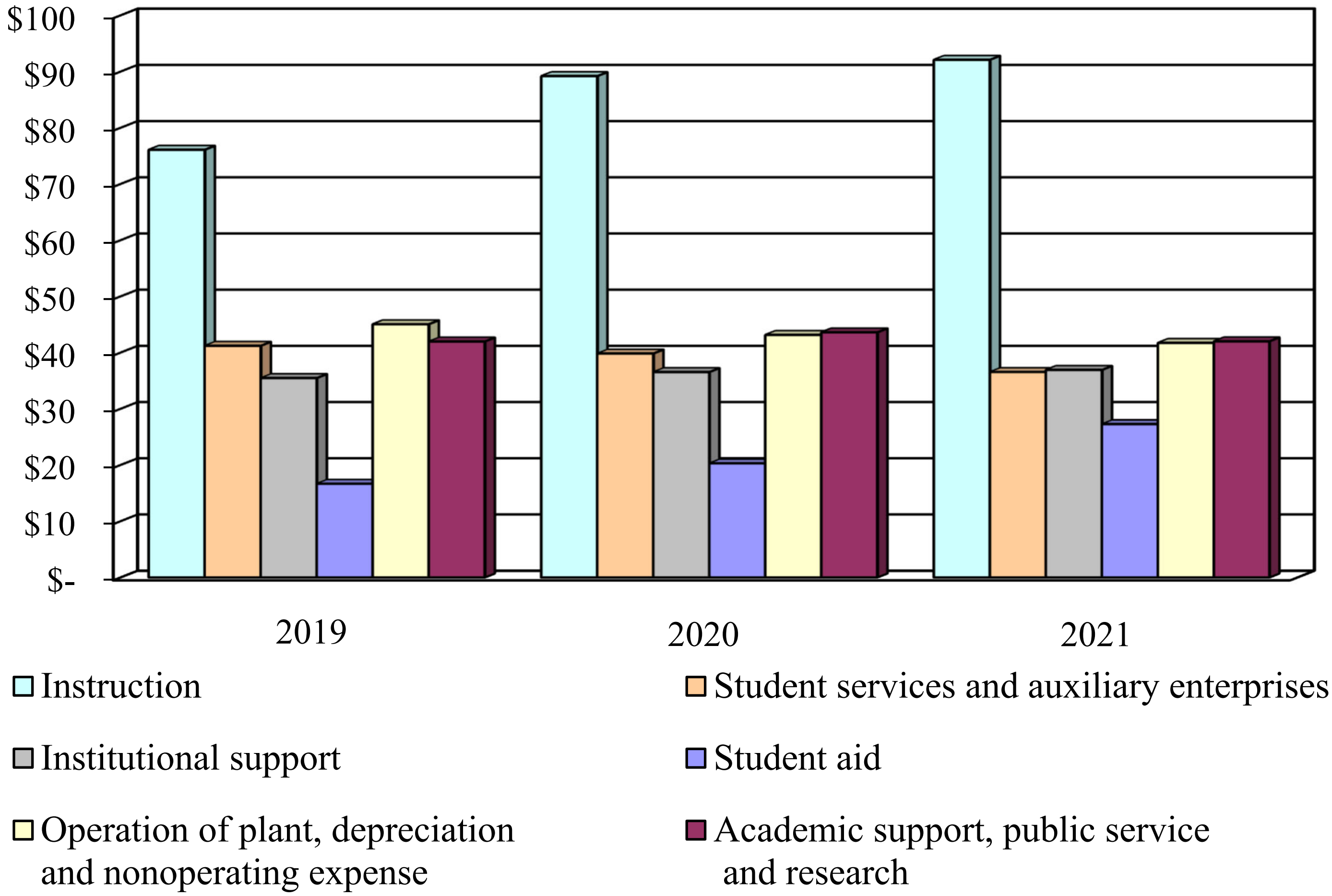
The University's operating and nonoperating revenues totaled $254.9 million for the year ended June 30, 2021, an increase of $15.3 million compared to 2020. Operating revenues totaled $153.2 million, or 60.1 percent of revenues, while nonoperating revenues totaled $101.7 million, or 39.9 percent of revenues, for the year. The most significant sources of revenue for the University are net student tuition and fees (49.8 percent) and state appropriations (20.0 percent).

Operating revenues decreased by $3.4 million for the year ended June 30, 2021, driven primarily by a decline in revenue generated by operations impacted by the pandemic. Gross tuition revenues were down $2.6 million for the year, however, combined with a $3.2 million decrease in scholarship allowances, net tuition actually increased by $0.6 million. The University's housing, food service and parking operations all operated at reduced levels for the year resulting in a $4.5 million decline in auxiliary enterprises revenues compared to the prior year, which was also impacted by the pandemic to a lesser extent. Fortunately, the University was able to offset some of the operating revenues that were lost due to the pandemic through federal grants funded by the Federal Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and the Coronavirus Response and Relief Supplemental Appropriations Act (the "CRRSAA"). For the year ended June 30, 2021, the University recovered lost tuition and fees of $3.5 million and auxiliary enterprises lost revenue totaling $6.3 million through the CARES Act and CRRSAA grants. Operating grants and contracts increased by $1.1 million, primarily due to a $0.8 million increase in federal grants and an increase in operating grants from the Foundation.

Through the federal CARES and CRRSAA grants received in fiscal years 2020 and 2021, the University received $8.0 million to fund emergency aid grants to students and an additional $13.7 million to fund institutional expenses and lost revenues directly related to the pandemic. The University recognized $3.0 million in CARES nonoperating grant revenue in fiscal year 2020 and $18.7 million in CARES and CRRSAA nonoperating grant revenue in fiscal year 2021. The University also received $2.4 million in Coronavirus Relief Funds (CRF) funds from the state during the year, however, the University's state appropriation was reduced by $1.2 million in conjunction with the CRF grant. These grants contributed to increases of $14.4 million and $3.1 million in nonoperating federal and state and local grant revenues, respectively, for the year ended June 30, 2021. A $2.4 million increase in investment income driven by excellent investment returns for the year also contributed to the $18.7 million increase in nonoperating revenue for the year.

Operating and Nonoperating Expenses

The following chart illustrates the University's expenses by function (both operating and nonoperating) for fiscal years 2019, 2020 and 2021 (presented in millions).



Operating and nonoperating expenses increased by $4.0 million, or 1.4 percent, to a total of $276.6 million for the year ended June 30, 2021. Instruction expenses increased by $2.9 million due to a $4.9 million increase in contract expenses related to the University's accelerated online courses, which was partially offset by decreases of $1.2 million decrease in defined contribution and defined benefit retirement expenses. Public service expenses decreased for the year by $1.2 million for the year resulting, in part, from a $0.6 million decrease in salaries and benefit expenses and a $0.6 million combined decrease in arena operating expenses and travel expenses due to the pandemic. Academic support expenses declined by $0.7 million primarily due to a $0.4 million decrease in defined contribution and defined benefit retirement expenses and a $0.2 million decline in staff salaries and wages. A $2.3 million decrease in student services expenses resulted primarily from a $1.0 million decrease in intercollegiate athletics operating expenses and a $0.6 million decrease in salaries and benefit expenses. Operation and maintenance of plant decreased by $4.0 million due to a $2.0 million decrease in salary and benefits, a $1.4 million decrease in project expenses, and a $0.4 million decrease in general institutional utility expenses.

Tuition and fee scholarship allowances and housing scholarship allowances decreased by $3.4 million and student aid expenses increased by $7.0 million resulting in an overall increase in student aid of $3.6 million. The increase in student aid expenses was driven by a $5.0 million increase in emergency student aid grants funded by the federal CARES Act and CRRSAA. Student grants funded by the CARES Act and CRRSAA totaled $6.5 million and $1.5 million for fiscal years 2021 and 2020, respectively. Institutionally funded scholarships declined by $0.4 million for the year, including a $2.6 million decrease in scholarships related to the University's online programs which was accompanied by a commensurate decrease in gross tuition for the online programs. State funded financial aid program expenses decreased by $0.1 million while federal financial aid program expenses decreased by $1.1 million for the year, including a $1.1 million decline in Pell grant expenses.

For the years ended June 30, 2021, 2020 and 2019, cash and noncash pension and OPEB expenses totaled $33.1 million, $36.9 million and $41.0 million, respectively. This $7.9 million decrease in pension and OPEB expenses combined with a $26.0 million net increase in non-pension and non-OPEB related expenses, resulted in a $18.1 million increase in operating and nonoperating expenses from fiscal year 2019 to fiscal year 2021. Nonrecurring student aid expenses totaling $6.5 million in fiscal year ended June 30, 2021, funded by the CARES Act and CRRSAA, contributed to this increase.

Statement of Cash Flows

Another important factor to consider when evaluating financial viability is the University's ability to meet financial obligations as they become due. The statement of cash flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital and related financing, and investing activities. A comparative summary of the University's statements of cash flows for the years ended June 30, 2021, 2020 and 2019 follows:

Condensed Statements of Cash Flows (in thousands)

	2021	Restated 2020	Restated 2019
Net cash provided (used) by:			
Operating activities	$ (81,633)	$ (69,681)	$ (54,687)
Noncapital financing activities	95,701	83,269	79,862
Capital and related financing activities	(33,415)	22,689	(15,044)
Investing activities	750	2,856	2,744
Net increase (decrease) in cash and cash equivalents	(18,597)	39,133	12,875
Cash and cash equivalents, beginning of year	155,777	116,644	103,769
Cash and cash equivalents, end of year	$ 137,180	$ 155,777	$ 116,644

The University's cash and cash equivalents decreased by $18.6 million in 2021. Major sources of funds generated by operating activities in 2021 included student tuition and fees ($125.4 million), grants and contracts ($8.8 million) and auxiliary enterprises ($6.9 million). The largest cash payments for operating activities were for salaries and benefits ($150.8 million), vendor payments ($54.1 million) and student financial aid ($27.3 million). Net cash used by operating activities increased by $12.0 million for the year primarily due to increases in payments for student financial aid ($6.5 million) and payments to suppliers ($4.3 million), which were partially offset by a $4.5 million decrease in payments for salaries and benefits. A $7.5 million increase in payments for contracted services related to the University's accelerated online programs contributed to the increase in payments to suppliers. Decreases in receipts from auxiliary enterprises ($4.6 million) and sales and services of educational departments ($0.9 million) also contributed to the increase in net cash used by operating activities for the year.

Net cash provided by noncapital financing activities increased by $12.4 million for the year ended June 30, 2021 resulting primarily from an increase of $13.5 million in receipts from federal and state grants related to pandemic relief, which was partially offset by a $1.3 million decline in state appropriations. The $33.4 million of net cash used by capital financing activities was driven by the $24.1 million in purchases of capital assets funded primarily with bond proceeds issued in 2020 to finance student housing renovations and the construction of a new student residence hall. The University's principal and interest payments totaled $13.1 million and $12.1 million for fiscal years 2021 and 2020, respectively.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2021, capital assets, net of accumulated depreciation, totaled $370.7 million, or 68.5 percent of total assets. Capital assets as of June 30, 2021, 2020 and 2019, and significant changes in capital assets during the years ended June 30, 2020 and 2021 are as follows (in thousands):

	Balance June 30, 2019	Net Additions (Deletions)	Balance June 30, 2020	Net Additions (Deletions)	Balance June 30, 2021
Land	$ 9,629	$ (232)	$ 9,397	$ (22)	$ 9,375
Land Improvements	42,690	11	42,701	27	42,728
Buildings	538,531	(2,513)	536,018	2,393	538,411
Equipment	78,285	1,463	79,748	1,095	80,843
Library Books	13,552	(3,959)	9,593	(148)	9,445
Construction in Process	5,311	(1,546)	3,765	18,004	21,769
Accumulated Depreciation	(306,984)	(7,619)	(314,603)	(17,254)	(331,857)
	$ 381,014	$ (14,395)	$ 366,619	$ 4,095	$ 370,714

Net capital assets increased by $4.1 million for the year ended June 30, 2021 and decreased by $14.4 million the prior year, resulting in a combined decrease of $10.3 million, or 2.7 percent, since June 30, 2019. This two-year decrease is the net result of a $30.5 million increase in capitalized construction project costs, land improvements, equipment and other capital assets, less $40.8 million in depreciation. At June 30, 2021, the University had several major projects underway, including a new student residence hall that opened in August 2021 and several other student residence hall renovation projects.

