Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky

Annual Financial Report

June 30, 2020

NORTHERN KENTUCKY UNIVERSITY

2019-2020
FINANCIAL REPORT

Current as of June 30, 2020

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BKD
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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 and discretely presented component unit of Northern Kentucky University (University), collectively a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2020 and 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Northern Kentucky University Foundation, Inc., a discretely presented component unit included in the financial statements of the University's reporting entity, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 and the discretely presented component unit of the University, as of June 30, 2020 and 2019, 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.

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 post-employment benefits 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 accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, and *Audit Requirements for Federal Awards* (Uniform Guidance), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 2, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Cincinnati, Ohio
October 2, 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, 2020 and 2019, with selected comparative information for the year ended June 30, 2018. 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 increased by $23.2 million, or 4.3 percent, for the year ended June 30, 2020 and now total $563.2 million. Current and noncurrent cash and cash equivalents increased by $39.2 million for the year primarily due to cash generated from operations, including state appropriations and noncapital gifts and grants, and the issuance of bonds to fund the construction of a new residence hall and housing and parking facility renovations. At June 30, 2020, $32.3 million of the bond proceeds from the 2019 Series A General Receipts bonds issued in November 2019 to fund capital construction projects were on deposit. The University's liabilities grew by $50.1 million for the year as a result of a $13.8 million growth in the University's net pension and other post-employment benefits (OPEB) liabilities and a $31.1 million increase in long-term debt which resulted from the issuance of the General Receipts bonds. The University's net position totaled $15.4 million and $48.1 million at June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, the University recognized noncash expenses of $0.4 million and $1.3 million, respectively, in accordance with the OPEB reporting changes under GASB 75 and noncash expenses of $18.9 million and $22.4 million, respectively, in accordance with the pension reporting changes under GASB 68 and GASB 71 resulting in noncash expenses totaling $43.0 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 $1.6 million and $11.3 million for the years ended June 30, 2020 and 2019, respectively.

The University's operating and nonoperating revenues totaled $239.6 million for the year ended June 30, 2020, an increase of $7.5 million compared to 2019. Operating revenues increased by $7.5 million for the year ended June 30, 2020, including a $12.5 million increase in net tuition resulting from the combined impact of an increase in tuition and fee rate increases and a significant increase in the University's online graduate program enrollment. The pandemic that occurred in the later part of fiscal year 2020, had a significant impact on the University's operating revenues. Revenues generated by the University's arena, Center for Environmental Restoration, campus recreation center, auxiliary operations and other campus activities were negatively impacted by the pandemic resulting in declines in sales and services of educational departments revenues, and other education and general revenues. The pandemic resulted in the closure of the University's housing, food service and parking auxiliary operations during the spring and summer semesters resulting in the issuance of over $2.5 million in student refunds related to the spring semester and the loss of summer semester revenues. Overall auxiliary enterprises revenues declined by $3.3 million for the year. The pandemic also contributed to a $1.7 million decline in investment earnings on the University's endowment and non-endowment investments.

Fortunately, the University was able to offset some of the operating revenues that were lost due to the pandemic through a federal grant funded by 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 the delivering instruction due to the coronavirus. For the year ended June 30, 2020, the University disbursed $1.5 million of the HEERF grant to students and recognized $1.5 million in institutional HEERF grant revenues, which contributed to a $2.3 million increase in federal nonoperating grants. Operating and nonoperating expenses increased by $16.2 million, or 6.3 percent, to a total of $272.6 million for the year ended June 30, 2020 due to a $13.1 million increase in instruction expenses and a $3.6 million increase in student financial aid expenses.

The University's state-funded endowments totaled $12.5 million as of June 30, 2020. These funds, along with the private endowed gifts donated to benefit the University, are managed by Northern Kentucky University Foundation, Inc. (Foundation) and totaled $100.5 million at June 30, 2020. For the five-year period that ended June 30, 2020, the endowment funds managed by the Foundation have grown from $95.1 million to $100.5 million. 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 2020 and 2019, the endowment spending allocations, including support for endowed faculty positions and student scholarships, totaled $4.5 million and $4.3 million, respectively.

Using the Financial Statements

The University's financial report includes three financial statements: the statement of net position; the statement of revenues, expenses and changes in net position and the statement of cash flows. 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 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., 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. These statements for Northern Kentucky University Foundation, Inc. (NKUF) are 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, 2020, with comparative information as of June 30, 2019, 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, 2020, 2019 and 2018 follows:

Condensed Statements of Net Position (in thousands)

	2020	2019	2018
ASSETS			
Current assets	$ 135,029	$ 125,202	$ 118,758
Capital assets, net	366,619	381,014	388,690
Noncurrent assets	61,519	33,797	32,269
Total assets	563,167	540,013	539,717
DEFERRED OUTFLOWS OF RESOURCES	40,010	43,545	70,980
LIABILITIES			
Current liabilities	43,658	38,375	39,765
Noncurrent liabilities	528,281	483,483	493,918
Total liabilities	571,939	521,858	533,683
DEFERRED INFLOWS OF RESOURCES	15,834	13,622	12,104
NET POSITION			
Net investment in capital assets	261,818	278,002	280,404
Restricted			
Nonexpendable	7,616	7,616	7,616
Expendable	4,255	2,981	5,076
Unrestricted	(258,285)	(240,521)	(228,186)
Total net position	$ 15,404	$ 48,078	$ 64,910

Assets

The University's assets increased by $23.2 million, or 4.3 percent, for the year ended June 30, 2020 and now total $563.2 million. Current assets increased by $9.8 million for the year ended June 30, 2020. Noncurrent assets increased by $13.3 million for the year ended June 30, 2020 due to a $29.3 million increase in noncurrent cash and cash equivalents, including $32.3 million in unspent bond proceeds from the 2019 Series A General Receipts bonds issued in November 2019 to fund capital construction projects. This increase was partially offset by a $14.4 million decrease in net capital assets and a $1.3 million decrease in investments.

Net capital assets decreased by $14.4 million for the year ended June 30, 2020 and decreased by $7.7 million the prior year, resulting in a combined decrease of $22.1 million, or 5.7 percent, since June 30, 2018. This two-year decrease is the net result of an $20.5 million increase in capitalized construction project costs, land improvements, equipment and other capital assets, less $42.6 million in depreciation. Net capital assets totaled $366.6 million, or 65.1 percent of total assets as of June 30, 2020.

Deferred Outflows of Resources

Deferred outflows of resources totaled $40.0 million and $43.5 million as of June 30, 2020 and 2019, respectively. Deferred outflows of resources related to the University's defined benefit pension and OPEB plans, totaled $37.5 million and $40.6 million as of June 30, 2020 and 2019, respectively. The deferred outflows of resources that represent the unamortized difference between the reacquisition price and the net carrying amount of refunded debt totaled $2.5 million and $2.9 million at June 30, 2020 and 2019, respectively.

Liabilities

The University's liabilities increased by $50.1 million, or 9.6 percent, for the year ended June 30, 2020. The $5.3 million increase in current liabilities resulted from a $2.0 million growth in accounts payable and accrued liabilities and a $3.7 million increase in unearned revenue that was driven by a $1.5 million growth in unearned summer tuition and fee revenues and a $2.5 million increase in unearned grant revenue. Noncurrent liabilities grew by $44.8 million for the year as a result of a $13.8 million growth in the University's net pension and OPEB liabilities and a $31.1 million increase in long-term debt, which resulted from the issuance of General Receipts Bonds in the amount of $37.9 million on November 12, 2019. Bonds, notes and capital leases payable, net of discounts and premiums, totaled $139.9 million and $108.4 million at June 30, 2020 and 2019, respectively.

At June 30, 2020, the University's proportionate share of the nonhazardous and hazardous net pension and OPEB liabilities totaled $383.6 million, which represents a $8.3 million increase since June 30, 2018. For the years ended June 30, 2020 and 2019, the University's net liability related to the post employment health insurance coverage decreased by $2.6 million and $5.0 million, respectively, resulting in a net liability of $51.8 million at June 30, 2020. The University's net pension liability increased by $16.4 million in 2020 and decreased by $0.5 million in 2019 resulting in a combined increase of $15.9 million since June 30, 2018. The net pension liability totaled $331.8 million at June 30, 2020.

Deferred Inflows of Resources

The University's deferred inflows of resources totaled $15.8 million and $13.6 million as of June 30, 2020 and 2019, respectively. Deferred inflows of resources related to the University's defined benefit pension plan totaled $15.0 million and $12.6 million as of June 30, 2020 and 2019, 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 $15.4 million and $48.1 million at June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, the University recognized noncash expenses of $0.4 million and $1.3 million, respectively, in accordance with the OPEB reporting changes under GASB 75 and noncash expenses of $18.9 million and $22.4 million, respectively, in accordance with the pension reporting changes under GASB 68 and GASB 71 resulting in noncash expenses totaling $43.0 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 $1.6 million and $11.3 million for the years ended June 30, 2020 and 2019, respectively.

Net invested in capital assets totaled $261.8 million and $278.0 million at June 30, 2020 and 2019, respectively. The $18.6 million decrease in net invested in capital assets since June 30, 2018 resulted primarily from depreciation expenses totaling $42.6 million which were partially offset by $20.5 million in capitalized assets during the two year period. At June 30, 2020, 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.

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.