Debt

The following is a summary of the University's outstanding capital debt summarized by trust indenture and type as of June 30, 2021, 2020 and 2019 (in thousands):

	2021	2020	2019
General Receipts Bonds, tax exempt, net of discounts and premiums	$ 131,349	$ 135,916	$ 103,899
General Receipts Bonds, taxable	205,450	-	-
Housing and Dining System Revenue Bonds	-	205	405
Notes payable and municipal lease obligations	3,387	3,744	4,090
	$ 340,186	$ 139,865	$ 108,394

Debt increased by $200.3 million for the year ended June 30, 2021, primarily due to the April 20, 2021 issuance of $205.5 million in General Receipts Bonds, 2021 Taxable Series A, to finance the University's initial payment required for the University's cessation from the KERS nonhazardous pension plan. On November 4, 2020, $5.8 million in General Receipts Refunding Bonds 2020 Series A were issued to refund $6.1 million in outstanding 2010 Series B bonds, resulting in a present value savings of $0.6 million. On November 4, 2020, the University also issued $3.4 million in General Receipts Bonds, 2020 Series B, to finance student housing renovations.

Although the University's outstanding bonds increased significantly as a result of the issuance of the taxable pension bonds, the University's exit from the severely underfunded KERS nonhazardous pension plan will ultimately result in a stronger financial position, with the elimination of the University's net pension liability, and associated deferred inflows and deferred outflows. The University's net pension and OPEB liabilities reported in the June 30, 2021 financial statements, which were measured as of June 30, 2020, totaled $403.2 million for the KERS nonhazardous pension plan. The University's combined debt service and defined contribution cash payments will be significantly less than the University's current cash contributions to the KERS nonhazardous pension plan. The current bond rating assigned by Moody's Investors Service (A1 stable) to the University's General Receipts bonds reflects the University's solid financial position.

ECONOMIC FACTORS IMPACTING FUTURE PERIODS

The University continues to move forward in implementing our Success By Design strategic framework focused on advancing student success aligned with the needs of the region. Progress in year two includes the development of the Success by Design Metrics. These metrics will allow us to assess whether our work is impacting student success and enable us to set target goals for key metrics. The University will also implement four campus-wide initiatives all aimed at better supporting students and improving the student experience. These four projects, combined with our recent acceptance into the EAB Moonshot for Equity project, will help achieve the goals of increasing access, achieving higher levels of completion and advance opportunities for career and community engagement across all student populations. The University's vision continues to be a student-ready and regionally engaged university that empowers diverse learners for economic and social mobility.

The University's housing, food service and parking operations all operated at reduced levels for fiscal year 2021 resulting in a $4.5 million decline in auxiliary enterprises revenues compared to the prior year, which was also impacted by the pandemic for part of the year. Fortunately, the University was able to offset some of the operating revenues that were lost due to the pandemic through federal grants funded by the Federal *Coronavirus Aid, Relief, and Economic Security Act* (the "CARES Act") and the *Coronavirus Response and Relief Supplemental Appropriations Ac*t (the "CRRSAA"). For the year ended June 30, 2021, the University recovered lost tuition and fees of $3.5 million and lost auxiliary enterprises revenue totaling $6.3 million through the CARES Act and CRRSAA grants. In total, $12.2 million of federal grant revenue from the CARES Act and CRRSAA institutional grants was recognized for the year. In addition, the University received $8.0 million in funding from the CARES Act and CRRSAA grants to fund emergency student aid grants. The University disbursed $6.5 million and $1.5 million in student emergency grants in fiscal years 2021 and 2020, respectively. The University also received $2.4 million in Coronavirus Relief Funds (CRF) funds from the state during the year, however, the University's state appropriation was reduced by $1.2 million in conjunction with the CRF grant.

The fiscal year 2021-22 budget includes a 1% undergraduate tuition rate increase and reflects an expected overall tuition revenue increase of $9.6 million over the prior year budget. The increase in tuition revenue is from the expected continued strong growth in the accelerated online programs. The budget also includes an increase in the state appropriations of $2.9 million over the prior year budget. The increase in the state appropriation was due to the enacted budget for 2021-22 including $17 million for the Postsecondary Education Performance Fund of which the University received $2.9 million. As a result of the exit from the KERS non-hazardous pension plan as of June 30, 2021, the reduction in pension contributions offset by the pension bond payments will result in budgeted expenses lower by over $4.5 million for fiscal 2021-22. However, overall budgeted expenses will be up as a result of higher compensation as a result of reinstating the salary reductions from fiscal year 2020-21 and a small compensation increase. In addition, expenses are budgeted to be higher for the revenue share with the accelerated online partner as a result of the higher projected accelerated online revenues. The fiscal year 2021-22 budget anticipates using some of the $11.4 million in American Rescue Plan (ARP) relief funds allocated to the University to offset some of the anticipated lost revenues related to the pandemic. The University announced in July 2021 a plan to use $3 million of ARP funding for equity initiatives that prioritize students impacted the most during the pandemic. The equity initiatives include eliminating $600,000 in student debt, providing $250 bookstore vouchers to all undergraduates and enhanced mental health services. Aligning the equity initiatives with the three pillars of student success continues the important work outlined in our strategic framework. The University also developed a plan to distribute in fiscal year 2021 an additional $11.9 million in ARP relief funds for emergency student aid to the students that have been most impacted by the pandemic. University management will continue to closely monitor the potential disruption and financial uncertainties of the COVID-19 pandemic.

The COVID-19 pandemic continues to have a significant impact on enrollments. While many institutions are experiencing declines, the University is seeing relatively flat enrollment with overall enrollment of 15,687 students, which is down only 5 students compared to 1st day last year. The enrollment continues to be driven by graduate growth, primarily in the accelerated online programs. Moving forward the focus for the University will be on program portfolio, pipeline growth, external partnerships, promotion, and belonging. The Board of Regents recently approved the continuation of the Success by Design strategic plan to support initiatives aligned with enrollment.

On a national level, there are many factors that could have an impact on future periods. Those include federal policy and the shifts in the labor market including workers desire to continue to work remote. Federal policy related to higher education is currently focused on campus infrastructure, free community college, and changes to federal financial aid. Management will continue to monitor what is taking place in Washington and advocate for policies that support the University's ability to provide affordable, equitable, and quality education for our students. In regards to the labor market and remote work policies, the University will continue to focus on compensation strategies and flexible work policies that ensure we maintain a stable and quality workforce.

At its meeting on December 2, 2020, the University's Board of Regents approved the University's cessation of its participation in the Kentucky Employees Retirement System (KERS) non-hazardous plan by authorizing a "Soft Freeze" lump sum payment to KERS. Under the Soft Freeze cessation option, all Tier 1 and Tier 2 employees will remain in KERS. Tier 3 employees and all new employees will participate in the University's defined contribution plan. The University's cessation liability for the Tier 1 and 2 employees includes the unfunded liability as of the cessation date plus the present value liability of the estimated normal cost for future service as determined by KERS.

The decision to exit the KERS non-hazardous plan was made to avoid the escalating cost of the participation contributions which were expected to increase nearly $14 million from FY21 to FY22 based on the information available at the time of the decision. Based on the recommended actuarial required contribution, the University's contribution could have increased in the next State Budget to a contribution rate of 85.03 percent, substantially increasing participation costs to the University. This exit from the pension plan was permitted under the *Pension Cessation Act*. The University's cessation of its obligations under the KERS non-hazardous plan was effective June 30, 2021, other than its obligation with respect to the amount which may be owed to KERS when the final lump sum, unfunded liability calculations have been completed.

Although the effective date for the University's exit from the KERS nonhazardous plan was June 30, 2021, the net pension and OPEB liabilities presented in the June 30, 2021 financial statements were measured as of June 30, 2020. Therefore, the liabilities as of June 30, 2021 include both the pension bonds liability and the pension and OPEB liabilities, resulting in a negative impact on the University's June 30, 2021 net position. The positive impact on the University's net position resulting from the University's exit from the KERS nonhazardous plan will not be reflected in the University's financial statements until fiscal year 2022.

The revenue outlook for the Commonwealth of Kentucky has improved significantly according to the 2021 annual edition of Commonwealth of Kentucky Quarterly Economic & Revenue Report (Revenue Report). Kentucky's general fund receipt for fiscal year 2021 were much better than expected. Vaccination progress, federal government aid to individuals and businesses, and increasing consumer confidence all contributed to an improved Kentucky economy which resulted in higher tax receipts. The state deposited the resulting $1.1 billion revenue surplus for the year into the state's Budget Reserve Trust Fund, known as the "rainy day fund", raising the total balance in the fund to $1.9 billion as of June 30, 2021. The Revenue Report indicates the recent growth in general fund receipts is expected to continue throughout the forecast horizon (through the first three quarters of fiscal year 2022). The state benefited significantly from the infusion of federal relief funds related to the pandemic.

Management is continuing its efforts to diversify revenue sources, contain costs and redirect resources to core mission priorities. The University is working with a partner to develop property at the University's main entrance. Phase One, which was completed in April 2020, is a 65,000 square foot office building and associated parking garage on the north side of the Nunn Drive intersection for St. Elizabeth Healthcare and OrthoCincy. The University has a ground lease with St. Elizabeth for an initial term of 25 years in which St. Elizabeth pays the University an annual base rent. Phase Two, on the south side of Nunn Drive, will be a mixed-use development of full-service and casual restaurant and retail tenants; market rate apartments; parking; and, potentially some office space. Retail uses will result in a safe, active pedestrian experience, complete with al fresco dining on patios, sidewalk amenities, public art installations and an urban environment that embraces the notion of a unique street experience. This development will energize the entrance to the university and transform it into a regional gathering place for both the campus and the community. The University signed a ground lease with Fairmount Properties in March 2021 for a term of 75 years in which Fairmount Properties will pay the University an annual base rent. The University has no obligation for the construction, financing, or operation of the development. The groundbreaking for the development is expected to occur later this year or early 2022 with completion anticipated in mid to late 2023.

In summary, management faced many challenges during the fiscal year, including guiding the campus community through the constantly changing environment being driven by the ongoing pandemic. In addition, management worked closely with the Board and University constituencies to navigate the complex issues related to the options available to the University to exit the KERS nonhazardous pension plan. Although, the University had to include both the pension bonds liability and the pension and OPEB liabilities in the financial statements for the fiscal year ended June 30, 2021, the University's future financial statements will reflect the positive impact from reduced annual pension contributions and reduced liabilities related to employee pensions. With the reduction in pension related payments, the University will continue to show solid operating performance as measured by cash flows. The strategies that drive success by design across the three pillars of access, completion and career and community engagement are as relevant as ever. These strategies are designed to increase enrollment, support students from diverse backgrounds, increase student retention rates, maintain academic quality, deepen regional engagement and increase net tuition revenue. For the five-year period that ended June 30, 2021, the endowment funds managed by the Foundation have grown from $89.6 million to $130.0 million, primarily due to excellent investment returns. The continued growth in funds provided through endowments, gifts, and other sources of revenues will be essential as the University strives to meet the needs of our students. The University's current multi-year fundraising campaign is closing in on its public goal of $75 million. Even though economic challenges will continue to have an impact on the future, management believes the University is well-positioned to maintain its sound financial position and will continue to provide excellent services to students, the community, and the Commonwealth.