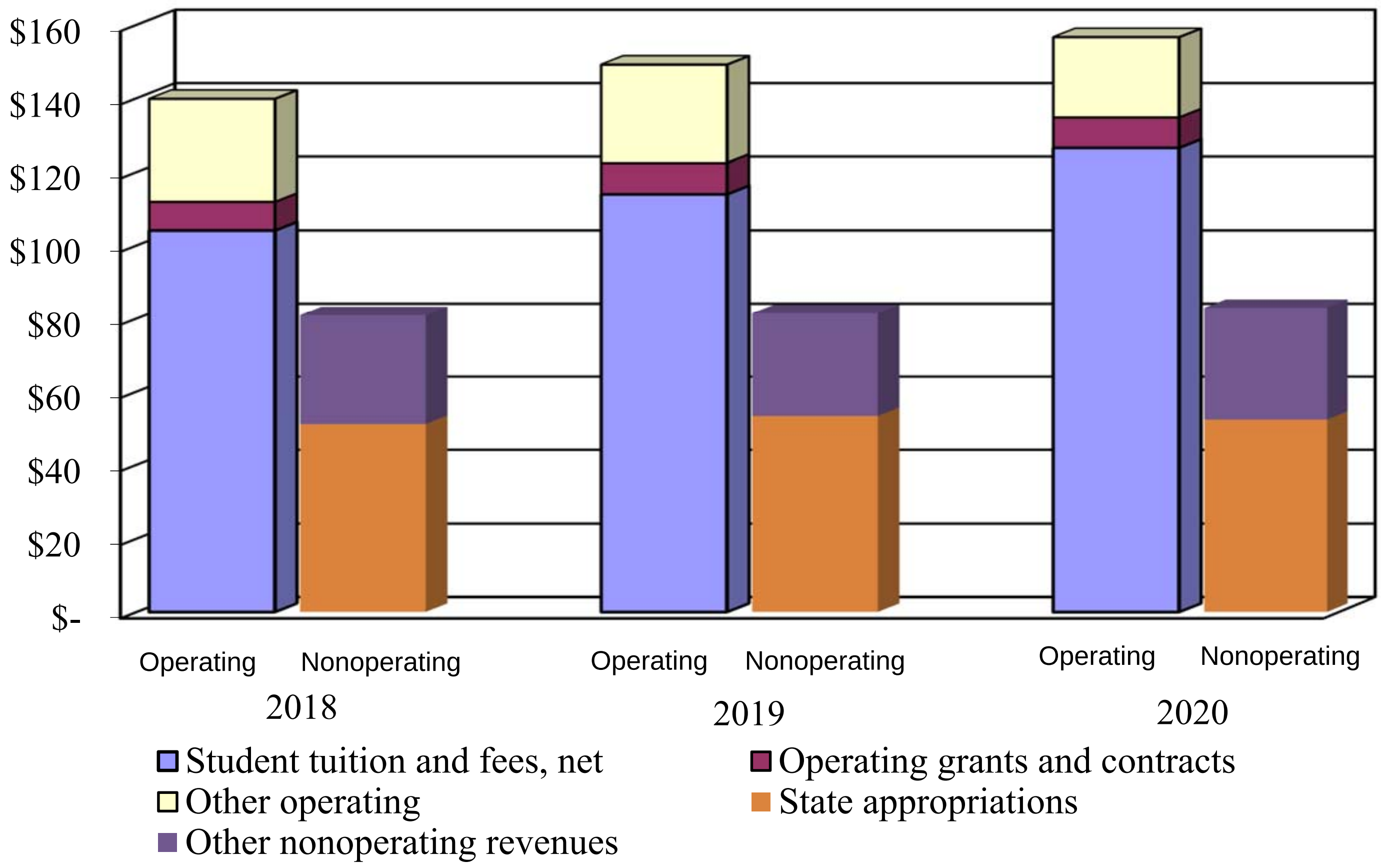
The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. A summarized comparison of the University's revenues, expenses and changes in net position for years ended June 30, 2020, 2019 and 2018 follows:

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

	2020	2019	2018
OPERATING REVENUES			
Student tuition and fees, net	$ 126,477	$ 113,949	$ 104,079
Grants and contracts	8,286	8,484	7,818
Sales and services of educational departments	3,543	4,286	4,745
Auxiliary enterprises	11,410	14,746	14,951
Other operating revenues	6,907	7,674	8,206
Total operating revenues	156,623	149,139	139,799
OPERATING EXPENSES			
Educational and general	240,161	221,189	227,073
Depreciation	16,995	18,231	16,521
Auxiliary enterprises (including depreciation)	10,992	11,660	12,097
Other expenses	122	70	279
Total operating expenses	268,270	251,150	255,970
Net loss from operations	(111,647)	(102,011)	(116,171)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	52,300	53,315	51,105
Gifts, grants and contracts	29,109	26,436	27,313
Investment income (loss)	1,513	3,210	2,500
Interest on capital asset-related debt	(4,353)	(3,787)	(4,063)
Other nonoperating revenues (expenses)	43	(1,529)	1,432
Net nonoperating revenues	78,612	77,645	78,287
Income (loss) before other revenues, expenses, gains or losses	(33,035)	(24,366)	(37,884)
Capital appropriations	-	-	41,155
Capital grants and gifts	361	7,534	3,189
Total other revenues	361	7,534	44,344
Increase (decrease) in net position	(32,674)	(16,832)	6,460
Net position-beginning of year, as previously reported	48,078	64,910	105,514
Cumulative effect of change in accounting principle	-	-	(47,064)
Net position-beginning of year, as restated	48,078	64,910	58,450
Net position-end of year	$ 15,404	$ 48,078	$ 64,910

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 2018, 2019 and 2020. 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).



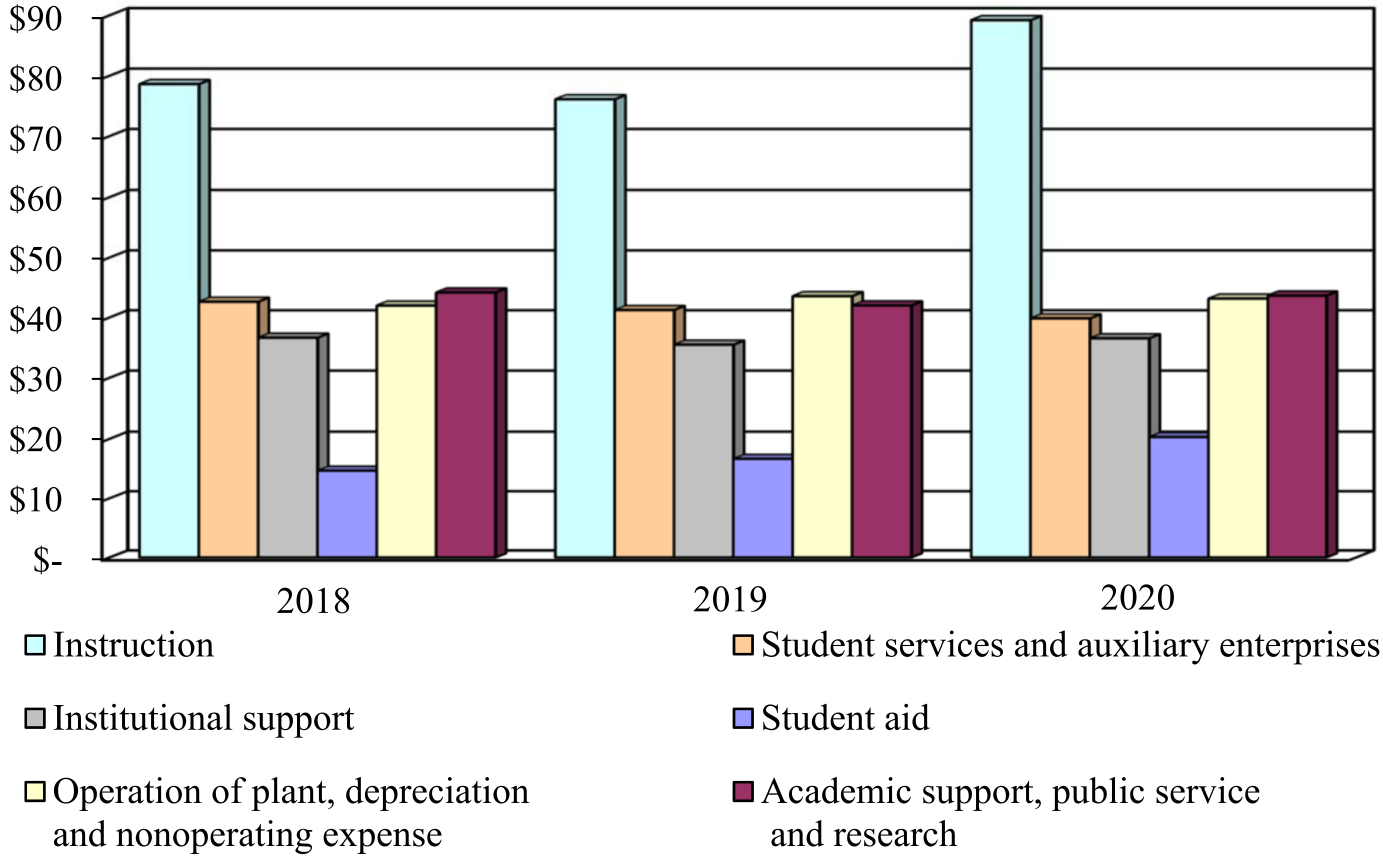
The University's operating and nonoperating revenues totaled $239.6 million for the year ended June 30, 2020, an increase of $7.5 million compared to 2019. Operating revenues totaled $156.6 million, or 65.5 percent of revenues, while nonoperating revenues totaled $83.0 million, or 34.5 percent of revenues, for the year. The most significant sources of revenue for the University are net student tuition and fees (52.8 percent) and state appropriations (21.8 percent).

Operating revenues increased by $7.5 million for the year ended June 30, 2020, including a $12.5 million increase in net tuition resulting from the combined impact of an increase in graduate enrollment and tuition and fee rate increases. Nongovernmental grants and contracts decreased by $0.3 million due to a decrease in operating grants received from the Northern Kentucky University Foundation. Revenues generated by the Center for Environmental Restoration and campus recreation center were negatively impacted by the pandemic resulting in revenue declines of $0.5 million and $0.2 million, respectively, which contributed to a $0.7 million decline in sales and services of educational departments revenues. The pandemic caused the cancellation of events at the University's arena, a reduction in student service fees and a decline in student orientation fees resulting in a $0.8 million decrease in other operating revenue. The pandemic resulted in the closure of the University's housing, food service and parking auxiliary operations during the spring and summer semesters resulting in the issuance of over $2.5 million in student refunds related to the spring semester and the loss of summer semester revenues. Overall auxiliary enterprises revenues declined by $3.3 million for the year.

Fortunately, the University was able to offset some of the operating revenues that were lost due to the pandemic through a federal grant funded by 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 the delivering instruction due to the coronavirus. For the year ended June 30, 2020, the University disbursed $1.5 million of the HEERF grant to students and recognized $1.5 million in institutional HEERF grant revenues, which contributed to a $2.3 million increase in federal nonoperating grants. The pandemic also contributed to a $1.7 million decline in investment earnings on the University's endowment and non-endowment investments. State appropriations decreased by $1.0 million in fiscal year 2020 and increased by $2.2 million in 2019, resulting in a combined $1.2 million increase the two year period. Total nonoperating revenues remained unchanged at $83.0 million for the year ended June 30, 2020.

Operating and Nonoperating Expenses

The following chart illustrates the University's expenses by function (both operating and nonoperating) for fiscal years 2018, 2019 and 2020 (presented in millions).



Operating and nonoperating expenses increased by $16.2 million, or 6.3 percent, to a total of $272.6 million for the year ended June 30, 2020. Instruction expenses increased by $13.1 million primarily due to a $5.1 million increase in faculty salaries and a $7.1 million increase in contract expenses related to the University's accelerated online courses. Public service expenses decreased for the year by $0.7 million for the year resulting, in part, from a $0.4 million decrease in the Center for Environmental Restoration expenses and a $0.3 million decrease in student travel expenses related primarily to the cancellation of study abroad trips due to the pandemic. Libraries expenses increased by $0.2 million due, in part, to the University's investment in technology upgrades for the Steely Library. Academic support expenses grew by $1.8 million primarily due to a $1.3 million increase in salaries and wages. A $0.8 million decrease in student services expenses resulted primarily from a $0.7 million decrease in pension and OPEB expenses and a reduction in renovation project expenses. Institutional support expenses grew by $1.1 million due to a $1.2 million increase in operating expenses and a $0.5 million increase in salary and wages which were partially offset by a $0.7 decrease in pension and OPEB related expenses. Operation and maintenance of plant increased by $0.3 million due to a $1.3 million increase in project expenses, including an energy savings project and a master plan update project, which was partially offset by a $1.0 million decline in salary and benefits, including a $0.8 million decrease in pension and OPEB expenses, and a $0.4 decline in general institutional utility expenses. Education and general depreciation expense declined by $1.2 million for the year due to a $1.3 million reduction in depreciation expenses related to the University's enterprise resource planning (ERP) student system, which was fully depreciated as of June 30, 2019.