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statements of Net Position
As of June 30, 2021 and 2020
(in thousands)

	2021	Restated 2020
ASSETS		
Current Assets		
Cash and cash equivalents	$ 117,922	$ 120,166
Notes, loans and accounts receivable, net	12,726	11,518
Other current assets	3,112	3,271
Total current assets	133,760	134,955
Noncurrent Assets		
Cash and cash equivalents	19,258	35,611
Investments	15,889	12,697
Notes, loans and accounts receivable, net	1,220	1,399
Capital assets, net	370,714	366,619
Other noncurrent assets	316	286
Total noncurrent assets	407,397	416,612
Total assets	541,157	551,567
DEFERRED OUTFLOWS OF RESOURCES		
Bond refunding loss	2,188	2,550
Pension and OPEB	240,444	37,460
Total deferred outflows of resources	242,632	40,010
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	21,662	21,302
Unearned revenue	10,664	12,873
Long-term debt-current portion	15,777	8,795
Other long-term liabilities-current portion	385	608
Total current liabilities	48,488	43,578
Noncurrent Liabilities		
Deposits	38	39
Long-term debt	324,409	131,070
Other long-term liabilities	1,892	2,004
Net pension and OPEB liability	405,542	383,648
Total noncurrent liabilities	731,881	516,761
Total liabilities	780,369	560,339
DEFERRED INFLOWS OF RESOURCES		
Service agreements	970	803
Pension and OPEB	8,253	15,031
Total deferred inflows of resources	9,223	15,834
NET POSITION		
Net investment in capital assets	252,560	261,818
Restricted		
Nonexpendable	7,616	7,616
Expendable	9,558	4,255
Unrestricted	(275,537)	(258,285)
Total net position	$ (5,803)	$ 15,404

See accompanying notes to the financial statements

Northern Kentucky University Foundation, Inc.
Consolidated Statements of Financial Position
As of June 30, 2021 and 2020
(in thousands)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 11,996	$ 9,007
Loans and accounts receivable, net	165	452
Contributions receivable, net	4,926	6,545
Prepaid expenses and deferred charges	207	130
Investments	134,768	106,234
Land and land improvements, net	323	355
Total assets	$152,385	$122,723
LIABILITIES AND NET ASSETS		
Accounts payable	$ 243	$ 395
Deferred income	675	674
Notes payable	-	2,000
Funds held in trust for Northern Kentucky University	15,889	12,487
Total liabilities	16,807	15,556
NET ASSETS		
Without Donor Restrictions		
For current operations	2,959	1,751
Amounts functioning as endowment funds	3,367	2,571
Invested in land and land improvements	323	355
Total without donor restrictions	6,649	4,677
With Donor Restrictions		
Unexpended funds received for restricted purposes	12,854	10,098
Contributions receivable	4,926	6,545
Loan funds	435	408
Endowment funds	110,714	85,439
Total with donor restrictions	128,929	102,490
Total net assets	135,578	107,167
Total liabilities and net assets	$152,385	$122,723

See accompanying notes to the financial statements

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2021 and 2020
(in thousands)

	2021	2020
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $41,476 in 2021 and $44,690 in 2020)	$ 127,035	$ 126,477
Federal grants and contracts	3,247	2,411
State and local grants and contracts	2,865	2,961
Nongovernmental grants and contracts	3,316	2,914
Sales and services of educational departments	3,036	3,543
Auxiliary enterprises		
Housing and food service (net of scholarship allowances of $679 in 2021 and $1,008 in 2020)	4,912	8,462
Other auxiliaries	1,997	2,948
Other operating revenues	6,841	6,907
Total operating revenues	153,249	156,623
OPERATING EXPENSES		
Educational and general		
Instruction	92,098	89,201
Research	2,867	2,339
Public service	9,855	11,061
Libraries	5,371	5,560
Academic support	23,915	24,646
Student services	26,374	28,722
Institutional support	36,920	36,536
Operation and maintenance of plant	17,845	21,800
Depreciation	16,513	16,995
Student aid	27,272	20,296
Auxiliary enterprises		
Housing and food service	5,364	6,018
Other auxiliaries	1,159	1,271
Auxiliary depreciation	3,624	3,703
Other expenses	30	122
Total operating expenses	269,207	268,270
Net income (loss) from operations	(115,958)	(111,647)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	51,040	52,300
Federal grants and contracts	31,970	17,526
State and local grants and contracts	14,653	11,524
Private gifts and grants	73	59
Investment income (loss)	3,941	1,513
Interest on capital asset-related debt	(5,531)	(4,353)
Other nonoperating revenues (expenses)	(1,837)	43
Net nonoperating revenues	94,309	78,612
Income (loss) before other revenues, expenses, gains or losses	(21,649)	(33,035)
Capital grants and gifts	442	361
Total other revenues	442	361
Increase (decrease) in net position	(21,207)	(32,674)
NET POSITION-BEGINNING OF YEAR	15,404	48,078
NET POSITION-END OF YEAR	$ (5,803)	$ 15,404

See accompanying notes to the financial statements

Northern Kentucky University Foundation, Inc.
Consolidated Statements of Activities
For the Year Ended June 30, 2021
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Gifts and bequests	$ 1	$ 4,879	$ 4,880
State grants	-	12	12
Rental income	142	1	143
Investment return	842	28,166	29,008
Gain on sale of land	1,040	-	1,040
Other revenue	124	227	351
Total revenues and gains	2,149	33,285	35,434
Net assets released from restrictions	6,452	(6,452)	-
Total revenues, gains and other support	8,601	26,833	35,434
EXPENSES AND LOSSES			
Program expenses			
Instruction	710	-	710
Research	104	-	104
Public service	221	-	221
Libraries	5	-	5
Academic support	809	-	809
Student services	354	-	354
Institutional support	734	-	734
University facilities and equipment acquisition	3	-	3
Student financial aid	3,182	-	3,182
Other program expenses and losses	-	394	394
Total program expenses	6,122	394	6,516
Support expenses			
Management and general	444	-	444
Fund raising support	63	-	63
Rental property	-	-	-
Total support expenses	507	-	507
Total expenses and losses	6,629	394	7,023
Increase (decrease) in net assets	1,972	26,439	28,411
Net assets-beginning of year	4,677	102,490	107,167
Net assets-end of year	$ 6,649	$ 128,929	$ 135,578

See accompanying notes to the financial statements

Northern Kentucky University Foundation, Inc.
Consolidated Statements of Activities
For the Year Ended June 30, 2020
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Gifts and bequests	$ 1	$ 8,887	$ 8,888
State grants	-	539	539
Rental income	131	-	131
Investment return	18	(2,957)	(2,939)
Other revenue	122	563	685
Total revenues and gains	272	7,032	7,304
Net assets released from restrictions	7,338	(7,338)	-
Total revenues, gains and other support	7,610	(306)	7,304
EXPENSES AND LOSSES			
Program expenses			
Instruction	765	-	765
Research	66	-	66
Public service	735	-	735
Libraries	10	-	10
Academic support	1,038	-	1,038
Student services	592	-	592
Institutional support	932	-	932
University facilities and equipment acquisition	150	-	150
Student financial aid	2,557	-	2,557
Other program expenses and losses	-	10	10
Total program expenses	6,845	10	6,855
Support expenses			
Management and general	503	-	503
Fund raising support	204	-	204
Rental property	4	-	4
Total support expenses	711	-	711
Total expenses and losses	7,556	10	7,566
Increase (decrease) in net assets	54	(316)	(262)
Net assets-beginning of year	4,623	102,806	107,429
Net assets-end of year	$ 4,677	$ 102,490	$ 107,167

See accompanying notes to the financial statements

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020
(in thousands)

	2021	Restated 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 125,383	$ 125,433
Grants and contracts	8,849	8,510
Payments to suppliers	(54,050)	(49,776)
Payments for salaries and benefits	(150,768)	(155,317)
Payments for student financial aid	(27,295)	(20,770)
Loans issued to students	(190)	(55)
Collection of loans to students	136	169
Auxiliary enterprise receipts:		
Housing operations	4,911	8,484
Other auxiliaries	1,974	3,028
Sales and service of educational departments	2,672	3,615
Other receipts (payments)	6,745	6,998
Net cash used by operating activities	(81,633)	(69,681)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	51,040	52,300
Gifts and grants for other than capital purposes	44,618	31,111
Agency and loan program receipts	98,213	103,982
Agency and loan program disbursements	(98,187)	(104,124)
Proceeds from noncapital debt and leases	205,450	-
KERS cessation payment	(204,000)	-
Noncapital bond issuance costs	(1,433)	-
Net cash provided by noncapital financing activities	95,701	83,269
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt and leases	9,912	39,936
Capital grants, gifts, and advances received	54	476
Proceeds from sale of capital assets	6	2,963
Purchases of capital assets	(24,074)	(7,959)
Principal paid on capital debt and leases	(8,047)	(7,751)
Bond refund escrow payment	(6,140)	-
Interest paid on capital debt and leases	(5,007)	(4,358)
Bond issuance costs	(119)	(618)
Net cash provided (used) by capital and related financing activities	(33,415)	22,689
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	453	826
Purchase of investments	(143)	(267)
Interest on investments	440	2,297
Net cash provided by investing activities	750	2,856
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,597)	39,133
Cash and cash equivalents-beginning of year	155,777	116,644
Cash and cash equivalents-end of year	$ 137,180	$ 155,777

See accompanying notes to the financial statements

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020
(in thousands)

	2021	Restated 2020
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Net loss from operations	$ (115,958)	$ (111,647)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	20,137	20,698
Deferred inflows of resources	(6,611)	2,212
Deferred outflows of resources	1,015	3,175
Changes in assets and liabilities:		
Receivables, net	(1,015)	501
Other assets	206	(62)
Accounts payable, accrued liabilities and deposits	(879)	1,142
Unearned revenue	(153)	1,456
Pension and OPEB	21,894	13,782
Long-term liabilities	(269)	(938)
Net cash used by operating activities	$ (81,633)	$ (69,681)
SUPPLEMENTAL CASH FLOWS INFORMATION		
Gifts of capital assets	$ 330	$ 41
Capital asset acquisitions in accounts payable	3,209	3,048
Unrealized gains and losses on investments	3,256	1,018

See accompanying notes to the financial statements

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statements of Fiduciary Net Position
Custodial Funds
As of June 30, 2021 and 2020
(in thousands)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 12,307	$ 11,446
Accounts receivable, net	-	167
Total assets	12,307	11,613
LIABILITIES		
Accounts payable and other liabilities	108	93
Total liabilities	108	93
NET POSITION		
Restricted for:		
Individuals, organizations and other governments	12,199	11,520
Total net position	$ 12,199	$ 11,520

See accompanying notes to the financial statements

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statements of Changes in Fiduciary Net Position
Custodial Funds
For the Years Ended June 30, 2021 and 2020
(in thousands)

	2021	2020
ADDITIONS		
In-lieu fees	$ 2,651	$ 1,440
Investment income	6	140
Total additions	2,657	1,580
DEDUCTIONS		
Contract expense	1,240	943
Land & Right of Way	579	280
Administrative fees	159	87
Total deductions	1,978	1,310
Net increase (decrease) in fiduciary net position	679	270
Net position - beginning of year	11,520	11,250
Net position - end of year	$ 12,199	$ 11,520

See accompanying notes to the financial statements

Note 1 – Organization and Summary of Significant Accounting Policies

a. Reporting Entity

Northern Kentucky University (the University) is a component unit of the Commonwealth of Kentucky (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 (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 13.

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

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

b. Basis of Presentation

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

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets, and deferred outflows related to debt refunding.

- **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 of Kentucky are also considered cash equivalents.

e. Notes, Loans and Accounts Receivable
This classification consists of tuition and fee charges to students, charges for auxiliary enterprise services provided to students, faculty and staff, 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 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.

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 years ended June 30, 2021 or 2020.

g. Compensated Absences
University policies permit employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized except for employees currently eligible to retire from the Kentucky Employers Retirement System (KERS). A liability is accrued equal to the estimated amount to be paid to KRS for sick leave converted to time worked at retirement. Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

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

i. Unearned Revenue
Unearned revenue includes amounts received for tuition and other student fees prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenue also includes amounts received from grants and contracts 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 Kentucky Retirement Systems, (KRS). 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, KRS, (the OPEB Plan). For purposes of measuring the net OPEB 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 $2,188,000 and $2,550,000 of losses on bond refunding for the years ended June 30, 2021 and 2020, respectively. The remaining balance of deferred outflows for years ended June 30, 2021 and 2020 consist of the KERS pension and OPEB related unamortized balances.