Tuition and fee scholarship allowances and housing scholarship allowances increased by $0.3 million and student aid expenses increased by $3.6 million primarily due to an increase in institutionally funded scholarships, including a $2.0 million increase in scholarships related to the University's online programs, which have grown significantly and an increase in scholarships for non-resident students. State funded financial aid program expenses increased by $0.3 million while federal financial aid program expenses decreased by $0.7 million for the year, including a $0.7 million decline in Pell grant expenses. The $1.5 million in emergency student aid disbursed through the HEERF program also contributed to the increase in financial aid expenses for the year.

For the years ended June 30, 2020, 2019 and 2018, cash and noncash pension and OPEB expenses totaled $36.9 million, $41.0 million and $49.3 million, respectively. This $12.4 million decrease in pension and OPEB expenses combined with a $25.0 million net increase in nonpension and OPEB related expenses, resulted in a $12.6 million combined increase in operating and nonoperating expenses for fiscal years 2020 and 2019.

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, 2020, 2019 and 2018 follows:

Condensed Statements of Cash Flows (in thousands)

	2020	**2019**	**2018**
Net cash provided (used) by:			
Operating activities	$ (69,674)	$ (54,687)	$ (64,233)
Noncapital financing activities	83,287	79,410	77,724
Capital and related financing activities	22,689	(15,044)	(5,038)
Investing activities	2,856	2,744	1,894
Net increase (decrease) in cash and cash equivalents	39,158	12,423	10,347
Cash and cash equivalents, beginning of year	128,065	115,642	105,295
Cash and cash equivalents, end of year	$ 167,223	$ 128,065	$ 115,642

The University's cash and cash equivalents increased by $39.2 million in 2020. Major sources of funds generated by operating activities in 2019 included student tuition and fees ($125.4 million), grants and contracts ($8.5 million) and auxiliary enterprises ($11.5 million). The largest cash payments for operating activities were for salaries and benefits ($155.3 million), vendor payments ($49.8 million) and student financial aid ($20.8 million). Net cash used by operating activities increased by $15.0 million for the year primarily due to increases in payments for salaries and benefits ($10.8 million), payments for student financial aid ($3.1 million) and payments to suppliers ($8.4 million). A $7.1 million increase in payments for contracted services related to the University's accelerated online programs contributed to the increase in payments to suppliers. The $22.3 million increase in operating activities payments was partially offset by a $7.3 million net increase in cash receipts from operating activities, resulting from an increase in tuition and fees receipts ($11.7 million) driven by enrollment increases in the accelerated online programs, and an increase in grants and contacts ($0.6 million) receipts. These increases were partially offset by decreases in auxiliary enterprise receipts ($3.1 million), sales and services of educational departments receipts ($1.3 million) and other operating receipts ($0.7 million).

Net cash provided by noncapital financing activities increased by $3.9 million for the year ended June 30, 2020 resulting primarily from an increase of $4.6 million in receipts from federal and state grants, which was partially offset by a $1.0 million decline in state appropriations. The $22.7 million of cash provided by capital and related financing activities for the year was driven by the receipt of $39.9 million in bond proceeds from the issuance of the General Receipts 2019 Series A bonds in November 2019. Purchases of capital assets totaling $8.0 million were funded by bond proceeds, capital grants and gifts, and institutional funds. The University's principal and interest payments totaled $12.1 million and $12.0 million for fiscal years 2020 and 2019, respectively.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2020, capital assets, net of accumulated depreciation, totaled $366.6 million, or 65.1 percent of total assets. Capital assets as of June 30, 2020, 2019 and 2018, and significant changes in capital assets during the years ended June 30, 2019 and 2020 are as follows (in thousands):

	Balance June 30, 2018	Net Additions (Deletions)	Balance June 30, 2019	Net Additions (Deletions)	Balance June 30, 2020
Land	$ 9,629	$ -	$ 9,629	$ (232)	$ 9,397
Land Improvements	42,082	608	42,690	11	42,701
Buildings	531,166	7,365	538,531	(2,513)	536,018
Equipment	77,662	623	78,285	1,463	79,748
Library Books	15,001	(1,449)	13,552	(3,959)	9,593
Construction in Process	4,096	1,215	5,311	(1,546)	3,765
Accumulated Depreciation	(290,946)	(16,038)	(306,984)	(7,619)	(314,603)
	$ 388,690	$ (7,676)	$ 381,014	$ (14,395)	$ 366,619

Net capital assets decreased by $14.4 million for the year ended June 30, 2020 and decreased by $7.7 million the prior year, resulting in a combined decrease of $22.1 million, or 5.7 percent, since June 30, 2018. This two-year decrease is the net result of an $20.5 million increase in capitalized construction project costs, land improvements, equipment and other capital assets, less $42.6 million in depreciation. At June 30, 2020, the University had several major projects underway, including a new student residence hall.

Debt

The following is a summary of the University's outstanding capital debt summarized by trust indenture and type as of June 30, 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
General Receipts Bonds, net of discounts and premiums	$ 135,916	$ 103,899	$ 111,891
Housing and Dining System Revenue Bonds	205	405	600
Notes payable and municipal lease obligations	3,744	4,090	275
	$ 139,865	$ 108,394	$ 112,766

Debt increased by $31.5 million for the year ended June 30, 2020 resulting from principal payments of $7.8 million on bonds, notes and capital lease obligations, a $1.4 million growth in net discounts and premiums and the issuance of $37.9 million of General Receipts 2019 Series A bonds. On November 12, 2019, the University issued General Receipts 2019 Series A bonds with a par amount of $37.9 million and a net interest cost of 2.92 percent to fund the construction of a new student residence hall and the renovation of existing housing and parking facilities.

The University's current bond ratings assigned by Moody's Investors Service (A1 stable) and Standard and Poors (A negative) to the University's General Receipts bonds reflect the University's solid financial position despite the continued funding challenges related to the KERS pension and OPEB plans.

ECONOMIC FACTORS IMPACTING FUTURE PERIODS

The University continues to move forward in its first year implementing our Success By Design strategic framework focused on advancing student success aligned with the needs of the region. Progress in year one includes creating the First Five Initiatives for implementation. These initiatives will help achieve the goals of increasing access, achieving higher levels of completion and advance opportunities for career and community engagement. The University's vision continues to be a student-ready and regionally engaged university that empowers diverse learners for economic and social mobility.

The enacted budget for 2020-21 (House Bill 352) appropriated $15.0 million for the Postsecondary Education Performance Fund. These funds are being distributed among institutions according to provisions of Kentucky Revised Statute 164.092, which established the performance funding model that allocates funding based on student success, course completion and operational support. For fiscal year 2021, the University was allocated $1.0 million from the Performance Fund based on its performance metrics which exceeded the sector average in five of the eleven sectors. The University's state appropriations, including the performance funding allotment, for fiscal year 2021 total $52.2 million.

In recognition of the disruption and financial uncertainties caused by the COVID-19 pandemic, the University's management decided to freeze undergraduate tuition rates for fiscal year 2021 at the 2020 levels, with the exception of a few increases and decreases in specific program rates driven by market and other factors. Management also decided to waive certain fees, such as additional fees normally assessed on online classes. Finally, management developed a contingency budget plan to prepare for the potential impacts of the pandemic on the fiscal year 2021 budget.

Many of the national enrollment forecasts issued in spring 2020 were projecting sharp declines in fall 2020 enrollment due to the impact of the pandemic. The University is bucking the national trend and on target for a third consecutive year of enrollment growth, with nearly 15,700 students enrolled on the first day of fall classes. This continued growth in enrollment is being fueled by the continued increase in enrollment in the University's accelerated online programs, particularly graduate online programs, and an increase in undergraduate retention rates.

During the 2019 Special Session, the Kentucky General Assembly passed House Bill 1, which provides several options for quasi-governmental employers, including state universities, participating in the KERS. Under HB1, employers may elect to cease participation in the defined benefit plan for nonhazardous employees. The employers who cease participation are required to offer the impacted employees an alternative defined contribution retirement program. During the 2020 regular session, the General Assembly passed House Bill 352, which froze the University's combined pension and OPEB contributions rates for fiscal year 2021 at 49.5 percent.

Under Senate Bill 249, which was passed in the 2020 regular session, the University has until January 1, 2021 to choose one of the following options:

- Remain in the KERS defined benefit plan with no changes and be subject to future contribution rate increases;
- Exit KERS, but elect to keep all Tier 1 and Tier 2 employees in the system. Tier 3 employees and all new employees would participate in the University's defined contribution plan. The University's liability for the Tier 1 and 2 employees would include the unfunded liability as of the cessation date and the estimated normal cost for future service;
- Exit KERS, freeze all KERS pension accounts and move all Tier 1, 2, and 3 employees to a University defined contribution plan. All new employees would participate in the University's defined contribution plan. The University's liability for the Tier 1 and 2 employees would include the unfunded liability as of the cessation date.

If the University elects to exit the system, Senate Bill 249 provides the University the option of paying a lump sum payment on the cessation date or paying annual installment payments, including interest, to KERS until the liability is retired.

Unfortunately, as the Commonwealth and the University continue to face significant budget challenges related to funding the state pension systems, the revenue outlook for the Commonwealth of Kentucky has changed dramatically due to the pandemic according to the 2020 annual edition of Commonwealth of Kentucky Quarterly Economic & Revenue Report. The reports indicate fiscal year 2020 receipts contained a fourth quarter decline, which would have been more profound without the significant federal relief to individuals and business. From March through July 2020, Kentucky received over $14 billion in payments from the federal government to individuals and businesses. The vast majority of those payment programs have expired. Fortunately, the strong growth in receipts for the first nine months of the fiscal year were enough to offset the fourth quarter decline, resulting in a 1.5 percent growth for the year and a $177.5 million general fund surplus. The state deposited $162.5 million of this surplus into the state's Budget Reserve Trust Fund, known as the "rainy day fund", raising the total balance in the fund to $465.7 million as of June 30, 2020. Given the uncertainty of economic forecasts with the continued impacts of pandemic, the report shows a general fund revenue shortfall for fiscal year 2020-21 ranging from $242 to $504 million. Given the uncertainty of economic forecasts and with no current plans to provide additional federal relief funding, the state has asked all state entities, including universities, to draft budget contingency plans in the event that a state budget reduction may be necessary to balance the fiscal year 2021 state budget.