A deferred inflow of resources is a gain in net position by the University that is applicable to a future reporting period. Deferred inflows of resources are reported in the statement of net position but are not recognized in the financial statements as revenue until in the related period. The agreement between the University and the University's food service providers resulted in a deferred inflow of resources of $970,000 and $803,000 at June 30, 2021 and 2020, respectively. The deferred inflows of resources related to this agreement are recognized evenly over the life of the contract. The remaining deferred inflows of resources for the years ended June 30, 2021 and 2020 consist of the KERS pension and OPEB related unamortized balances.

See Notes 7 and 8 for details of pension and OPEB related deferred outflows of resources and deferred inflows of resources.

m. Scholarship Allowances
Student tuition and fee revenues and other student related revenues are reported net of scholarship allowances in the statement 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. COVID-19 Relief Funding
The *Coronavirus Aid, Relief, and Economic Security* (CARES) Act was signed into law by President Trump on March 27, 2020. The CARES Act included direct payments to institutions of higher education through the Higher Education Emergency Relief Fund (HEERF). The University's grant award totaled $8.0 million, of which 50 percent of the funds must be used to provide direct emergency aid to students and 50 percent provides funds to recover foregone revenue and cover costs associated with changes in delivering instruction due to the coronavirus. For the year ended June 30, 2020, the University distributed and recognized $1.5 million of the HEERF grant to students; and, therefore, recognized $1.5 million in the institutional HEERF grant funds. An additional $2.2 million in institutional expenses was incurred and recorded as deferred revenue for the year ended June 30, 2020.

With the passage of the *Coronavirus Response and Relief Supplemental Appropriations Act* (CRRSAA) in December 2020, the University received an additional $13.7 million in federal funding, including $4.0 million earmarked for emergency student grants. As of June 30, 2021, the University had expended all of the institutional funds and emergency student aid received through the CARES and CRRSAA grants. Accordingly, the University recognized $18.7 million of CARES and CRRSAA grant revenues for the year ended June 30, 2021.

Congress passed the *American Rescue Plan Act of 2021* (ARP) in early March 2021. The University was awarded an ARP grant for emergency student aid of $11.9 million and an ARP grant for $11.4 million to fund institutional expenses and lost revenues directly related to the pandemic. The ARP grants will be recognized when expended in future periods.

Additionally, the University received a $2.4 million Coronavirus Relief Fund (CRF) grant from the state during the year; however, the University's state appropriation was reduced by $1.2 million in conjunction with the CRF grant.

The grants discussed above are recognized in the nonoperating federal grants and contracts caption on the statement of revenues, expenses, and changes in net position

r. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

s. Component Unit Disclosure

The accompanying financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America 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.

t. Related Party Transactions

During the years ended June 30, 2021 and 2020, the Foundation made payments on behalf of the University of $328,000 and $331,000, respectively, for salaries, benefits, and other administrative costs for University staff that directly support the Foundation's operations. These payments are made by agreement between the Foundation and University. Approximately $2,000 and $0 as of June 30, 2021 and 2020, respectively, was owed to the University for such costs.

In support of University programs, the Foundation incurred program expenses of $6,516,000 and $6,855,000 for 2021 and 2020, respectively, which consisted of payments on behalf of the University of $4,508,000 and $4,858,000, for 2021 and 2020, respectively; and amounts transferred to the University for restricted purposes of $2,008,000 and $1,997,000 for 2021 and 2020, respectively.

During the year ended June 30, 2020, Northern Kentucky University sold 20.24 acres of land to the Foundation for approximately $2,968,000 and recognized a gain on the transaction of approximately $2,736,000.

u. Change in Accounting Principle

During fiscal year 2021, the University adopted GASB Statement No. 84 *Fiduciary Activities*. The Statement requires fiduciary activities to be reported separately in the Fiduciary section of the financial statements. The Stream and Wetland Restoration fund held by the Research Foundation was determined to be a fiduciary activity and is reported separately in the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position. As the Statement was retrospectively adopted, the University's statement of net position and statement of cash flows as of and for the year ended June 30, 2020 were restated. The impact resulted in a reduction of approximately $11.6 million to total assets and total liabilities as of June 30, 2020. As the assets are held by the Research Foundation, note 13 has also been restated. The restatement had no impact on net position or change in net position.

v. Recent Accounting Pronouncements

In June 2017, the GASB approved Statement No. 87, *Leases*. The objective of this Statement is to improve the accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, that postponed the effective date of this pronouncement. The provisions of this statement are now effective for reporting periods beginning after June 15, 2021. The University will implement this Statement July 1, 2021.

In May 2020, the GASB approved Statement No. 96, *Subscription-based Information Technology Arrangements.* The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA results in an intangible asset and corresponding subscription liability. The statement also provides the capitalization criteria for outlays other than subscription payments including implementation costs of a SBITA. The provisions of this statement are effective for reporting periods beginning after June 15, 2022. The University is currently evaluating the effects of this statement on its financial statements.

w. Subsequent Events
On September 30, 2021, Northern Kentucky University General Receipts Refunding Bonds, 2021 Series B were sold with a par value of $5,025,000 and interest rates ranging from 2 percent to 3.5 percent. The net interest cost was 1.23 percent. The proceeds refunded $5,330,000 of the General Receipts Bonds, 2011 Series A, resulting in a $686,000 reduction in future debt service payments, which represents an economic gain of $654,000. The bond closing is scheduled for October 21, 2021.

Note 2 – Cash, Cash Equivalents and Investments

At June 30, 2021, petty cash funds totaled $37,000 and the carrying amount of the deposits was $137,143,000 with a corresponding total bank balance of $139,884,000. Of the bank balance, $51,668,000 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 $88,216,000 was held and invested by the Commonwealth. These deposits were covered by federal depository insurance or by collateral held by the Commonwealth in the Commonwealth's name.

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

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

The following schedule reports the fair values of the University's investments at June 30, 2021 and 2020 (in thousands):

	2021	2020
Treasury bills	$ -	$ 210
Restricted assets held by the Foundation	15,889	12,487
Total Investments	$ 15,889	$ 12,697

University investments held by the Foundation represent the University's Regional University Excellence Trust Fund endowments which are invested in an investment pool managed by the Foundation. See Note 14 (c) for the required GASB fair value disclosures for the University's investments that are included in the Foundation's investment pool. University assets in the Foundation's investment pool at June 30, 2021 and 2020 are invested as follows:

	2021	2020
Type of Investment:		
Fixed income funds	15%	21%
Domestic equity funds	37%	34%
International equity funds	13%	13%
Emerging markets	9%	8%
Private equity	10%	6%
Natural resources	9%	10%
Other	7%	8%
Total Investments	100%	100%

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

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The University debt service reserves are invested by the bond trustees in accordance with the governing bond resolutions. There are no specific limits on the maximum amount of investment securities held in bond debt service reserve funds that may be invested in one issuer. However, such investments are limited to interest-bearing direct obligations of the U.S. government or obligations fully guaranteed by the U.S. government.

Foreign Currency Risk: This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The University had no investments denominated in foreign currency at June 30, 2021 or June 30, 2020.

Note 3 – Notes, Loans and Accounts Receivable

Notes, loans and accounts receivable as of June 30, 2021 and 2020 are as follows (in thousands):

	2021		
	Gross Receivable	Allowance	Net Receivable
Student loans	$ 1,077	$ (373)	$ 704
Student accounts receivable	13,761	(4,830)	8,931
Reimbursement receivable grants and contracts	2,095	-	2,095
NKU Foundation receivable	192	-	192
Other	2,827	(803)	2,024
Total	$ 19,952	$ (6,006)	$ 13,946
Current portion			$ 12,726
Noncurrent portion			1,220
Total			$ 13,946

	2020 Restated		
	Gross Receivable	Allowance	Net Receivable
Student loans	$ 1,051	$ (378)	$ 673
Student accounts receivable	13,350	(4,959)	8,391
Reimbursement receivable grants and contracts	1,588	-	1,588
NKU Foundation receivable	234	-	234
Other	2,758	(727)	2,031
Total	$ 18,981	$ (6,064)	$ 12,917
Current portion			$ 11,518
Noncurrent portion			1,399
Total			$ 12,917

Note 4 – Capital Assets, net

Capital assets for the years ended June 30, 2021 and 2020 are summarized as follows (in thousands):

	7/1/2020 Beginning Balance	Additions	Reductions	6/30/2021 Ending Balance
Cost:				
Land	$ 9,397	$ -	$ 22	$ 9,375
Land improvements	42,701	65	38	42,728
Buildings	536,018	4,378	1,985	538,411
Equipment	79,748	1,839	744	80,843
Library books	9,593	315	463	9,445
Construction in process	3,765	18,004	-	21,769
	681,222	24,601	3,252	702,571
Accumulated Depreciation:				
Land improvements	12,073	1,124	22	13,175
Buildings	226,851	15,796	1,716	240,931
Equipment	67,923	2,809	683	70,049
Library books	7,756	408	462	7,702
	314,603	20,137	2,883	331,857
Capital assets, net	$ 366,619	$ 4,464	$ 369	$ 370,714

	7/1/2019 Beginning Balance	Additions	Reductions	6/30/2020 Ending Balance
Cost:				
Land	$ 9,629	$ -	$ 232	$ 9,397
Land improvements	42,690	85	74	42,701
Buildings	538,531	7,644	10,157	536,018
Equipment	78,285	2,221	758	79,748
Library books	13,552	331	4,290	9,593
Construction in process	5,311	-	1,546	3,765
	687,998	10,281	17,057	681,222
Accumulated Depreciation:				
Land improvements	10,946	1,171	44	12,073
Buildings	218,778	16,108	8,035	226,851
Equipment	65,653	2,980	710	67,923
Library books	11,607	439	4,290	7,756
	306,984	20,698	13,079	314,603
Capital assets, net	$ 381,014	$ (10,417)	$ 3,978	$ 366,619

The estimated cost to complete construction under contract at June 30, 2021, was approximately $11,595,000.

As of June 30, 2021 and 2020, the net book value of capital assets acquired through capital leases included in the above schedules totaled $2,912,000 and $3,084,000, respectively.

Note 5 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2021 and 2020 are as follows (in thousands):

	2021	Restated 2020
Payable to vendors and contractors	$ 8,657	$ 10,047
Accrued expenses, primarily payroll and vacation leave	7,966	6,643
Employee withholdings and deposits payable to third parties	3,430	3,468
Self-insured health liability	1,609	1,144
Total	$ 21,662	$ 21,302

Note 6 – Long-Term Liabilities

The changes in long-term liabilities for the years ended June 30, 2021 and 2020 are summarized as follows (in thousands):

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion	Noncurrent Portion
Housing and Dining Revenue Bonds	$ 205	$ -	$ 205	$ -	$ -	$ -
General Receipts Bonds Taxable	-	205,450	-	205,450	5,660	199,790
General Receipts Bonds Tax Exempt (net of premiums)	135,916	9,912	14,479	131,349	9,749	121,600
Total bonds	136,121	215,362	14,684	336,799	15,409	321,390
Notes and leases payable	3,744	-	357	3,387	368	3,019
Total debt	139,865	215,362	15,041	340,186	15,777	324,409
Deferred compensation	77	-	39	38	38	-
Federal portion of loan programs	755	138	184	709	-	709
Unearned revenue	13,144	10,177	12,642	10,679	10,664	15
KERS-sick leave	1,044	345	91	1,298	130	1,168
Other	175	-	175	-	-	-
Total other long-term liabilities	15,195	10,660	13,131	12,724	10,832	1,892
Deposits	329	429	503	255	217	38
Net pension and OPEB liability	383,648	21,894	-	405,542	-	405,542
Total long-term liabilities	$ 539,037	$ 248,345	$ 28,675	$ 758,707	$ 26,826	$ 731,881

	Restated					
	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion	Noncurrent Portion
Housing and Dining Revenue Bonds	$ 405	$ -	$ 200	$ 205	$ 205	$ -
General Receipts Bonds Tax Exempt (net of premiums)	103,899	39,936	7,919	135,916	8,233	127,683
Total bonds	104,304	39,936	8,119	136,121	8,438	127,683
Notes and leases payable	4,090	-	346	3,744	357	3,387
Total debt	108,394	39,936	8,465	139,865	8,795	131,070
Deferred compensation	112	-	35	77	39	38
Federal portion of loan programs	1,083	3	331	755	-	755
Unearned revenue	9,558	12,894	9,308	13,144	12,873	271
KERS-sick leave	720	446	122	1,044	104	940
Other	350	-	175	175	175	-
Total other long-term liabilities	11,823	13,343	9,971	15,195	13,191	2,004
Deposits	1,109	301	1,081	329	290	39
Net pension and OPEB liability	369,866	16,456	2,674	383,648	-	383,648
Total long-term liabilities	$ 491,192	$ 70,036	$ 22,191	$ 539,037	$ 22,276	$ 516,761

a. Bonds

The outstanding obligation as of June 30, 2021 and 2020 for the Northern Kentucky University General Receipts Bonds are reported net of premiums totaling $8,049,000 and $8,206,000, respectively. General Receipts Bonds are collateralized by the operating and nonoperating income of the University excluding income which as a condition of the receipt is not available for payment of debt service charges.