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 of the development was completed in the spring with the opening of the St. Elizabeth Medical Office building. The building is occupied by St. Elizabeth Healthcare and OrthoCincy. Phase two of the development is expected to include a hotel, approximately 30,000 to 40,000 square feet of retail tenants and restaurants, up to 150 market-rate apartments, parking and potentially, office space. The development will energize the entrance to the University, providing for more amenities for students and better integration with the community. The ground leases for the phases one and two of the development will provide a revenue stream to the University for many years into the future.

In summary, while the impact of the new pension reporting requirements on the University's unrestricted net position is significant, the University continues 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. 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 launched a multi-year fundraising campaign in the spring of 2019 with a public goal of $75 million.

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statements of Net Position
As of June 30, 2020 and 2019
(in thousands)

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 120,086	$ 110,229
Notes, loans and accounts receivable, net	11,672	11,728
Other current assets	3,271	3,245
Total current assets	135,029	125,202
Noncurrent Assets		
Cash and cash equivalents	47,137	17,836
Investments	12,697	14,040
Notes, loans and accounts receivable, net	1,399	1,670
Capital assets, net	366,619	381,014
Other noncurrent assets	286	251
Total noncurrent assets	428,138	414,811
Total assets	563,167	540,013
DEFERRED OUTFLOWS OF RESOURCES		
Bond refunding loss	2,550	2,910
Pension and OPEB	37,460	40,635
Total deferred outflows of resources	40,010	43,545
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	21,382	19,417
Unearned revenue	12,873	9,183
Long-term debt-current portion	8,795	8,416
Other long-term liabilities-current portion	608	1,359
Total current liabilities	43,658	38,375
Noncurrent Liabilities		
Deposits	11,559	11,285
Long-term debt	131,070	99,978
Other long-term liabilities	2,004	2,354
Net pension and OPEB liability	383,648	369,866
Total noncurrent liabilities	528,281	483,483
Total liabilities	571,939	521,858
DEFERRED INFLOWS OF RESOURCES		
Service agreements	803	978
Pension and OPEB	15,031	12,644
Total deferred inflows of resources	15,834	13,622
NET POSITION		
Net investment in capital assets	261,818	278,002
Restricted		
Nonexpendable	7,616	7,616
Expendable	4,255	2,981
Unrestricted	(258,285)	(240,521)
Total net position	$ 15,404	$ 48,078

See accompanying notes to the financial statements

Northern Kentucky University Foundation, Inc.
Consolidated Statements of Financial Position
As of June 30, 2020 and 2019
(in thousands)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 9,007	$ 9,355
Loans and accounts receivable, net	452	191
Contributions receivable, net	6,545	3,012
Prepaid expenses and deferred charges	130	42
Investments	106,234	108,503
Land and land improvements	563	548
Accumulated depreciation	(208)	(208)
Total assets	$ 122,723	$ 121,443
LIABILITIES AND NET ASSETS		
Accounts payable	$ 395	$ 405
Deferred revenue	674	163
Notes payable	2,000	-
Funds held in trust for Northern Kentucky University	12,487	13,446
Total liabilities	15,556	14,014
NET ASSETS		
Without donor restrictions		
For current operations	1,751	1,596
Amounts functioning as endowment funds	2,571	2,687
Invested in land and land improvements	355	340
Total without donor restrictions	4,677	4,623
With donor restrictions		
Unexpended funds received for restricted purposes	10,098	9,468
Contributions receivable	6,545	3,012
Loan funds	408	214
Endowment funds	85,439	90,112
Total with donor restrictions	102,490	102,806
Total net assets	107,167	107,429
Total liabilities and net assets	$ 122,723	$ 121,443

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, 2020 and 2019
(in thousands)

	2020	2019
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $44,690 in 2020 and $44,007 in 2019)	126,477	$ 113,949
Federal grants and contracts	2,411	2,396
State and local grants and contracts	2,961	2,905
Nongovernmental grants and contracts	2,914	3,183
Sales and services of educational departments	3,543	4,286
Auxiliary enterprises		
Housing and food service (net of scholarship allowances of $1,008 in 2020 and $1,381 in 2019)	8,462	10,931
Other auxiliaries	2,948	3,815
Other operating revenues	6,907	7,674
Total operating revenues	156,623	149,139
OPERATING EXPENSES		
Educational and general		
Instruction	89,201	76,092
Research	2,339	2,003
Public service	11,061	11,735
Libraries	5,560	5,410
Academic support	24,646	22,822
Student services	28,722	29,486
Institutional support	36,536	35,471
Operation and maintenance of plant	21,800	21,504
Depreciation	16,995	18,231
Student aid	20,296	16,666
Auxiliary enterprises		
Housing and food service	6,018	6,620
Other auxiliaries	1,271	1,378
Auxiliary depreciation	3,703	3,662
Other expenses	122	70
Total operating expenses	268,270	251,150
Net income (loss) from operations	(111,647)	(102,011)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	52,300	53,315
Federal grants and contracts	17,526	15,202
State and local grants and contracts	11,524	11,197
Private gifts and grants	59	37
Investment income (loss)	1,513	3,210
Interest on capital asset-related debt	(4,353)	(3,787)
Other nonoperating revenues (expenses)	43	(1,529)
Net nonoperating revenues	78,612	77,645
Income (loss) before other revenues, expenses, gains or	(33,035)	(24,366)
Capital grants and gifts	361	7,534
Total other revenues	361	7,534
Increase (decrease) in net position	(32,674)	(16,832)
NET POSITION-BEGINNING OF YEAR	48,078	64,910
NET POSITION-END OF YEAR	$ 15,404	$ 48,078

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 Foundation, Inc.
Consolidated Statements of Activities
For the Year Ended June 30, 2019
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Gifts and bequests	$ -	$ 5,014	$ 5,014
State grants	-	669	669
Rental income	131	-	131
Investment return	295	3,566	3,861
Other revenue	117	421	538
Total revenues and gains	543	9,670	10,213
Net assets released from restrictions	12,675	(12,675)	-
Total revenues, gains and other support	13,218	(3,005)	10,213
EXPENSES AND LOSSES			
Program expenses			
Instruction	957	-	957
Research	60	-	60
Public service	882	-	882
Libraries	23	-	23
Academic support	904	-	904
Student services	931	-	931
Institutional support	1,141	-	1,141
University facilities and equipment acquisition	5,296	-	5,296
Student financial aid	1,925	-	1,925
Other program expenses and losses	-	122	122
Total program expenses	12,119	122	12,241
Support expenses			
Management and general	476	-	476
Fund raising support	281	-	281
Rental property	17	-	17
Total support expenses	774	-	774
Total expenses and losses	12,893	122	13,015
Increase (decrease) in net assets	325	(3,127)	(2,802)
Net assets-beginning of year	4,298	105,933	110,231
Net assets-end of year	$ 4,623	$ 102,806	$ 107,429

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, 2020 and 2019
(in thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 125,433	$ 113,684
Grants and contracts	8,510	7,945
Payments to suppliers	(49,769)	(41,340)
Payments for salaries and benefits	(155,317)	(144,545)
Payments for student financial aid	(20,770)	(17,680)
Loans issued to students	(55)	(86)
Collection of loans to students	169	221
Auxiliary enterprise receipts:		
Housing operations	8,484	10,763
Other auxiliaries	3,028	3,815
Sales and service of educational departments	3,615	4,874
Other receipts (payments)	6,998	7,662
Net cash used by operating activities	(69,674)	(54,687)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	52,300	53,315
Gifts and grants for other than capital purposes	31,111	26,550
Agency and loan program receipts	105,419	92,036
Agency and loan program disbursements	(105,543)	(92,436)
Other nonoperating receipts (payments)	-	(55)
Net cash provided by noncapital financing activities	83,287	79,410
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt and leases	39,936	4,088
Capital appropriations	-	4,447
Capital grants, gifts, and advances received	476	9,829
Proceeds from sale of capital assets	2,963	-
Purchases of capital assets	(7,959)	(21,434)
Principal paid on capital debt and leases	(7,751)	(7,803)
Interest paid on capital debt and leases	(4,358)	(4,171)
Bond issuance costs	(618)	-
Net cash provided (used) by capital and related financing activities	22,689	(15,044)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	826	147
Purchase of investments	(267)	(594)
Interest on investments	2,297	3,191
Net cash provided (used) by investing activities	2,856	2,744
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,158	12,423
Cash and cash equivalents-beginning of year	128,065	115,642
Cash and cash equivalents-end of year	$ 167,223	$ 128,065

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, 2020 and 2019
(in thousands)

	2020	2019
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Net loss from operations	$ (111,647)	$ (102,011)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	20,698	21,893
Deferred inflows of resources	2,212	1,518
Deferred outflows of resources	3,175	27,068
Changes in assets and liabilities:		
Receivables, net	511	(1,664)
Other assets	(62)	(642)
Accounts payable, accrued liabilities and deposits	1,139	61
Unearned revenue	1,456	3,758
Pension and OPEB	13,782	(5,503)
Long-term liabilities	(938)	835
Net cash used by operating activities	$ (69,674)	$ (54,687)
SUPPLEMENTAL CASH FLOWS INFORMATION		
Gifts of capital assets	$ 41	$ 397
Capital asset acquisitions in accounts payable	3,048	2,220
Unrealized gains and losses on investments	1,018	109

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.

- **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 amounts for specified capital construction projects.

- **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 a 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, 2020 or 2019.

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 KERS 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 in equity and debt securities 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. Deposits
Noncurrent deposits consist primarily of deposits held in a wetland restoration fund pursuant to a memorandum of agreement with a federal agency.

k. 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.

l. 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.

m. 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 $2,550,000 and $2,910,000 of losses on bond refunding for the years ended June 30, 2020 and 2019, respectively. The remaining balance of deferred outflows for years ended June 30, 2020 and 2019 consist of the KERS pension and OPEB related unamortized balances.

A deferred inflow of resources is a gain in net position by the University that is applicable to a future reporting period. Deferred inflows of resources are reported in the statement of net position but are not recognized in the financial statements as revenue until the related period. The agreement between the University and the University's food service providers resulted in a deferred inflow of resources of $803,000 and $978,000 at June 30, 2020 and 2019, 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, 2020 and 2019 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.

n. 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.

o. 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).

p. 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.

q. 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.

r. CARES Act
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 have been incurred and recorded as deferred revenue until such time as an equal amount of student funds are expended.

s. 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.

t. 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.

u. Related Party Transactions
During the years ended June 30, 2020 and 2019, the Foundation made payments on behalf of the University of $331,000 and $327,000, 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 $0 and $4,000 as of June 30, 2020 and June 30, 2019 respectively, was owed to the University for such costs.