On November 4, 2020, Northern Kentucky University General Receipts Refunding Bonds were issued in the amount of $5,775,000 and a net interest cost of 1.00 percent. The proceeds refunded the General Receipts Bonds, 2010 Series B maturing on or after September 1, 2021. The refunding reduced the University's total debt service payments over the term by $596,000, representing an economic gain of $580,000. Economic gain is determined by calculating the difference between the present value of the debt services payments on the old and new debt.

On November 4, 2020, Northern Kentucky University General Receipts Bonds were issued in the amount of $3,440,000 and a net interest cost of 1.13 percent. The proceeds are being used to renovate existing housing facilities.

On April 20, 2021, Northern Kentucky University General Receipts Taxable Bonds were issued in the amount of $205,450,000 and a net interest cost of 3.18 percent. The proceeds are being used for the University's cessation from the KERS nonhazardous pension plan.

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

	2021	2020
Housing and Dining System Revenue bonds payable		
Series B, dated November 1, 1980, with an interest rate of 3.00%. Final principal payment date November 1, 2020.	$ -	$ 205
Total Housing and Dining System Revenue bonds payable	-	205
General Receipts Taxable bonds payable		
Series A 2021 (taxable), dated April 20, 2021, with interest rates from 0.36% to 3.43%. Final principal payment date September 1, 2050.	205,450	-
Total General Receipts Taxable bonds payable	205,450	-
General Receipts Tax Exempt bonds payable		
Series A 2010, dated June 29, 2010, with interest rates from 2.00% to 3.50%. Final principal payment date September 1, 2020.	-	250
Series B 2010, dated October 21, 2010, with interest rates from 2.00% to 3.75%. Final principal payment date September 1, 2027.	-	6,900
Series A 2011, dated August 4, 2011, with interest rates from 2.00% to 4.00%. Final principal payment date September 1, 2030.	5,815	6,290
Series A 2013, dated February 26, 2013, with an interest rate of 2.00%. Final principal payment date September 1, 2022.	1,080	1,605
Series A 2014, dated January 7, 2014, with interest rates from 2.00% to 5.00%. Final principal payment date September 1, 2033.	35,645	37,560
Series A 2016, dated May 17, 2016, with interest rates from 2.00% to 5.00%. Final principal payment date September 1, 2027.	20,720	23,230
Series B 2016, dated August 25, 2016, with interest rates from 2.00% to 4.00%. Final principal payment date September 1, 2028.	12,955	14,005
Series A 2019, dated November 12, 2019, with interest rates from 3.00% to 5.00%. Final principal payment date September 1, 2044.	37,870	37,870
Series A 2020, dated November 4, 2020, with an interest rate of 3.00%. Final principal payment date September 1, 2027.	5,775	-
Series B 2020, dated November 4, 2020, with interest rates from 2.00% to 3.00%. Final principal payment date September 1, 2027.	3,440	-
Total General Receipts Tax Exempt bonds payable	123,300	127,710
Plus: Net premiums	8,049	8,206
Total bonds payable	$ 336,799	$ 136,121

Principal maturities and interest on bonds, including required sinking fund payments, for the next five years and in subsequent five-year periods are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2022	$ 14,565	$ 9,433	$ 23,998
2023	14,240	9,807	24,047
2024	14,110	9,385	23,495
2025	15,020	8,929	23,949
2026	15,505	8,440	23,945
2027 - 2031	65,850	35,469	101,319
2032 - 2036	48,225	26,556	74,781
2037 - 2041	43,875	19,882	63,757
2042 - 2046	49,145	12,350	61,495
2047 - 2051	48,215	4,244	52,459
Subtotal	328,750	144,495	473,245
Plus: Net premiums	8,049	-	8,049
Total	$ 336,799	$ 144,495	$ 481,294

b. Leases

In January 2019, the University entered into a capital lease obligation, in the amount of $4,088,000, with an interest rate of 2.81 percent, for an energy management project. The lease will be paid with guaranteed energy savings.

In May 2018, the University entered into a capital lease obligation through a third-party financial institution, in the amount of $275,000, with an interest rate of 4.43 percent. This obligation was used to fund computer equipment.

Lease obligations as of June 30 are as follows (in thousands):

	2021	2020
Capital lease payables		
Capital equipment lease, dated May 1, 2018, with an interest rate of 4.43%. Final principal payment date May 1, 2022.	$ 57	$ 112
Energy management lease, dated January 24, 2019, with an interest rate of 2.81%. Final principal payment date November 24, 2030.	3,330	3,632
Total capital lease payable	$ 3,387	$ 3,744

Future minimum lease payments for the next five years and in subsequent five-year periods are as follows (in thousands):

Fiscal Year	Present Value of Future Minimum Lease Payments	Interest Portion	Total
2022	$ 368	$ 94	$ 462
2023	319	83	402
2024	328	74	402
2025	337	65	402
2026	347	55	402
2027 - 2031	1,688	121	1,809
Total	$ 3,387	$ 492	$ 3,879

Note 7 – Pension Plans and Accrued Compensated Absences

Employees of the University were covered by one of the following plans for the years ended June 30, 2021 and 2020.

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 others who have educational related duties. 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, 2020, however, 7.5 percent was contributed for the year ended June 30, 2021 as a result of pandemic budget restraints. 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 $52,322,000 and $52,067,000 for the years ended June 30, 2021 and 2020, respectively. The University's contribution totaled $3,924,000 and $5,207,000 for the years ended June 30, 2021 and 2020, respectively.

b. Defined Benefit Plan

Plan Description - All regular employees not participating in the above plan were required to participate in either the Nonhazardous or Hazardous cost-sharing multiple employer defined benefit pension plan, both of which are under the Kentucky Employees Retirement System (KERS), that is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). 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 Kentucky Pension Plan Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601-6124 or by calling (502) 696-8800.

Cessation – On April 20, 2021, the Northern Kentucky University 2021 Taxable Series A bonds were issued for the University's cessation from the KERS nonhazardous pension plan, under the provisions established by House Bill 1 passed during the 2019 Special Session. Effective June 30, 2021, the University ceased participation in the nonhazardous plan, resulting in the conversion of all Tier 3 nonhazardous 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. Proceeds of $204,000,000 from the issuance of the 2021 Taxable Series A bonds representing the University's estimated lump sum cessation payment were remitted to KERS on April 20, 2021. This amount is reported as a deferred outflow of resources on the statement of net position and is allocated between the pension and other post-employment benefit plan in accordance with the current contribution ratio. The portion of the deferred outflow of resources attributed to the pension plan is $169.3 million as of June 30, 2021. The preliminary lump sum cessation payment will be adjusted based upon the results of the final actuarial study to be completed after January 1, 2022. The University will pay KERS if the final cessation lump sum is higher than the estimate. KERS will refund the overpayment if the final cessation lump sum is lower.

Kentucky Employees' Retirement System
Governance KRS 61.510 through KRS 61.705
Cost Sharing Multiple Employer Defined Benefit

	Tier 1 Participation Prior to 9/1/2008	**Tier 2** Participation 9/1/2008 through 12/31/2013	**Tier 3** Participation on or after 1/1/2014
		Nonhazardous	
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	1.97%, or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No money purchase calculations.	
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit.

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/2013	Tier 3 Participation on or after 1/1/2014
		Hazardous	
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Highest 3 fiscal years (must contain at least 24 months). Includes lump-sum compensation payments (before and at retirement).	3 highest salaries; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	2.49%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. Greater than 25 years = 2.50%.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 60 months of service.	Any age with 25 years of service. Age 60 with 5 years of service.	Any age with 25 years of service. Age 60 with 5 years of service.
Reduced Retirement Benefit:	Age 50 with 15 years of service.	Age 50 with 15 years of service.	No reduced retirement benefit

Contributions - Benefit and contribution rates are established by state statute. Per Kentucky Revised Statute 61.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the KRS Board. For the fiscal years ended June 30, 2021 and 2020, University employees were required to contribute 5 percent of their annual covered salary for retirement benefits. The University's required contribution percentage rates per covered payroll for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Nonhazardous pension plan	41.06%	41.06%
Hazardous pension plan	36.00%	34.39%

The required contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The University's total required contribution to the KERS nonhazardous pension plan for the years ended June 30, 2021 and 2020 were $13,855,000 and $14,310,000, respectively. The required contribution to the KERS hazardous pension plan for the years ended June 30, 2021 and 2020 were $233,000 and $287,000, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2021 and 2020, respectively, the University reported a liability of $341,932,000 and $329,798,000, for its proportionate share of the nonhazardous net pension liability. The University's hazardous pension liability was $2,157,000 and $2,041,000 for the years ended June 30, 2021 and 2020, respectively. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of June 30, 2019. The total pension liability used to calculate the net was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2020 using generally accepted actuarial principles. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021 and 2020, the University's proportion was 2.414 percent and 2.335 percent for nonhazardous and .385 percent and .374 percent for hazardous, respectively.

For the years ended June 30, 2021 and 2020, the University recognized nonhazardous pension expense of $27,591,000 and $33,067,000; and hazardous pension expense of $377,000 and $477,000, respectively.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous		
Differences between expected and actual experience	$ 1,942	$ -
Change of assumptions	3,852	-
Net difference between projected and actual earnings on investments	351	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,103	998
Contributions subsequent to the measurement date	13,855	-
Contributions subsequent to the measurement date-cessation payment	169,320	-
Hazardous		
Differences between expected and actual experience	3	2
Change of assumptions	62	-
Net difference between projected and actual earnings on investments	74	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	35	19
Contributions subsequent to the measurement date	233	-
Total	$ 190,830	$ 1,019

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous		
Differences between expected and actual experience	$ 1,950	$ -
Change of assumptions	10,042	-
Net difference between projected and actual earnings on investments	-	672
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,922
Contributions subsequent to the measurement date	14,310	-
Hazardous		
Differences between expected and actual experience	39	-
Change of assumptions	143	-
Net difference between projected and actual earnings on investments	-	35
Changes in proportion and differences between employer contributions and proportionate share of contributions	24	45
Contributions subsequent to the measurement date	287	-
Total	$ 26,795	$ 4,674

At June 30, 2021 and 2020, the University reported $183,408,000 and $14,597,000, respectively, as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ending June 30, 2022 and 2021, respectively. Included in the contributions at June 30, 2021 is a cessation payment of $169,320,000. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2021, related to pensions will be recognized in pension expense as follows (in thousands):

Year Ending June 30	
2022	$ 5,068
2023	667
2024	326
2025	342
	$ 6,403

Pension Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement for nonhazardous and hazardous pensions.

	Nonhazardous	Hazardous
Inflation	2.30%	2.30%
Salary Increases	3.30% to 15.30%, varies by service	3.55% to 20.05%, varies by service
Investment Rate of Return	5.25%, net of pension plan investment expense, including inflation	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table for the Non-Hazardous System and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality assumptions for healthy retirees is based on a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled retirees was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The most recent actuarial experience study was for the period July 1, 2013 through June 30, 2018. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

	Nonhazardous		Hazardous	
Asset Class	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**
US equity	4.50%	15.75%	4.50%	18.75%
Non US equity	5.25%	15.75%	5.25%	18.75%
Private equity	5.15%	7.00%	6.65%	10.00%
Specialty Credit/High Yield	3.90%	15.00%	3.90%	15.00%
Core Bonds	-0.25%	20.50%	-0.25%	13.50%
Cash	-0.75%	3.00%	-0.75%	1.00%
Real Estate	5.30%	5.00%	5.30%	5.00%
Opportunistic	2.25%	3.00%	2.25%	3.00%
Real Return	3.95%	15.00%	3.95%	15.00%
Total		100.00%		100.00%

Pension Discount rate – The discount rate used to measure the total pension liability was 5.25 percent for the nonhazardous plan, and 6.25 percent for the hazardous plan. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate - The University's proportionate share of the net pension liability has been calculated using a discount rate of 5.25 percent for the nonhazardous and 6.25 percent for hazardous. The following presents the University's proportionate share of the net pension liability calculated using a discount rate 1 percent higher and 1 percent lower than the current rate (in thousands):

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Nonhazardous			
Proportionate share of the Collective Net Pension Liability	$ 391,638	$ 341,932	$ 301,083

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Hazardous			
Proportionate share of the Collective Net Pension Liability	$ 2,759	$ 2,157	$ 1,666

Payable to the pension plan - The University reported payables of $1,355,000 and $1,266,000 for the outstanding amount of employer contributions to the pension plan required for the years ended June 30, 2021 and 2020, respectively.

Effective July 1, 2010, KRS 61.546 states "the value of any accumulated sick leave that is added to the member's service credit in the KERS on or after July 1, 2010, shall be paid to the retirement system by the last participating KERS employer based upon a formula adapted by the Board." The KERS sick leave liability as of June 30, 2021 and 2020 was $1,298,000 and $1,044,000, respectively.

c. Compensated Absences

University employees begin to accumulate annual vacation allowance from the initial date of employment; however, no vacation is granted until three months of continuous employment have been completed. The maximum accumulation of vacation leave is limited to the number of days that can be accumulated in twelve months, based upon length of service and employment classification. Eligible employees are paid their accumulated vacation upon termination, subject to certain limitations. At June 30, 2021 and 2020, the University had recognized an accrued vacation liability of $3,587,000 and $3,580,000, respectively.

Note 8 – Other Post-Employment Benefits

a. Defined Benefit Plan

Plan Description - The University contributes to the KRS Insurance Fund, a cost sharing multiple employer defined benefit other post-employment plan (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 KRS. 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 Kentucky Pension Plan Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601-6124 or by calling (502) 696-8800.

Cessation – On April 20, 2021, the Northern Kentucky University 2021 Taxable Series A bonds were issued for the University's cessation from the KERS nonhazardous pension plan, under the provisions established by House Bill 1 passed during the 2019 Special Session. 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. Proceeds of $204,000,000 from the issuance of the 2021 Taxable Series A bonds representing the University's estimated lump sum cessation payment were remitted to KERS on April 20, 2021. This amount is reported as a deferred outflow of resources on the statement of net position and is allocated between the pension and other post-employment benefit plan in accordance with the current contribution ratio. The portion of the deferred outflow of resources attributed to the other post-employment benefit plan is $34.7 million as of June 30, 2021. The preliminary lump sum cessation payment will be adjusted based upon the results of the final actuarial study to be completed after January 1, 2022. The University will pay KERS if the final cessation lump sum is higher than the estimate. KERS will refund the overpayment if the final cessation lump sum is lower.

Benefits Provided –

	Tier 1 Participation Prior to 7/1/2003	Tier 2 Participation 7/1/2003 through 8/31/2008	Tier 3 Participation on or after 9/1/2008
		Nonhazardous	
OPEB eligibility:	Recipient of a retirement allowance	Recipient of a retirement allowance, with at least 120 months of service at retirement	Recipient of a retirement allowance, with at least 180 months of service at retirement
OPEB benefit:	Allowance for medical insurance coverage based on years and type of service. Less than 4 years = 0%. At least 4 years, but less than 10 = 25%. At least 10 years, but less than 15 = 50%. At least 15 years, but less than 20 = 75%. 20 or more years = 100%.	Monthly contribution of $10 for each year of earned service. Adjusted 1.5% annually.	

	Tier 1 Participation Prior to 7/1/2003	Tier 2 Participation 7/1/2003 through 8/31/2008	Tier 3 Participation on or after 9/1/2008
		Hazardous	
OPEB eligibility:	Recipient of a retirement allowance	Recipient of a retirement allowance, with at least 120 months of service at retirement	Recipient of a retirement allowance, with at least 180 months of service at retirement
OPEB benefit:	Allowance for medical insurance coverage based on years and type of service. Less than 4 years = 0%. At least 4 years, but less than 10 = 25%. At least 10 years, but less than 15 = 50%. At least 15 years, but less than 20 = 75%. 20 or more years = 100%.	Monthly contribution of $15 for each year of earned service. Adjusted 1.5% annually.	

Contributions- Benefit and contribution rates are established by state statute. Per Kentucky Revised Statute 61.565, contribution requirements of the participating organizations are established and may be amended by the KRS Board. Employees with a participation date after 9/1/2008 were required to contribute 1 percent of their covered salary for retiree healthcare benefits. The University's required contribution percentage rates per covered payroll for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Nonhazardous OPEB plan	8.41%	8.41%
Hazardous OPEB plan	0.00%	2.46%

The required contributions to the KERS nonhazardous OPEB plan for the years ended June 30, 2021 and 2020 were $2,838,000 and $2,931,000, respectively. The required contributions to the KERS hazardous OPEB plan for the years ended June 30, 2021 and 2020 were $0 and $21,000, respectively.

OPEB assets and liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – At June 30, 2021 and 2020, respectively, the University reported a liability of $61,289,000 and $51,909,000 for its proportionate share of the nonhazardous net OPEB liability. The University's hazardous OPEB liability was $164,000 for the year ended June 30, 2021, with an asset of $100,000 for the year ended June 30, 2020. The total OPEB liability and net OPEB liability were based on an actuarial valuation date of June 30, 2019. The total OPEB liability used to calculate the net was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2020 using generally accepted actuarial principles. The University's proportion of the net OPEB liability was based on the University's actual contributions to the OPEB plan relative to the contributions of all participating employers for the measurement period. At June 30, 2021 and 2020, respectively, the University's proportion was 2.414 and 2.335 percent for nonhazardous and 0.385 and 0.373 percent for hazardous.

For the years ended June 30, 2021 and 2020, respectively, the University recognized nonhazardous OPEB expense of $5,014,000 and $3,319,000 and hazardous OPEB expense of $75,000 and $31,000.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous		
Differences between expected and actual experience	$ 5,073	$ 6,086
Change of assumptions	4,486	107
Net difference between projected and actual earnings on investments	856	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	356	878
Contributions subsequent to the measurement date	3,760	-
Contributions subsequent to the measurement date-cessation payment	34,680	-
Hazardous		
Differences between expected and actual experience	83	146
Change of assumptions	242	1
Net difference between projected and actual earnings on investments	67	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1	16
Contributions subsequent to the measurement date	10	-
Total	$ 49,614	$ 7,234

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous		
Differences between expected and actual experience	$ -	$ 8,280
Change of assumptions	6,807	156
Net difference between projected and actual earnings on investments	-	340
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,332
Contributions subsequent to the measurement date	3,557	-
Hazardous		
Differences between expected and actual experience	-	179
Change of assumptions	274	1
Net difference between projected and actual earnings on investments	-	58
Changes in proportion and differences between employer contributions and proportionate share of contributions	1	11
Contributions subsequent to the measurement date	26	-
Total	$ 10,665	$ 10,357

The OPEB contribution amounts include the implicit subsidy of $922,000 and $626,000 for nonhazardous for the years ended June 30, 2021 and 2020, respectively. The implicit subsidy was $10,000 and $5,000 for hazardous for the years ended June 30, 2021 and 2020, respectively.

At June 30, 2021, the University reported $38,450,000 as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the following year. This amount includes the implicit subsidy amount of $932,000. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2021, related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year Ending June 30	
2022	$ 2,029
2023	468
2024	1,146
2025	287
Thereafter	-
	$ 3,930

Actuarial assumptions - The total OPEB asset and liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement for nonhazardous and hazardous OPEB.

	Nonhazardous	Hazardous
Inflation	2.30%	2.30%
Salary increases	3.30% to 15.30%, varies by service	3.55% to 20.05%, varies by service
Payroll growth rate	0.00%	0.00%
Health care cost trend rates		
Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	
Post-65	Initial trend starting at 2.90% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.	
Investment Rate of Return	6.25%	6.25%
Mortality		
Pre-retirement	PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	PUB-2010 Public Safety Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019	
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010	

The mortality table used for active members was a Pub-2010 General Mortality table for the Non-Hazardous System and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality assumptions for healthy retirees is based on a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled retirees was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

OPEB Asset Allocations

Asset Class	**Long Term Expected Real Rate of Return**	**Target Allocation**
US Equity	4.50%	18.75%
Non-US Equity	5.25%	18.75%
Private Equity	6.65%	10.00%
Specialty Credit/High Yield	3.90%	15.00%
Core Bonds	-0.25%	13.50%
Cash	-0.75%	1.00%
Real Estate	5.30%	5.00%
Opportunistic	2.25%	3.00%
Real return	3.95%	15.00%
Total		100.00%

The table above is applicable to both the nonhazardous and hazardous plans.

Discount rate - The discount rate used to measure the total OPEB asset and liability was 5.43% for the nonhazardous plan, and 5.28% for the hazardous plan. The discount rate determination used an expected rate of return of 6.25%, a municipal rate of 2.45%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the University's proportionate share of the net OPEB asset and liability to changes in the discount rate - The University's proportionate share of the net OPEB asset and liability has been calculated using a discount rate of 5.43% for the nonhazardous and 5.28% for hazardous. The following presents the University's share of the net OPEB liability calculated using a discount rate 1% higher and 1% lower than the current rate (in thousands):

	1% Decrease (4.43%)	**Current Discount Rate (5.43%)**	**1% Increase (6.43%)**
Non-hazardous			
Proportionate share of the Collective Net OPEB Liability	$ 73,050	$ 61,289	$ 51,636

	1% Decrease (4.28%)	**Current Discount Rate (5.28%)**	**1% Increase (6.28%)**
Hazardous			
Proportionate share of the Collective Net OPEB Liability (Asset)	$ 485	$ 164	$ (94)

Sensitivity of the University's proportionate share of the net OPEB asset and liability to changes in the health care cost trend rates - The University's proportionate share of the net OPEB asset and liability has been calculated using an initial pre-65 health care trend rate of 6.40%, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The post-65 health care trend rate starts at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Non-hazardous			
Proportionate share of the Collective Net OPEB Liability	$ 51,585	$ 61,289	$ 73,043

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Hazardous			
Proportionate share of the Collective Net OPEB Liability (Asset)	$ (77)	$ 164	$ 459

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan annual report.

Payable to the OPEB plan - The University reported payables of $272,000 and $255,000 for the outstanding amount of employer contributions to the OPEB plan required for the years ended June 30, 2021 and 2020, respectively.

Note 9 – Operating Expenses By Natural Classification

The University's operating expenses by natural classification are as follows for the years ended June 30, 2021 and 2020 (in thousands):

	2021	2020
Salaries and wages	$ 106,820	$ 108,177
Employee benefits-pension and OPEB	33,770	37,411
Employee benefits-other	28,806	31,498
Utilities	4,250	4,843
Supplies and other services	47,808	44,904
Depreciation	20,137	20,698
Student scholarships and financial aid	27,616	20,739
Total	$ 269,207	$ 268,270

Note 10 – 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 $5,000 and $1 million per occurrence. Losses in excess of $1 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 2020 to 2021. 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 $250,000 per individual and 125 percent of projected aggregate claims.

The health self-insurance liability as of June 30, 2021 and 2020 is detailed below (in thousands):

	2021	2020
Liability, beginning of year	$ 1,144	$ 1,353
Claims and changes in estimates	16,671	15,927
Claims paid	(16,206)	(16,136)
Liability, end of year	$ 1,609	$ 1,144

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, 2021.

Note 11 – 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.