In support of University programs, the Foundation incurred program expenses of $6,855,000 and $12,175,000 for 2020 and 2019, respectively, which consisted of payments on behalf of the University of $4,858,000 and $4,570,000, for 2020 and 2019, respectively; and amounts transferred to the University for restricted purposes of $1,997,000 and $7,605,000 for 2020 and 2019, 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.

v. Change in Accounting Principle
During fiscal year 2020, the University adopted GASB Statement No. 89 *Accounting for Interest Cost Incurred before the end of a Construction Period*. The Statement requires interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred rather than included in the historical cost of a capital asset.

w. Recent Accounting Pronouncements
In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, effective for the University's fiscal year ending June 30, 2021. This statement establishes criteria to identify and report fiduciary activities in the University's financial statements. In general, if the University controls the activities and the beneficiaries of fiduciary funds, then the activity should be included in the Fiduciary section of the financial statements. Business-type activities are required to include custodial funds as assets with an offset to a liability in their statement of net position, and report additions and deductions in the statement of cash flows. This statement also establishes requirements for reporting fiduciary activities of component units. A fiduciary fund component unit, should be reported in the primary government's fiduciary funds. The University is currently evaluating the effects of this statement on its financial statements.

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 is currently evaluating the effects of this statement on its financial statements.

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.

x. Reclassifications and Revisions

Certain items have been reclassified in the Statement of Cash Flows for the year ended June 30, 2019 in order to conform to classifications used for the year ended June 30, 2020. One such reclassification to the Statement of Cash Flows for the year ended June 30, 2019 was made to correct an immaterial error. This correction increased payments to suppliers and decreased purchases of capital assets by approximately $836,000 respectively. Additionally, the Statement of Cash Flows for the year ended June 30, 2019 incorrectly reported $2,653,000 in capital assets acquired through debt as Supplemental Cash Flows Information. Accordingly, this information has been revised in the Statement of Cash Flows for the year ended June 30, 2020. These reclassifications and revisions had no effect on total net position or the change in net position.

Note 2 – Cash, Cash Equivalents and Investments

At June 30, 2020, petty cash funds totaled $57,000 and the carrying amount of the deposits was $167,166,000 with a corresponding total bank balance of $170,694,000. Of the bank balance, $37,350,000 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 $133,344,000 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, 2020 and 2019 (in thousands):

	2020	2019
Treasury bills	$ 210	$ 594
Restricted assets held by the Foundation	12,487	13,446
Total investments	$ 12,697	$ 14,040

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, 2020 and 2019 are invested as follows:

	2020	2019
Type of Investment:		
Fixed income funds	21%	15%
Domestic equity funds	34%	35%
International equity funds	13%	14%
Emerging markets	8%	9%
Private equity	6%	6%
Natural resources	10%	13%
Other	8%	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, 2020 or June 30, 2019.

Note 3 – Notes, Loans and Accounts Receivable

Notes, loans and accounts receivable as of June 30, 2020 and 2019 are as follows (in thousands):

	2020		
	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	2,912	(727)	2,185
Total	$ 19,135	$ (6,064)	$ 13,071
Current portion			$ 11,672
Noncurrent portion			1,399
Total			$ 13,071

	2019		
	Gross Receivable	Allowance	Net Receivable
Student loans	$ 1,317	$ (486)	$ 831
Student accounts receivable	13,012	(4,439)	8,573
Reimbursement receivable grants and contracts	1,244	-	1,244
NKU Foundation receivable	245	-	245
Other	3,388	(883)	2,505
Total	$ 19,206	$ (5,808)	$ 13,398
Current portion			$ 11,728
Noncurrent portion			1,670
Total			$ 13,398

Note 4 – Capital Assets, net

Capital assets for the years ended June 30, 2020 and 2019 are summarized as follows (in thousands):

	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

	7/1/2018 Beginning Balance	Additions	Reductions	6/30/2019 Ending Balance
Cost:				
Land	$ 9,629	$ -	$ -	$ 9,629
Land improvements	42,082	1,542	934	42,690
Buildings	531,166	10,073	2,708	538,531
Equipment	77,662	2,770	2,147	78,285
Library books	15,001	208	1,657	13,552
Construction in process	4,096	1,215	-	5,311
	679,636	15,808	7,446	687,998
Accumulated Depreciation:				
Land improvements	10,045	1,183	282	10,946
Buildings	204,513	16,100	1,835	218,778
Equipment	63,627	4,108	2,082	65,653
Library books	12,761	502	1,656	11,607
	290,946	21,893	5,855	306,984
Capital assets, net	$ 388,690	$ (6,085)	$ 1,591	$ 381,014

The estimated cost to complete construction under contract at June 30, 2020 was approximately $23,158,000.

As of June 30, 2020 and 2019, the net book value of equipment acquired through capital leases included in the above schedules totaled $3,084,000 and $2,653,000, respectively.

Note 5 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2020 and 2019 are as follows (in thousands):

	2020	2019
Payable to vendors and contractors	$ 10,127	$ 8,820
Accrued expenses, primarily payroll and vacation leave	6,643	5,986
Employee withholdings and deposits payable to third parties	3,468	3,258
Self-insured health liability	1,144	1,353
Total	$ 21,382	$ 19,417

Note 6 – Long-Term Liabilities

The changes in long-term liabilities for the years ended June 30, 2020 and 2019 are summarized as follows (in thousands):

	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 (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	12,358	2,031	2,540	11,849	290	11,559
Net pension and OPEB liability	369,866	16,456	2,674	383,648	-	383,648
Total long-term liabilities	$ 502,441	$ 71,766	$ 23,650	$ 550,557	$ 22,276	$ 528,281

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion	Noncurrent Portion
Housing and Dining Revenue Bonds	$ 600	$ -	$ 195	$ 405	$ 200	$ 205
General Receipts Bonds (net of discounts and premiums)	111,891	-	7,992	103,899	7,870	96,029
Total bonds	112,491	-	8,187	104,304	8,070	96,234
Notes and leases payable	275	4,088	273	4,090	346	3,744
Total debt	112,766	4,088	8,460	108,394	8,416	99,978
Deferred compensation	145	-	33	112	39	73
Federal portion of loan programs	1,071	14	2	1,083	-	1,083
Unearned revenue	5,473	9,558	5,473	9,558	9,183	375
KERS-sick leave	763	144	187	720	72	648
Other	525	-	175	350	175	175
Total other long-term liabilities	7,977	9,716	5,870	11,823	9,469	2,354
Deposits	12,062	2,644	2,348	12,358	1,073	11,285
Net pension and OPEB liability	375,369	108	5,611	369,866	-	369,866
Total long-term liabilities	$ 508,174	$ 16,556	$ 22,289	$ 502,441	$ 18,958	$ 483,483

a. Bonds

The gross revenues of the Housing and Dining system operations are pledged for the retirement of the Housing and Dining System Revenue Bonds. The $208,000 reserve requirement for the Housing and Dining issue was fully funded as of June 30, 2020. The $348,000 required housing repair and replacement fund was fully funded as of June 30, 2020.

The outstanding obligation as of June 30, 2020 and 2019 for the Northern Kentucky University General Receipts Bonds are reported net of premiums totaling $8,206,000 and $6,854,000, 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 12, 2019, Northern Kentucky University General Receipts Bonds were issued in the amount of $37,870,000 and a net interest cost of 2.92 percent. The majority of the proceeds are being used to renovate existing housing facilities and construct a new student residence hall. A portion of the proceeds were used to renovate parking facilities. The interest expense during construction is being funded with bond proceeds.

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

	2020	2019
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	$ 405
Total Housing and Dining System Revenue bonds payable	205	405
General Receipts 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	490
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	7,635
Series A 2011, dated August 4, 2011, with interest rates from 2.00% to 4.00%. Final principal payment date September 1, 2030.	6,290	6,750
Series A 2013, dated February 26, 2013, with an interest rate of 2.00%. Final principal payment date September 1, 2022.	1,605	2,120
Series A 2014, dated January 7, 2014, with interest rates from 2.00% to 5.00%. Final principal payment date September 1, 2033.	37,560	39,385
Series A 2016, dated May 17, 2016, with interest rates from 2.00% to 5.00%. Final principal payment date September 1, 2027.	23,230	25,640
Series A 2016, dated August 25, 2016, with interest rates from 2.00% to 4.00%. Final principal payment date September 1, 2028.	14,005	15,025
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	-
Total General Receipts bonds payable	127,710	97,045
Plus: Net premiums	8,206	6,854
Total bonds payable	$ 136,121	$ 104,304

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

Fiscal Year	Principal	Interest	Total
2021	$ 7,690	$ 4,878	$ 12,568
2022	8,490	4,556	13,046
2023	8,900	4,196	13,096
2024	8,735	3,809	12,544
2025	9,600	3,399	12,999
2026 - 2030	43,140	11,162	54,302
2031 - 2035	21,840	4,855	26,695
2036 - 2040	9,030	2,267	11,297
2041 - 2045	10,490	805	11,295
Subtotal	127,915	39,927	167,842
Plus: Net premiums	8,206	-	8,206
Total	$ 136,121	$ 39,927	$ 176,048

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):

	2020	2019
Capital lease payables		
Capital equipment lease, dated May 1, 2018, with an interest rate of 4.43%. Final principal payment date May 1, 2022.	$ 112	$ 165
Energy management lease, dated January 24, 2019, with an interest rate of 2.81%. Final principal payment date November 24, 2030.	3,632	3,925
Total capital lease payable	$ 3,744	$ 4,090

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
2021	$ 357	$ 105	$ 462
2022	368	94	462
2023	319	83	402
2024	328	74	402
2025	338	64	402
2026 - 2030	1,836	173	2,009
2031 - 2035	198	3	201
Total	$ 3,744	$ 596	$ 4,340

Note 7 – Pension Plans and Accrued Compensated Absences

Employees of the University are covered by one of the following plans:

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, and the University contributes 10 percent. 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 $52,067,000 and $47,022,000 for the years ended June 30, 2020 and 2019, respectively. The University's contribution totaled $5,207,000 and $4,702,000 for the years ended June 30, 2020 and 2019, respectively.

b. Defined Benefit Plan

Plan Description - All regular employees not participating in the above plan are 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 Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601-6124 or by calling (502) 696-8800.

Pension Benefits Provided –

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, 2020 and 2019, 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, 2020 and 2019 are as follows:

	2020	2019
Nonhazardous pension plan	41.06%	41.06%
Hazardous pension plan	34.39%	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, 2020 and 2019 were $14,310,000 and $14,162,000, respectively. The required contribution to the KERS hazardous pension plan for the years ended June 30, 2020 and 2019 were $287,000 and $256,000, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2020 and 2019, the University reported a liability of $329,798,000 and $313,460,000, for its proportionate share of the nonhazardous net pension liability. The University's hazardous pension liability was $2,041,000 and $1,952,000 for the years ended June 30, 2020 and 2019, respectively. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2020 and 2019, the University's proportion was 2.335 and 2.304 percent for nonhazardous and 0.374 and 0.386 percent for hazardous, respectively.

For the years ended June 30, 2020 and 2019, the University recognized nonhazardous pension expense of $33,067,000 and $36,422,000; and hazardous pension expense of $477,000 and $356,000, respectively.

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, 2019, 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	$ 2,233	$ 877
Change of assumptions	13,999	-
Net difference between projected and actual earnings on investments	299	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,689
Contributions subsequent to the measurement date	14,162	-
Hazardous		
Differences between expected and actual experience	100	-
Change of assumptions	177	-
Net difference between projected and actual earnings on investments	(24)	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	45	40
Contributions subsequent to the measurement date	256	-
Total	$ 31,247	$ 6,606

At June 30, 2020, the University reported $14,597,000 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 following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2020, related to pensions will be recognized in pension expense as follows (in thousands):

Year Ending June 30	
2021	$ 5,291
2022	2,472
2023	(223)
2024	(16)
	$ 7,524

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 non-disabled 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 2019. 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:

Asset Class	Long Term Expected Real Rate of Return	Nonhazardous Target Allocation	Hazardous Target Allocation
US equity	4.30%	15.75%	18.75%
Non US equity	4.80%	15.75%	18.75%
Private equity	6.65%	7.00%	10.00%
Specialty Credit/High Yield	2.60%	15.00%	15.00%
Core Bonds	1.35%	20.50%	13.50%
Cash	0.20%	3.00%	1.00%
Real Estate	4.85%	5.00%	5.00%
Opportunistic	2.97%	3.00%	3.00%
Real Return	4.10%	15.00%	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 24 year (closed) amortization period of the unfunded actuarial accrued liability. As the assets are deemed sufficient to pay future benefits, 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	$ 378,070	$ 329,798	$ 289,906

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Hazardous			
Proportionate share of the Collective Net Pension Liability	$ 2,631	$ 2,041	$ 1,555

Payable to the pension plan - The University reported payables of $1,266,000 and $1,331,000 for the outstanding amount of employer contributions to the pension plan required for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 was $1,044,000 and $720,000, 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, 2020 and 2019, the University had recognized an accrued vacation liability of $3,580,000 and $3,111,000, 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 Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601-6124 or by calling (502) 696-8800.

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.	

C*ontributions*- 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, 2020 and 2019 are as follows:

	2020	2019
Nonhazardous OPEB plan	8.41%	8.41%
Hazardous OPEB plan	2.46%	2.46%

The required contributions to the KERS nonhazardous OPEB plan for the years ended June 30, 2020 and 2019 were $2,931,000 and $2,901,000, respectively. The required contributions to the KERS hazardous OPEB plan for the years ended June 30, 2020 and 2019 were $21,000 and $18,000, respectively.

OPEB assets and liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – At June 30, 2020 and 2019, respectively, the University reported a liability of $51,909,000 and $54,583,000 for its proportionate share of the nonhazardous net OPEB liability. The University's OPEB asset was $100,000 and $128,000 for the years ended June 30, 2020 and 2019, respectively. The total OPEB liability and net OPEB liability were based on an actuarial valuation date of June 30, 2018. 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, 2019 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, 2020 and 2019, respectively, the University's proportion was 2.335 and 2.302 percent for nonhazardous and 0.373 and 0.387 percent for hazardous.

For the years ended June 30, 2020 and 2019, respectively, the University recognized nonhazardous OPEB expense of $3,319,000 and $4,182,000 and hazardous OPEB expense of $31,000 and $46,000.

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

At June 30, 2019, 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	$ -	$ 3,564
Change of assumptions	5,738	206
Net difference between projected and actual earnings on investments	-	800
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,246
Contributions subsequent to the measurement date	3,395	-
Hazardous		
Differences between expected and actual experience	-	104
Change of assumptions	235	2
Net difference between projected and actual earnings on investments	-	102
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	14
Contributions subsequent to the measurement date	20	-
Total	$ 9,388	$ 6,038

The OPEB contribution amounts include the implicit subsidy of $626,000 and $495,000 for nonhazardous for the years ended June 30, 2020 and 2019, respectively. The implicit subsidy was $5,000 and $1,000 for hazardous for the years ended June 30, 2020 and 2019, respectively.

At June 30, 2020, the University reported $3,583,000 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 of $631,000. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2020, related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year Ending June 30	
2021	$ (388)
2022	(388)
2023	(1,894)
2024	(599)
2025	(6)
	$ (3,275)

Actuarial assumptions - The total OPEB asset and liability was determined by an actuarial valuation as of June 30, 2018, 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 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	
Post-65	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.	
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 non-disabled 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 2019. 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	4.30%	18.75%
Non-US Equity	4.80%	18.75%
Private Equity	6.65%	10.00%
Specialty Credit/High Yield	2.60%	15.00%
Core Bonds	1.35%	13.50%
Cash	0.20%	1.00%
Real Estate	4.85%	5.00%
Opportunistic	2.97%	3.00%
Real return	4.10%	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 5.73% for the nonhazardous plan, and 5.66% 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 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, a municipal rate of 3.13%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 28, 2019. 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 5.73% for the nonhazardous and 5.66% 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 (4.73%)	Current Discount Rate (5.73%)	1% Increase (6.73%)
Non-hazardous			
Proportionate share of the Collective Net OPEB Liability	$ 61,808	$ 51,909	$ 43,759

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Hazardous			
Proportionate share of the Collective Net OPEB Liability (Asset)	$ 168	$ (100)	$ (317)

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 7.00%, gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The post-65 health care trend rate starts at 5.00%, gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Non-hazardous			
Proportionate share of the Collective Net OPEB Liability	$ 44,100	$ 51,909	$ 61,355

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Hazardous			
Proportionate share of the Collective Net OPEB Liability (Asset)	$ (291)	$ (100)	$ 132

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 $255,000 and $269,000 for the outstanding amount of employer contributions to the OPEB plan required for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 (in thousands):

	2020	2019
Salaries and wages	$ 108,177	$ 99,830
Employee benefits-pension and OPEB	37,411	41,157
Employee benefits-other	31,498	28,779
Utilities	4,843	5,499
Supplies and other services	44,904	36,827
Depreciation	20,698	21,893
Student scholarships and financial aid	20,739	17,165
Total	$ 268,270	$ 251,150

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 2019 to 2020. 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, 2020 and 2019 is detailed below (in thousands):

	2020	2019
Liability, beginning of year	$ 1,353	$ 1,383
Claims and changes in estimates	15,927	15,824
Claims paid	(16,136)	(15,854)
Liability, end of year	$ 1,144	$ 1,353

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, 2020.

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, 2020 and 2019, restricted expendable net position was available for the following purposes:

	2020	2019
Appreciation on permanent endowments	$ 4,871	$ 5,830
Advance funded capital projects	(102)	(4,875)
Capital projects and debt service	1,247	1,801
Funds restricted for noncapital purposes	437	225
Advance funded CARES relief	(2,198)	-
Restricted Net Position, end of year	$ 4,255	$ 2,981

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, 2020 and 2019 (in thousands):

NKURF Condensed Statements of Net Position

	2020	2019
ASSETS		
Current assets	$ 1,606	$ 1,247
Noncurrent assets	11,363	11,228
Total assets	12,969	12,475
LIABILITIES		
Current liabilities	503	256
Noncurrent liabilities	11,520	11,250
Due to the University	-	104
Total liabilities	12,023	11,610
NET POSITION		
Restricted expendable	11	9
Unrestricted	935	856
Total net position	$ 946	$ 865

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

	2020	2019
OPERATING REVENUES		
Grants and contracts	$ 2,089	$ 1,884
Recoveries of facilities and administrative costs	221	179
Total operating revenues	2,310	2,063
OPERATING EXPENSES		
Operating expenses	2,122	1,897
Operating income (loss)	188	166
NONOPERATING REVENUES (EXPENSES)		
Noncapital transfers (to)/from the University	(135)	(116)
Gifts and grants	28	10
Net nonoperating revenues (expenses)	(107)	(106)
Increase (decrease) in net position	81	60
NET POSITION		
Net position-beginning of year	865	805
Net position-end of year	$ 946	$ 865

NKURF Condensed Statements of Cash Flows

	2020	2019
Net cash provided (used) by operating activities	$ 310	$ 134
Net cash provided (used) by noncapital financing activities	(216)	(531)
Net increase (decrease) in cash and cash equivalents	94	(397)
Cash and cash equivalents-beginning of year	12,277	12,674
Cash and cash equivalents-end of year	$ 12,371	$ 12,277

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, 2020.

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 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 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 met. Contributions receivable are discounted at an appropriate rate commensurate with the risks involved using the level-yield method. 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.

Change in Accounting Principle

Revenue Recognition

As of July 1, 2019, the Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers not completed at July 1, 2019.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Foundation expects to be entitled in exchange for those goods or services.

The amount to which the Foundation expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

The adoption has no impact on overall change in net assets or net cash used for operating activities.

Contributions Received and Contributions Made

As of July 1, 2019, the Foundation adopted the FASB ASU 2018-08*, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, (ASU 2018-08) using a modified prospective method of adoption to all agreements that were not completed as of July 1, 2019.

The intent of ASU 2018-08 is to assist an organization in evaluating whether transactions are considered nonreciprocal transactions and should be accounted for as contributions, or if the transactions are considered reciprocal and should be accounted for as exchange transactions. Additionally, the revised guidance helps entities evaluate whether a contribution is conditional or unconditional.

The adoption has no impact on overall change in net assets or net cash used for operating activities.

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, 2020 and 2019, $2,353,000 and $2,123,000, 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, 2020 and 2019, balances of $6,654,000 and $7,232,000, 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 at June 30, 2020 and 2019 was approximately $39,000 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, 2020 and 2019, land and land improvements (in thousands) consisted of:

	2020	2019
Type of Asset:		
Land	$ 178	$ 178
Land held for sale	32	17
Land held for future use by the University	145	145
Land improvements	208	208
Total land and land improvements	$ 563	$ 548

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. At June 30, 2020 and 2019, all land improvements were fully depreciated.

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, 2020 and 2019.

Assets purchased or constructed through the Foundation for immediate use by Northern Kentucky University are recorded by the Foundation as a program expense.

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, 2020 and 2019, the Foundation recognized contributions based on the following unconditional promises to give (in thousands):

	2020	2019
Purpose:		
Endowment giving	$ 2,648	$ 572
Capital purposes	300	-
Operating programs	3,818	2,699
Gross unconditional promises	6,766	3,271
Less: Discount and allowance for uncollectible accounts	(221)	(259)
Net unconditional promises to give	$ 6,545	$ 3,012
Amounts due in:		
Less than one year	$ 2,391	$ 1,204
One to five years	4,050	2,067
More than five years	325	-
Total	$ 6,766	$ 3,271

The discount rates used to calculate the present value of contributions receivable at June 30, 2020 and 2019 vary from 0.6 percent to 3.4 percent 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 $2.7 million at June 30, 2020 and $3.1 million at June 30, 2019, consisting of the face value of life insurance policies, net of accumulated cash surrender value, as well as a conditional promises of $1.8 million at June 30, 2020 and $2 million at June 30, 2019 being from a single donor.

Approximately 15 percent of total pledges receivable were due from one donor at June 30, 2020. Approximately 25 percent of total pledges receivable were due from one donor at June 30, 2019.

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, 2020 or 2019.

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	1,798	1,798			
Securities	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	-	-	-	2,675
Low-volatility	5,632	-	-	-	5,632
Total	**$ 106,100**	**$ 73,698**	**$ 3,653**	**$ -**	**$ 28,749**

*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 financial position.