As a result of the spread of SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the University. Potential effects include but are not limited to declines in the fair value of investments, realizability of receivables, and declines in revenues. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 12 –Restricted Net Position

At June 30, 2021 and 2020, restricted expendable net position was available for the following purposes:

	2021	2020
Appreciation on permanent endowments	$ 8,273	$ 4,871
Advance funded capital projects	-	(102)
Capital projects and debt service	756	1,247
Funds restricted for noncapital purposes	529	437
Advance funded CARES relief	-	(2,198)
Restricted Net Position, end of year	$ 9,558	$ 4,255

Note 13 –Blended Entity Condensed Financial Information

Condensed financial information for Northern Kentucky University Research Foundation (NKURF) is provided below for the years ended June 30, 2021 and 2020 (in thousands):

NKURF Condensed Statements of Net Position

	2021	Restated 2020
ASSETS		
Current assets	$ 1,426	$ 1,366
Total assets	1,426	1,366
LIABILITIES		
Current liabilities	325	420
Total liabilities	325	420
NET POSITION		
Restricted expendable	35	11
Unrestricted	1,066	935
Total net position	$ 1,101	$ 946

NKURF Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2021	2020
OPERATING REVENUES		
Grants and contracts	$ 2,076	$ 2,089
Recoveries of facilities and administrative costs	232	221
Total operating revenues	2,308	2,310
OPERATING EXPENSES		
Operating expenses	2,084	2,122
Operating income	224	188
NONOPERATING REVENUES (EXPENSES)		
Nonexchange grants and gifts	11	-
Noncapital transfers (to)/from the University	(120)	(135)
Gifts and grants	40	28
Net nonoperating revenues (expenses)	(69)	(107)
Increase in net position	155	81
NET POSITION		
Net position-beginning of year	946	865
Net position-end of year	$ 1,101	$ 946

NKURF Condensed Statements of Cash Flow

	2021	Restated 2020
Net cash provided by operating activities	$ 239	$ 310
Net cash used by noncapital financing activities	(118)	(241)
Net increase in cash and cash equivalents	121	69
Cash and cash equivalents-beginning of year	925	856
Cash and cash equivalents-end of year	$ 1,046	$ 925

Note 14 – Northern Kentucky University Foundation, Inc. Notes to Financial Statements

Selected disclosures from the Foundation are included as follows:

a. Summary of Significant Accounting Policies

1. Scope of Statements
The consolidated financial statements of the Northern Kentucky Foundation, Inc. include the operations of the Foundation and several single member limited liability companies. All material intercompany transactions and balances have been eliminated for the year ended June 30, 2021.

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

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

Net assets 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 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 with 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. Contributions of assets other than cash are recorded at their estimated fair value. Contributions receivable are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of such factors as prior collection history, type of contribution and nature of the fund-raising activity.

The value recorded for each contribution is recognized as follows:

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

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

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

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

3. Cash and Cash Equivalents

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

At various times throughout the year, the Foundation has cash in certain financial institutions in excess of insured limits. Additionally, at June 30, 2021 and 2020, $835,000 and $2,353,000, respectively, was insured by federal depository insurance or collateralized with securities held by the financial institution's trust department or agent, but not in the Foundation's name. At June 30, 2021 and 2020, balances of $11,111,000 and $6,654,000, respectively, were neither insured nor collateralized.

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 a probable uncollectible allowance based on its assessment of the current status of individual accounts. 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 accounts receivable. The allowance for doubtful accounts as of June 30, 2021 and 2020 was approximately $41,000 and $39,000, respectively.

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 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, 2021 and 2020, land and land improvements (in thousands) consisted of:

	2021	2020
Type of Asset:		
Land	$ 178	$ 178
Land held for sale	-	32
Land held for future use by the University	145	145
Land improvements	208	208
Gross land and land improvements	**531**	**563**
Less: accumulated depreciation	(208)	(208)
Total land and land improvements	**$ 323**	**$ 355**

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

7. Long-Lived Asset Impairment
The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2021 or 2020.

8. Transfers Between Fair Value Hierarchy Levels
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.

b. Unconditional and Conditional Promises to Give

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

At June 30, 2021 and 2020, the Foundation recognized contributions based on the following unconditional promises to give (in thousands):

	2021	2020
Purpose:		
Endowment giving	$ 1,383	$ 2,648
Capital purposes	230	300
Operating programs	3,672	3,818
Gross unconditional promises	5,285	6,766
Less: Discount and allowance for uncollectible accounts	(359)	(221)
Net unconditional promises to give	$ 4,926	$ 6,545
Amounts due in:		
Less than one year	$ 1,857	$ 2,391
One to five years	3,278	4,050
More than five years	150	325
Total	$ 5,285	$ 6,766

The discount rates used to calculate the present value of contributions receivable at June 30, 2021 and 2020 vary from 0.6% to 3.4%, 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 $2.5 million at June 30, 2021 and $2.7 million at June 30, 2020, consisting of the face value of life insurance policies, net of accumulated cash surrender value, as well as conditional promises of $1.7 million at June 30, 2021 and $1.8 million at June 30, 2020 being from a single donor.

Approximately 15% of total pledges receivable were due from one donor at June 30, 2021. Approximately 15% of total pledges receivable were due from one donor at June 30, 2020.

c. Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

Level 3 investments include those in which there is no active market. The Foundation holds no Level 3 investments at June 30, 2021 or 2020.

The following assets were measured at fair value on a recurring basis as of June 30, 2021 (in thousands):

		Fair Value Measurements Using			
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Investments Measured at NAV***
June 30, 2021					
Type of Investment:					
Short-term money market funds	$ 29	$ 29	$ -	$ -	$ -
Cash surrender value	493	493	-	-	-
Fixed income funds:					
Core	5,675	5,675	-	-	-
Core plus	6,650	6,650	-	-	-
Treasury inflation protected securities	1,915	1,915			
Intermediate	5,114	5,114	-	-	-
Equity funds:					
Large/Mid-cap - Broad	35,015	35,015	-	-	-
Large/Mid-cap - Value	8,857	8,857	-	-	-
Small Cap - Growth	2,485	2,485	-	-	-
Small Cap - Value	2,892	2,892			
International - Core	9,386	9,386	-	-	-
International - Value	4,295	4,295	-	-	-
International Small Cap - Value	3,343	3,343	-	-	-
Emerging Markets - Value	5,932	5,932	-	-	-
Emerging Markets - Small Cap	6,104	6,104	-	-	-
Real estate Investment Trust	44	44	-	-	-
Exchange Traded Funds	320	320	-	-	-
Remainder interest in real property and other	1,190	-	1,190	-	-
Public natural resources-master limited partnerships	2,960	-	-	-	2,960
Private equity	14,973	-	-	-	14,973
Private debt	4,845	-	-	-	4,845
Natural resources	8,861	-	-	-	8,861
Private real estate	3,248	-	-	-	3,248
Total	**$ 134,626**	**$ 98,549**	**$ 1,190**	**$ -**	**$ 34,887**

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

The following assets were measured at fair value on a recurring basis as of June 30, 2020 (in thousands):

		Fair Value Measurements Using			
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Investments Measured at NAV***
June 30, 2020					
Type of Investment:					
Short-term money market funds	$ 10	$ 10	$ -	$ -	$ -
Cash surrender value	463	463	-	-	-
Fixed income funds:					
Core	4,772	4,772	-	-	-
Core plus	6,148	6,148	-	-	-
Global	478	478	-	-	-
Treasury inflation protected Securities	1,798	1,798			
Intermediate	5,123	5,123	-	-	-
Equity funds:					
Large/mid-cap - broad	24,191	24,191	-	-	-
Large/mid-cap - value	6,741	6,741	-	-	-
Small cap - growth	1,746	1,746	-	-	-
Small cap - value	1,549	1,549			
International - core	6,907	6,907	-	-	-
International - value	3,327	3,327	-	-	-
International small cap - value	2,323	2,323	-	-	-
Emerging markets - value	4,042	4,042	-	-	-
Emerging markets - small cap	3,924	3,924	-	-	-
Real estate investment trust	40	40	-	-	-
Exchange traded funds	116	116	-	-	-
Remainder interest in real property and other	3,653	-	3,653	-	-
Public natural resources-master limited partnerships	1,913	-	-	-	1,913
Private equity	8,233	-	-	-	8,233
Private debt	2,667	-	-	-	2,667
Natural resources	7,629	-	-	-	7,629
Private real estate	2,675	-	-	-	2,674
Low-volatility	5,632	-	-	-	5,632
Total	**$ 106,100**	**$ 73,698**	**$ 3,653**	**$ -**	**$ 28,748**

*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

d. Investments

The market values (in thousands) of the Foundation's investments as of June 30, 2021 and 2020 are categorized by type below:

	2021	2020
Type of Investment:		
Short-term money market funds	$ 29	$ 10
Cash and cash surrender value	635	597
Fixed income funds:		
Core	5,675	4,772
Core plus	6,650	6,148
Global	-	478
Treasury inflation protected securities	1,915	1,798
Intermediate	5,114	5,123
Equity funds:		
Large/mid cap - broad	35,015	24,191
Large/mid cap - value	8,857	6,741
Small cap - growth	2,485	1,746
Small cap - value	2,892	1,549
International - core	9,386	6,907
International - value	4,295	3,327
International small cap - value	3,343	2,323
Emerging markets - value	5,932	4,042
Emerging markets - small cap	6,104	3,924
Real estate investment trust	44	40
Exchange traded funds	320	116
Public natural resources -master		
Limited partnerships	2,960	1,913
Remainder interest in real property and other	1,190	3,653
Private equity:		
Buyout	3,438	1,868
Diversified	560	912
Growth	3,178	1,470
Venture capital	4,768	1,869
Secondary	3,029	2,114
Private debt:		
Distressed	4,837	2,659
Mezzanine	8	8
Natural resources:		
Diversified	2,482	2,115
Energy	3,700	3,013
Commodities	2,679	2,501
Private real estate:		
Opportunistic	2,755	2,236
Value added	493	439
Low-volatility:		
Diversifiying strategies	-	5,632
Total investments	$ 134,768	$ 106,234

Investment return (in thousands) for the years ended June 30, 2021 and 2020 consists of:

	2021	2020
Interest and dividend income		
(net of investment fees: 2021 - $602, 2020 - $573)	$ 3,029	$ 2,395
Net realized gains	1,897	1,628
Net unrealized gains (losses)	24,082	(6,962)
Total investment return	$ 29,008	$ (2,939)

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 statement 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, 2021 and 2020 was approximately $15,889,000 and $12,487,000, respectively. (See Note 14g)

At June 30, 2021 and 2020, the Foundation had committed approximately $65,800,000 and $57,700,000, respectively, of its endowment investment resources to alternative investments, of which approximately $21,400,000 and $17,800,000, respectively, had not yet been called by the investment managers. Alternative investments for which commitments have been made consist of private equity/debt, natural resources, private real estate and low-volatility.

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

e. Endowments

The Foundation's endowment consists of 367 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The board, at their discretion, can at any time permit spending from the principal of any quasi-endowed fund, provided the expenditure complies with any donor-imposed restrictions related to the fund.

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

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

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

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

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

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

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

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

Endowment net asset composition by type of endowment (in thousands) as of June 30, 2021 is as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**Total Net Endowment Assets**
Donor restricted endowment funds	$ -	$ 106,009	$ 106,009
Quasi-endowment funds	3,367	4,705	8,072
Total endowment funds	$ 3,367	$ 110,714	$ 114,081

Changes in endowment net assets (in thousands) for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**Total Net Endowment Assets**
Endowment net assets, beginning of year	$ 2,571	$ 85,439	$ 88,010
Contributions collected and other additions	-	2,167	2,167
Investment income	88	2,917	3,005
Net investment gain (loss)	733	24,183	24,916
Amounts appropriated for expenditure	(25)	(3,992)	(4,017)
Endowment net assets, end of year	$ 3,367	$ 110,714	$ 114,081

Endowment net asset composition by type of endowment (in thousands) as of June 30, 2020 is as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**Total Net Endowment Assets**
Donor restricted endowment funds	$ -	$ 79,291	$ 79,291
Quasi-endowment funds	2,571	6,148	8,719
Total endowment funds	$ 2,571	$ 85,439	$ 88,010

Changes in endowment net assets (in thousands) for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 2,687	$ 90,112	$ 92,799
Contributions collected and other additions	-	2,243	2,243
Investment income	67	2,220	2,287
Net investment gain (loss)	(160)	(5,309)	(5,469)
Amounts appropriated for expenditure	(23)	(3,831)	(3,854)
Reclassify to held in perpetuity	-	4	4
Endowment net assets, end of year	$ 2,571	$ 85,439	$ 88,010

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 of this nature at June 30, 2021 and deficiencies of this nature were approximately $84,000 at June 30, 2020. These deficiencies resulted from unfavorable market conditions that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

f. 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.

g. 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.

h. Subsequent Events

Events occurring after June 30, 2021 have been evaluated for possible adjustment to the consolidated financial statements or disclosure through September 15, 2021, the date on which the consolidated financial statements were available to be issued.

i. Related Party Transactions

During the years ended June 30, 2021 and 2020, the Foundation made payments on behalf of the University of $328,000 and $331,000, respectively, for salaries, benefits, and other administrative costs for University staff that directly support the Foundation's operations. These payments are made by agreement between the Foundation and University. Approximately $2,000 and $0 as of June 30, 2021, and 2020, respectively, was owed to the University for such costs.