The following assets were measured at fair value on a recurring basis as of June 30, 2019 (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, 2019					
Type of Investment:					
Short-term money market funds	$ 9	$ 9	$ -	$ -	$ -
Cash surrender value	445	445	-	-	-
Fixed income funds:					
Core	3,617	3,617	-	-	-
Core plus	6,553	6,553	-	-	-
Global	1,834	1,834	-	-	-
Treasury inflation protected Securities	1,664	1,664	-	-	-
Equity funds:					
Large/mid-cap - broad	25,734	25,734	-	-	-
Large/mid-cap - value	7,497	7,497	-	-	-
Small cap - growth	1,697	1,697	-	-	-
Small cap - value	1,944	1,944			
International - core	7,875	7,875	-	-	-
International - value	3,768	3,768	-	-	-
International small cap - value	2,640	2,640	-	-	-
Emerging markets - value	4,886	4,886	-	-	-
Emerging markets - small cap	4,325	4,325	-	-	-
Real estate investment trust	23	23	-	-	-
Exchange traded funds	101	101	-	-	-
Remainder interest in real property and other	685	-	685	-	-
Public natural resources-master limited partnerships	2,946	-	-	-	2,946
Private equity	7,725	-	-	-	7,725
Private debt	2,443	-	-	-	2,443
Natural resources	10,035	-	-	-	10,035
Private real estate	2,083	-	-	-	2,083
Low-volatility	6,707	-	-	-	6,707
Total	**$ 107,236**	**$ 74,612**	**$ 685**	**$ -**	**$ 31,939**

*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 financial position.

The market values (in thousands) of the Foundation's investments as of June 30, 2020 and 2019 are categorized by type below:

	2020	2019
Type of Investment:		
Short-term money market funds	$ 10	$ 9
Cash and cash surrender value	597	1,712
Fixed income funds:		
Core	4,772	3,617
Core plus	6,148	6,553
Global	478	1,834
Treasury inflation protected securities	1,798	1,664
Intermediate	5,123	-
Equity funds:		
Large/mid cap - broad	24,191	25,734
Large/mid cap - value	6,741	7,497
Small cap - growth	1,746	1,697
Small cap - value	1,549	1,944
International - core	6,907	7,875
International - value	3,327	3,768
International small cap - value	2,323	2,640
Emerging markets - value	4,042	4,886
Emerging markets - small cap	3,924	4,325
Real estate investment trust	40	23
Exchange traded funds	116	101
Public natural resources -master		
Limited partnerships	1,913	2,946
Remainder interest in real property and other	3,653	685
Private equity:		
Buyout	1,868	1,761
Diversified	912	1,586
Growth	1,470	503
Venture capital	1,869	1,728
Secondary	2,114	2,147
Private debt:		
Distressed	2,659	2,432
Mezzanine	8	11
Natural resources:		
Diversified	2,115	3,096
Energy	3,013	4,490
Commodities	2,501	2,449
Private real estate:		
Opportunistic	2,236	1,472
Value added	439	611
Low-volatility:		
Diversifiying strategies	5,632	6,707
Total investments	$ 106,234	$ 108,503

Investment return (in thousands) for the years ended June 30, 2020 and 2019 consists of:

	2020	2019
Interest and dividend income		
(net of investment fees: 2020 - $573, 2019 - $516)	$ 2,395	$ 2,420
Net realized gains	1,628	431
Net unrealized gains (losses)	(6,962)	1,010
Total investment return	$ (2,939)	$ 3,861

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 University. The market value of funds held in trust for the University at June 30, 2020 and 2019 was approximately $12,487,000 and $13,446,000, respectively. See Note 14g. for further explanation of the trust funds.

At June 30, 2020 and 2019, the Foundation had committed approximately $57,700,000 and $47,200,000, respectively, of its endowment investment resources to alternative investments, of which $17,800,000 and $9,900,000, 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 355 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 percent for each 1 percent 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 plus 5 percent, 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 percent 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, 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) as of 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

Endowment net asset composition by type of endowment (in thousands) as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor restricted endowment funds	$ -	$ 83,991	$ 83,991
Quasi-endowment funds	2,687	6,121	8,808
Total endowment funds	$ 2,687	$ 90,112	$ 92,799

Changes in endowment net assets (in thousands) as of June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 2,614	$ 89,227	$ 91,841
Contributions collected and other additions	-	1,215	1,215
Investment income	64	2,161	2,225
Net investment gain (loss)	31	1,128	1,159
Amounts appropriated for expenditure	(22)	(3,642)	(3,664)
Reclassify to held in perpetuity	-	23	23
Endowment net assets, end of year	$ 2,687	$ 90,112	$ 92,799

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. 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. There were no such deficiencies at June 30, 2019.

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, 2020 have been evaluated for possible adjustment to the consolidated financial statements or disclosure through September 8, 2020, the date on which the consolidated financial statements were available to be issued.

As a result of the spread of the 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 Foundation. Potential effects include but are not limited to declines in the fair value of investments, realizability of pledge receivables, and declines in contributions and gifts. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

i. Related Party Transactions

During the year ended June 30, 2020 and 2019, the Foundation made payments on behalf of the University of $331,000 and $327,000, 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 $0 and $4,000 as of June 30, 2020 and 2019 was owed to the University for such costs.

In support of University programs, the Foundation incurred program expenses of $6,885,000 and $12,175,000 for 2020 and 2019, respectively, which consisted of payments on behalf of the University of $4,858,000 and $4,570,000, for 2020 and 2019, respectively; and amounts transferred to the University for restricted purposes of $1,997,000 and $7,605,000 for 2020 and 2019, 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, as it is the intent of management to sell the property, for approximately $2,968,000.

j. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019, comprise the following (in thousands):

	2020	2019
Cash and equivalents	$ 3,243	$ 4,227
Accounts receivable	-	48
Contributions receivable	1,232	876
Less allowance for uncollectible pledges	(11)	(8)
	$ 4,464	$ 5,143

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, 2020 and 2019, restricted contributions of $1,221,000 and $868,000, 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 endowments of $7,439,000 are subject to an annual spending rate of 4.75 percent 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, 2020 and 2019 are as follows (in thousands):

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

Schedule of Functional Expenses
For the Year Ended 6/30/19
(in thousands)

	Subgranted to NKU-Payroll	Subgranted to NKU-Other	Contracted Services	Operating	Scholarships & Awards	Total
Instruction	$ 655	$ 3	$ 37	$ 262	$ -	$ 957
Research	47	-	1	12	-	60
Public service	40	-	8	834	-	882
Libraries	-	-	-	23	-	23
Academic support	477	-	69	358	-	904
Student services	438	101	20	372	-	931
Institutional support	668	-	81	392	-	1,141
University facilities and equipment acquisition	-	5,177	-	119	-	5,296
Student financial aid	-	-	-	-	1,925	1,925
Other program expenses and losses	-	-	-	122	-	122
Total program expenses	$ 2,325	$ 5,281	$ 216	$ 2,494	$ 1,925	$ 12,241
Management and general	327	-	92	57	-	476
Fund raising support	-	-	-	281	-	281
Rental property	-	-	12	5	-	17
Total support expenses	$ 327	$ -	$ 104	$ 343		$ 774
Total expenses and losses	$ 2,652	$ 5,281	$ 320	$ 2,837	$ 1,925	$ 13,015

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 equal to the one month LIBOR (London Interbank Offer Rate) rate plus 1.0 percent adjusted on a monthly basis with a fixed minimum rate of 1.75 percent.

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 basis 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.

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, 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	2.335187%	2.304209%	2.345490%	2.403742%	2.447755%	2.489115%
University's proportionate share of the collective net pension liability	$ 329,798	$ 313,460	$ 314,022	$ 274,014	$ 245,556	$ 223,319
University's covered-employee payroll	$ 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	950.50%	900.94%	835.52%	698.91%	649.64%	568.73%
Pension plan fiduciary net position as a % of the total pension liability	13.66%	12.84%	13.30%	14.80%	18.83%	22.30%
Hazardous						
University's proportionate share of the net pension liability	0.373520%	0.386465%	0.370876%	0.040113%	0.444514%	0.414511%
University's proportionate share of the collective net pension liability	$ 2,041	$ 1,952	$ 1,844	$ 1,571	$ 1,524	$ 1,059
University's covered-employee payroll	$ 600	$ 591	$ 662	$ 637	$ 563	$ 535
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	340.16%	330.29%	278.50%	246.58%	270.64%	197.80%
Pension plan fiduciary net position as a % of the total pension liability	55.49%	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 schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

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

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Nonhazardous						
Contractually required contribution	$ 14,310	$ 14,162	$ 14,596	$ 14,738	$ 12,069	$ 12,320
University's contributions in relation to the contractually required contribution	14,310	14,162	14,596	14,738	12,069	12,320
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 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%	40.24%	30.84%	30.84%
Hazardous						
Contractually required contribution	$ 287	$ 256	$ 180	$ 170	$ 127	$ 136
University's contributions in relation to the contractually required contribution	287	256	180	170	127	136
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 835	$ 744	$ 838	$ 806	$ 776	$ 831
Contributions as a percentage of covered-employee payroll	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.

*The amounts presented for the fiscal year were determined as of June 30.

** 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, 2020	June 30, 2019	June 30, 2018
Non-hazardous			
University's proportionate share of the net OPEB liability (asset)	2.335187%	2.302178%	2.345490%
University's proportionate share of the net net OPEB liability (asset)	$ 51,909	$ 54,583	$ 59,481
University's covered-employee payroll	$ 35,400	$ 36,234	$ 37,366
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	146.64%	150.64%	159.18%
Plan fiduciary net position as a % of the total OPEB liability	30.92%	27.32%	24.40%
Hazardous			
University's proportionate share of the net OPEB liability (asset)	0.372729%	0.386561%	0.370876%
University's proportionate share of the net net OPEB liability (asset)	$ (100)	$ (128)	$ 22
University's covered-employee payroll	$ 564	$ 736	$ 635
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-17.73%	-17.43%	3.46%
Plan fiduciary net position as a % of the total OPEB liability	105.29%	106.83%	98.80%

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

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

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

	June 30, 2020	June 30, 2019	June 30, 2018
Non-hazardous			
Contractually required contribution	$ 2,931	$ 2,901	$ 2,989
University's contributions in relation to the contractually required contribution	2,931	2,901	2,989
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 34,848	$ 34,491	$ 35,548
Contributions as a percentage of covered-employee payroll	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	$ 835	$ 744	$ 838
Contributions as a percentage of covered-employee payroll	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%.

* The amounts presented for each fiscal year were determined as of June 30.

* 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.

* Employer contributions do not include the expected implicit subsidy.

Supplementary Information

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Direct Programs -				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grant Program	84.007	-	$ -	$ 348,469
Federal Work Study Program	84.033	-	-	500,000
Federal Perkins Loan Program	84.038	-	-	1,170,705
Federal Pell Grant Program	84.063	-	-	14,438,078
Teacher Education Assistance for College and Higher Education Grants	84.379	-	-	8,000
Federal Student Direct Loans	84.268	-	-	94,132,849
Nursing Faculty Loan Program	93.264	-	-	201,962
Total Student Financial Assistance Cluster			-	110,800,063
TRIO Cluster				
Student Support Services	84.042A	-	-	340,430
Upward Bound	84.047A	-	-	338,578
Total TRIO Cluster			-	679,008
Americorps National Service Trust	84.UNKNOWN	-	-	38,174
CCAMPIS Program	84.335A	-	-	89,518
COVID-19 Higher Education Emergency Relief Fund - Institutional	84.425F	-	-	3,711,252
COVID-19 Higher Education Emergency Relief Fund - Student	84.425E	-	-	1,512,700
			-	5,223,952
Pass-Through Programs -				
Kentucky Department of Education				
Special Education Cluster (IDEA)				
Kentucky Traineeship in Special Education 2020	84.027A	PON25401900003841	-	690,456
Kentucky Traineeship in Special Education 2019	84.027A	PON25401900000542	-	162,270
Total Special Education Cluster (IDEA)			-	852,726
KY Non-public School Commission	84.367A	PON25401900003984	-	20,753
KY Non-public School Commission	84.424A	PON25401900003984	-	834
Catholic Diocese of Kentucky	84.424A	PON25401900003645	-	2,696
KyCC ATC Sites 2020	84.048	PON25402000000853	-	28,000
Catholic Diocese of Kentucky	84.367A	PON25401900003645	-	18,981
			-	71,264
Total U.S. Department of Education			-	117,754,705

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development Cluster				
Direct Programs -				
National Aeronautics and Space Administration				
NASA Helix: The High Energy Light Isotope Experiment	43.001	-	$ -	$ 70,281
NASA ISS-CREAM	43.001	-	-	132,846
			-	203,127
US National Science Foundation				
RUI: Search for Verifiable Complex Diffusion Mechanisms	47.049	-	-	21,956
RUI: Unusual Oxidation & Domino Reactions via Palladium-cata	47.049	-	-	59,800
Stellar Companions by Stellar Parameters 2017-19	47.049	-	-	38,246
Examination of Sites on the Georgia Bight Coastline	47.075	-	-	574
REU Site: The Parker Academy: Investigating the Intersection	47.075	-	-	14,100
S3OAR-Sustainable, Scalable, Scholarships, Opportunities, Ac	47.076	-	-	33,596
STEM Ready: Math Prep Program at NKU	47.076	-	-	65,866
			-	234,137
US National Institute of Health				
NIH AREA Curran R15 Genetic Susceptibility to Developmental	93.113	-	-	80,219
NIH AREA Marczin-Acute effects of alcohol and energy drinks	93.273	-	-	16,359
NIH AREA BARDGETT Long-term effects early life antipsychotic	93.279	-	-	43,265
NIH AREA Yates Contribution of NMDA NR2B	93.279	-	-	89,173
NIH AREA GUY R15 Novel Human tRNA	93.859	-	-	103,065
NIH AREA Stome R15 Investigation of Candidate Modifier Loci	93.859	-	-	28,132
NIH AREA STROME Characterization of SAM gene	93.859	-	-	18,806
			-	379,019
US Health Resources & Services Administration				
HRSA RCORP - County Collaborative	93.211	-	2,906	42,494
US Department of Commerce				
I6 N Nky Health Innovaction Initiative	11.020	-	-	193,153
Pass-Through Programs -				
Kenton County Detention Center				
Comprehensive Opioid Abuse Site-based Program	16.838	2017-AR-BX-K043	-	31,255
Institute for Intergovernmental Research				
IIR-OUD Partnerships for prevention	16.838	2019-RURAL-0048	-	59,875
Occidental College				
CURM Minigrant	47.049	OXY-CURM0021	-	5,101
University of Kentucky Research Foundation				
Aerobic scope in Kentucky stream fishes	15.805	3200000437-20-252	-	2,131
Telomere Roles in Fungal Genome Evolution and Adaptation	47.074	3200001363-18-084	-	10,291
			-	12,422
University of Louisville Research Foundation				
KBRIN Bardgett Bridge	93.859	ULRF 18-0975B-06	-	1,099
KBRIN Bardgett Bridge	93.859	ULRF 18-0975A-06	-	52,355
KBRIN Brumback IDeA # 3	93.859	ULRF 18-0975B-06	-	13,209
KBRIN Brumback IDEA #2	93.859	ULRF 18-0975A-06	-	38,043
KBRIN Curran Post-Bac Year 1	93.859	ULRF 18-0975A-06	-	11,043
KBRIN Curran Post-Doctoral #2	93.859	ULRF 18-0975B-06	-	3,929
KBRIN Guy Post-Doctoral #2	93.859	ULRF 18-0975A-06	-	26,646
KBRIN Guy Post-Doctoral #3	93.859	ULRF 18-0975B-06	-	4,396
KBRIN Lead 2019 - 2020	93.859	ULRF 18-0975A-06	-	14,451
KBRIN Lead 2020-2021	93.859	ULRF 18-0975B-06	-	242
KBRIN MA CURE	93.859	ULRF 18-0975B-06	-	4,262
KBRIN Onorato IDEA #1	93.859	ULRF 18-0975A-06	-	18,126
KBRIN Shelton IDEA #1	93.859	ULRF 18-0975A-06	-	29,281
KBRIN Shelton IDeA #2	93.859	ULRF 18-0975B-06	-	4,986
KBRIN Strome IDEA #1	93.859	ULRF 18-0975A-06	-	52,980
KBRIN STROME Post Bac	93.859	ULRF 18-0975B-06	-	6,290
KBRIN Wiilliamson IDEA #1	93.859	ULRF 18-0975A-06	-	39,374
KBRIN Williamson IDEA #2	93.859	ULRF 18-0975B-06	-	3,882
KBRIN YATES Post-Doctoral #2	93.859	ULRF 18-0975B-06	-	4,619
KBRIN Yates Post-Doctoral Year 1	93.859	ULRF 18-0975A-06	-	3,921
			-	333,135
Kentucky Division of Water				
Diatom Sample Processing, Analysis and Archive System	66.419	PON 129 2000000591	-	6,160
University of Iowa				
Health Matters: Educating Library Staff	93.879	S1102-01	-	4,430
Total Research and Development Cluster			2,906	1,504,308

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Other Programs				
Child Nutrition Cluster				
U.S. Department of Agriculture				
Pass- Through Programs -				
Kentucky Department of Education				
Upward Bound Summer Food Service Program	10.555	12146	$ -	$ 405
Total Child Nutrition Cluster			-	405
477 Cluster				
U.S. Department of Interior				
Direct Programs -				
Bureau of Indian Education	15.114		-	2,000
U.S. Department of Health and Human Services				
Pass-Through Programs -				
KY Cabinet for Health & Family Services				
LEAP - KTAP Postsecondary Education Program FY 2020	93.558	SC7361900000191	-	143,182
Total 477 Cluster			-	145,182
Medicaid Cluster				
U.S. Department of Health and Human Services				
Pass-Through Programs -				
KY Cabinet for Health & Family Services				
Medicaid KY University Partnership Year 2	93.778	SC 746 1900000168	103,488	250,161
Total Medicaid Cluster			103,488	250,161
U.S. National Aeronautics and Space Administration				
Pass-Through Programs -				
University of Kentucky Research Foundation				
Kentucky First Lego League Program	43.001	3200000161-19-165	-	6,064
Total U.S. National Aeronautics and Space Administration			-	6,064
Small Business Administration				
Pass-Through Programs -				
University of Kentucky Research Foundation				
Federal Small Business Development Center 18-19	59.037	UKRF3200002292-19-148	-	26,918
Federal Small Business Development Center 19-20	59.037	3200003017-20-22	-	42,937
Total Small Business Administration			-	69,855

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Direct Programs -				
HRSA Nurse Anesthetist Traineeship	93.124	-	$ -	$ 13,957
HSRA OWEP Paraprofessional	93.732	-	-	34,962
HRSA Rural Communities Opioid Response Implementation	93.912	-	11,828	244,218
Pass-Through Programs -				
Eastern Kentucky University				
Public Child Welfare Certification Program 2020	93.658	453773-20-110	-	11,534
University Training Consortium 2020	93.658	453770-20-109	-	47,122
Total U.S. Department of Health and Human Services			11,828	351,793
U.S. Department of Justice				
Direct Programs -				
Norse Violence Prevention Project	16.525	-	40,233	69,585
Corporation for National and Community Service				
Direct Programs -				
Americorps VISTA 2019-2020	94.013	-	-	14,953
Pass-Through Programs -				
KY Cabinet for Health & Family Services				
Federal Kentucky College Coaches 2019	94.006	PON27301900002169	-	79,493
Federal Kentucky College Coaches 2020	94.006	PON27301900002169	-	295,662
Kentucky College Coaches on Campus (KC3) 2019	94.006	PON27301900002434	-	20,564
Kentucky College Coaches on Campus (KC3) 2020	94.006	PON27301900002434	-	114,530
Alternative Service Breaks 18-19	94.021	PON27301900002169	-	13,360
Alternative Spring Breaks 19-20	94.021	PON27301900002169	-	7,038
Total Corporation for National and Community Service			-	545,600
Total Other Programs			155,549	1,438,645
Total Expenditures of Federal Awards			$ 158,455	$ 120,697,658

Notes to Schedule of Expenditures of Federal Awards

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Northern Kentucky University under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB A21, Cost Principles for Educational Institutions or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The University has a federally negotiated indirect cost rate of 32.5%.

3. The federal loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2020, consists of:

Federal Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2020	
84.038	Federal Perkins Loan Program	$	859,766
93.264	Nursing Faculty Loan Program	$	191,088

4. The University received donated personal protective equipment during the year with an approximate fair market value of $398 (unaudited).

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

Independent Auditor's Report

Board of Regents
Northern Kentucky University
Highland Heights, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Northern Kentucky University (University) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 2, 2020. The financial statements of Northern Kentucky University Foundation, Inc., a discretely presented component unit included in the financial statements of the University's reporting entity, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Cincinnati, Ohio
October 2, 2020

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Regents
Northern Kentucky University
Highland Heights, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Northern Kentucky University's (University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2020. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, and *Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

BKD, LLP

Cincinnati, Ohio
April 30, 2021

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? reported	☐ Yes	☒ None
Material weakness(es)?	☐ Yes	☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

5. The opinion expressed in the independent auditor's report on compliance for major federal award programs was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. The University's major programs were:

Cluster/Program	Federal Assistance Listing Number
Student Financial Assistance Cluster	84.007, 84.033, 84.038, 84.063, 84.379, 84.268, 93.264
COVID-19 Higher Education Emergency Relief Funds	84.425

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The University qualified as a low-risk auditee? ☒ Yes ☐ No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding

No matters are reportable.

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

Reference Number	Summary of Finding	Status
	No matters are reportable.	