In support of University Programs, the Foundation incurred program expenses of $6,516,000 and $6,855,000 for 2021 and 2020, respectively, which consisted of payments on behalf of the University of $4,508,000 and $4,858,000, for 2021 and 2020, respectively; and amounts transferred to the University for restricted purposes of $2,008,000 and $1,997,000 for 2021 and 2020, respectively.

During the year ended June 30, 2020, the Foundation purchased 20.24 acres of land from the University to be held as an investment for the amount of approximately $2,968,000, which was sold during the year ended June 30, 2021.

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, 2021 and 2020, comprise the following (in thousands):

	2021	2020
Cash and equivalents	$ 6,189	$ 3,243
Accounts receivable	7	-
Contributions receivable	1,159	1,232
Less allowance for uncollectible pledges	(10)	(11)
	$ 7,345	$ 4,464

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, 2021 and 2020, restricted contributions of $1,149,000 and $1,221,000, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

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

The board-designated endowment for the years ended June 30, 2021 and 2020, of $7,705,000 and $7,439,000 is subject to an annual spending rate as described in Note 14e. 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 summaries of these for the years ended June 30, 2021 and 2020 are as follows (in thousands):

Schedule of Functional Expenses
For the Year Ended 6/30/21
(in thousands)

	Subgranted to NKU-Payroll	Subgranted to NKU-Other	Contracted Services	Operating	Scholarships & Awards	Total
Instruction	$ 513	$ 60	$ 40	$ 97	$ -	$ 710
Research	97	-	-	7	-	104
Public service	25	-	58	138	-	221
Libraries	-	-	-	5	-	5
Academic support	627	-	25	157	-	809
Student services	184	-	16	154	-	354
Institutional support	528	-	41	165	-	734
University facilities and equipment acquisition	-	(25)	-	28	-	3
Student financial aid	-	-	-	-	3,182	3,182
Other program expenses and losses	-	-	-	394	-	394
Total program expenses	$ 1,974	$ 35	$ 180	$ 1,145	$ 3,182	$ 6,516
Management and general	328	-	53	63	-	444
Fund raising support	-	-	-	63	-	63
Total support expenses	$ 328	$ -	$ 53	$ 126	$ -	$ 507
Total expenses and losses	$ 2,302	$ 35	$ 233	$ 1,271	$ 3,182	$ 7,023

Schedule of Functional Expenses
For the Year Ended 6/30/20
(in thousands)

	Subgranted to NKU-Payroll	Subgranted to NKU-Other	Contracted Services	Operating	Scholarships & Awards	Total
Instruction	$ 467	$ 104	$ 34	$ 160	$ -	$ 765
Research	61	-	-	5	-	66
Public service	36	20	3	676	-	735
Libraries	-	-	-	10	-	10
Academic support	578	-	37	423	-	1,038
Student services	139	44	25	384	-	592
Institutional support	428	-	98	406	-	932
University facilities and equipment acquisition	-	120	-	30	-	150
Student financial aid	-	-	-	-	2,557	2,557
Other program expenses and losses	-	-	-	10	-	10
Total program expenses	$ 1,709	$ 288	$ 197	$ 2,104	$ 2,557	$ 6,855
Management and general	331	-	102	70	-	503
Fund raising support	-	-	-	204	-	204
Rental property	-	-	-	4	-	4
Total support expenses	$ 331	$ -	$ 102	$ 278	$ -	$ 711
Total expenses and losses	$ 2,040	$ 288	$ 299	$ 2,382	$ 2,557	$ 7,566

l. Long-Term Debt

During the year ended June 30, 2020, the Foundation borrowed $2 million on a promissory note collateralized by maintaining an amount equal to the loan in a savings account within the lending institution. The loan was obtained to purchase 20.24 acres of land from the University to be held as an investment. Accrued interest is payable monthly commencing on July 31, 2020 and continuing each month with one final payment of all remaining interest and principal due on June 30, 2022. The interest rate is variable being determined by the LIBOR rate plus 1.0% adjusted on a monthly basis with a fixed minimum rate of 1.75%. The promissory note was paid in full during the year ended June 30, 2021.

m. Future Changes in Accounting Principles

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line bases over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for the Foundation for the year ending June 30, 2023.

Note 15 – Fiduciary Funds

The fiduciary funds held by the University on behalf of The Stream and Wetland Restoration Fund are managed in accordance with a memorandum of agreement with the U.S. Army Corps of Engineers (Corps). At June 30, 2021 and 2020, the fiduciary funds managed by the University are included in bank accounts in accordance with the memorandum of agreement with the Corps. These deposits were covered by federal depository insurance or by collateral held by the pledging bank's agents in the University's name.

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
(in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Nonhazardous							
University's proportionate share of the net pension liability	2.413982%	2.335187%	2.304209%	2.345490%	2.403742%	2.447755%	2.489115%
University's proportionate share of the collective net pension liability	$ 341,932	$ 329,798	$ 313,460	$ 314,022	$ 274,014	$ 245,556	$ 223,319
University's covered-employee payroll	$ 35,634	$ 34,697	$ 34,793	$ 37,584	$ 39,206	$ 37,799	$ 39,266
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	959.56%	950.50%	900.94%	835.52%	698.91%	649.64%	568.73%
Pension plan fiduciary net position as a % of the total pension liability	14.01%	13.66%	12.84%	13.30%	14.80%	18.83%	22.30%
Hazardous							
University's proportionate share of the net pension liability	0.384598%	0.373520%	0.386465%	0.370876%	0.040113%	0.444514%	0.414511%
University's proportionate share of the collective net pension liability	$ 2,157	$ 2,041	$ 1,952	$ 1,844	$ 1,571	$ 1,524	$ 1,059
University's covered-employee payroll	$ 661	$ 600	$ 591	$ 662	$ 637	$ 563	$ 535
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	326.28%	340.16%	330.29%	278.50%	246.58%	270.64%	197.80%
Pension plan fiduciary net position as a % of the total pension liability	55.18%	55.49%	56.10%	54.80%	57.41%	61.70%	68.70%

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

** This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of University Pension Contributions
Kentucky Employees' Retirement System
(in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Nonhazardous							
Contractually required contribution	$ 13,855	$ 14,310	$ 14,162	$ 14,596	$ 14,738	$ 12,069	$ 12,320
University's contributions in relation to the contractually required contribution	13,855	14,310	14,162	14,596	14,738	12,069	12,320
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 33,743	$ 34,848	$ 34,491	$ 35,498	$ 36,626	$ 39,131	$ 39,948
Contributions as a percentage of covered-employee payroll	41.06%	41.06%	41.06%	41.06%	40.24%	30.84%	30.84%
Hazardous							
Contractually required contribution	$ 233	$ 287	$ 256	$ 180	$ 170	$ 127	$ 136
University's contributions in relation to the contractually required contribution	233	287	256	180	170	127	136
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 646	$ 835	$ 744	$ 838	$ 806	$ 776	$ 831
Contributions as a percentage of covered-employee payroll	36.00%	34.39%	34.39%	21.44%	21.08%	16.37%	16.37%

Notes to the Schedule:

Changes in assumptions - In fiscal year 2018, the KERS nonhazardous investment rate and discount rate both decreased from 6.75% to 5.25%. The KERS hazardous investment rate and discount rate both decreased from 7.50% to 6.25%. For the nonhazardous plan, the estimated salary increases decreased from 4.00% to 3.05% in fiscal year 2019. As of fiscal year 2020, salary increase assumptions vary from 3.30% to 15.30% based on service. For the hazardous plan, the estimated salary increases decreased from 4.00% to 3.05% in fiscal year 2019. As of fiscal year 2020, the salary increase assumptions vary from 3.55% to 20.05% based on service. In fiscal year 2018, the KERS plan inflation rate decreased from 3.25% to 2.30% for both the nonhazardous and hazardous plans.

This schedule does not include the cessation payment of $169,320,000.

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

** This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of Proportionate Share of the Net OPEB Liability
Kentucky Employees' Retirement System
(in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Nonhazardous				
University's proportionate share of the net OPEB liability (asset)	2.413982%	2.335187%	2.302178%	2.345490%
University's proportionate share of the net net OPEB liability (asset)	$ 61,289	$ 51,909	$ 54,583	$ 59,481
University's covered-employee payroll	$ 35,786	$ 35,400	$ 36,234	$ 37,366
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	171.27%	146.64%	150.64%	159.18%
Plan fiduciary net position as a % of the total OPEB liability	29.47%	30.92%	27.32%	24.40%
Hazardous				
University's proportionate share of the net OPEB liability (asset)	0.384513%	0.372729%	0.386561%	0.370876%
University's proportionate share of the net net OPEB liability (asset)	$ 164	$ (100)	$ (128)	$ 22
University's covered-employee payroll	$ 701	$ 564	$ 736	$ 635
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	23.47%	-17.73%	-17.43%	3.46%
Plan fiduciary net position as a % of the total OPEB liability	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 is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of University OPEB Contributions
Kentucky Employees' Retirement System
(in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Non-hazardous				
Contractually required contribution	$ 2,838	$ 2,931	$ 2,901	$ 2,989
University's contributions in relation to the contractually required contribution	2,838	2,931	2,901	2,989
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 33,743	$ 34,848	$ 34,491	$ 35,548
Contributions as a percentage of covered-employee payroll	8.41%	8.41%	8.41%	8.41%
Hazardous				
Contractually required contribution	$ -	$ 21	$ 18	$ 19
University's contributions in relation to the contractually required contribution	-	21	18	19
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 656	$ 835	$ 744	$ 838
Contributions as a percentage of covered-employee payroll	0.00%	2.46%	2.46%	2.26%

Notes to the Schedule:

Changes in assumptions - In fiscal year 2018, the KERS nonhazardous and hazardous investment rate decreased from 7.50% to 6.25%. The nonhazardous discount rate decreased from 6.90% to 5.83%, and the hazardous discount rate decreased from 7.20% to 5.87%. The estimated salary increases decreased from 4.00% to 3.05% for both the nonhazardous and hazardous plans. The KERS plan inflation rate decreased from 3.25% to 2.30% for both the nonhazardous and hazardous plans. In fiscal year 2019, the KERS nonhazardous discount rate increased from 5.83% to 5.86%; the KERS hazardous discount rate increased from 5.87% to 5.88% As of fiscal year 2020, salary increase assumptions vary from 3.30% to 15.30%, based on service, for the nonhazardous plan. Salary increase assumptions vary from 3.55% to 20.05%, based on service, for the hazardous plan. Also, in fiscal year 2020, the nonhazardous discount rate decreased from 5.86% to 5.73%, while the hazardous discount rate decreased from 5.88% to 5.66%.

In fiscal year 2020, the pre-65 healthcare trend rate assumptions were revised from an initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend of 4.05% over 12 years to an initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The post-65 assumptions changed from an initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years to an initial trend starting at 2.90% at January 1, 2022, and gradually increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The discount rate changed from 5.73% for KERS nonhazardous and 5.66% for KERS hazardous to 5.43% for KERS nonhazardous and 5.28% for KERS hazardous.

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

** This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to th schedule in future fiscal years until 10 years of information is available.