



UNIVERSITY OF KENTUCKY • 2020 FINANCIAL STATEMENTS

Research Foundation

University of Kentucky
Research Foundation
A Component Unit of the University of Kentucky
Financial Statements
Years Ended June 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
University of Kentucky
Research Foundation
Lexington, Kentucky

We have audited the accompanying financial statements of the University of Kentucky Research Foundation (Foundation), a not-for-profit corporation affiliated with and a component unit of the University of Kentucky (University), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Foundation'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, and the changes in financial position and cash flows 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 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The board of directors listing, 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 board of directors listing has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Louisville, Kentucky
October 2, 2020

**UNIVERSITY OF KENTUCKY
RESEARCH FOUNDATION
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

The University of Kentucky Research Foundation's (the Foundation) Management's Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial position and activities of the Foundation for the years ended June 30, 2020 and 2019. Management prepares this discussion and encourages readers to utilize its contents in conjunction with the financial statements and the notes appearing in this report.

Financial Highlights

- Total assets increased \$15,763,964 or 9.5%. The most significant components of the fluctuation were increases of \$19,288,116 in cash and cash equivalents offset by a decrease of \$2,677,770 in notes and accounts receivable, net.
- Total liabilities increased \$1,804,135 or 3.7%. The most significant component of the increase in total liabilities was \$2,426,795 in unearned revenue.
- Total net position increased \$13,959,829 or 12.0%. Unrestricted net position increased \$14,383,752 offset by decreases in restricted net position of \$281,730 and net investment in capital assets of \$142,193.
- Operating revenues increased \$14,171,071 to \$339,066,887.
- Operating expenses increased \$13,356,921 to \$306,123,814.

Using the Financial Statements

This financial report consists of 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 are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

One of the most important questions asked about the Foundation's finances is whether the Foundation is better off as a result of the year's activities. One key to answering this question is the financial statements of the Foundation. The Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows present financial information on the Foundation in a format similar to that used by corporations and depict a long-term view of the Foundation's finances. The Foundation's net position (the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources) is one indication of the Foundation's financial health. Over time, increases or decreases in net position indicate the improvement or erosion of the Foundation's financial health.

Reporting Entity

The University of Kentucky Research Foundation is a not-for-profit Kentucky corporation established to receive, invest and expend funds in promoting and implementing scientific, educational and developmental activities at the University of Kentucky (the University). The Foundation is considered to be an affiliate and component unit of the University because all Board members are related to the University as faculty, staff or trustees and/or are appointed by the Board of Trustees of the University, and certain officers of the Foundation are officers of the University.

The financial statements of the Foundation include the operations of the following entities:

- University of Kentucky Research Foundation
- Kentucky Technology, Inc. (KTI) (a 100% owned, for-profit subsidiary of the Foundation) and its for-profit subsidiary:
 - Secat, Inc. (100% ownership)

KTI has a calendar-year basis fiscal year from January 1 through December 31. Therefore, the consolidated financial statements of KTI as of December 31, 2019 and 2018 are included in the Foundation's financial statements as of June 30, 2020 and 2019, respectively.

Statements of Net Position

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources. It 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. A summarized comparison of the Foundation's assets, liabilities and net position at June 30, 2020, 2019 and 2018 is as follows:

Condensed Statements of Net Position

	2020	2019	2018
ASSETS			
Current assets	\$ 155,427,681	\$ 133,517,882	\$ 106,338,420
Capital assets, net	7,768,514	7,928,500	8,324,139
Other noncurrent assets	17,699,866	23,685,715	30,723,106
Total assets	180,896,061	165,132,097	145,385,665
LIABILITIES			
Current liabilities	47,170,868	42,127,161	34,095,367
Noncurrent liabilities	3,003,438	6,243,010	16,016,208
Total liabilities	50,174,306	48,370,171	50,111,575
NET POSITION			
Net investment in capital assets	7,768,514	7,910,707	8,280,887
Restricted			
Nonexpendable	855,513	853,013	838,913
Expendable	4,694,385	4,978,615	4,159,189
Unrestricted	117,403,343	103,019,591	81,995,101
Total net position	\$ 130,721,755	\$ 116,761,926	\$ 95,274,090

Assets. As of June 30, 2020, the Foundation's assets totaled \$180,896,061. Cash and cash equivalents represented the Foundation's largest asset, totaling \$118,084,421 or 65.3% of total assets. Notes and accounts receivable, net, primarily from grant sponsors, totaled \$34,670,099 or 19.2% of total assets, endowment investments totaled \$14,860,449 or 8.2% of total assets, and capital assets, net, totaled \$7,768,514 or 4.3% of total assets.

Total assets increased \$15,763,964 during the year ended June 30, 2020. The most significant components of the increase in total assets were increases of \$19,288,116 in cash and cash equivalents and \$325,806 in

other long-term investments. These increases were offset by a decrease of \$2,677,770 in notes and accounts receivable, net.

Cash and cash equivalents increased due to cash provided by operating activities and investing activities, offset by cash used by noncapital financing activities and capital and related financing activities. Accounts receivable, net decreased primarily due to the timing of reimbursements from sponsors. Other long-term investments increased in KTI marketable investments and holdings of corporate bonds and notes.

Liabilities. At June 30, 2020, the Foundation's liabilities totaled \$50,174,306. Unearned revenue amounted to \$41,304,319 or 82.3% of total liabilities. Unearned revenue reflects advance receipts from grant sponsors and other customers. Accounts payable and accrued liabilities and long-term liabilities of \$8,377,055 and \$492,932 respectively, accounted for the remainder of the Foundation's liabilities.

Total liabilities increased \$1,804,135 during the year ended June 30, 2020. The most significant component of the increase in total liabilities was \$2,426,795 in unearned revenue primarily in grants due to a increase in prepaid funding from sponsors this year.

Net Position. Net position at June 30, 2020 totaled \$130,721,755 or 72.3% of total assets. Net investment in capital assets totaled \$7,768,514 or 5.9% of total net position. Restricted net position totaled \$5,549,898 or 4.2% of total net position. Unrestricted net position accounted for \$117,403,343 or 89.8% of total net position.

Total net position increased \$13,959,829 during the year ended June 30, 2020. Unrestricted net position was the most significant component, increasing \$14,383,752 due to revenues from recoveries of facilities and administrative costs exceeding expenses in unrestricted funds. Restricted net position decreased \$281,730 primarily due to unrealized losses on endowment investments for the current year compared to prior year. Net investment in capital assets decreased \$142,193 primarily from current year depreciation offset by the addition of capital assets.

2019 Versus 2018. During the year ended June 30, 2019:

- Total assets increased \$19,746,432. The most significant component of the increase in total assets was an increase of \$12,696,511 in cash and cash equivalents, \$5,183,370 for accounts receivable, and \$2,409,814 for investments. Cash and cash equivalents increased due to cash provided by operating activities, offset by cash used by noncapital financing activities, capital and related financing activities, and investing activities.
- Total liabilities decreased \$1,741,404. The most significant component of the decrease in total liabilities was a decrease of \$2,492,389 in unearned revenue primarily in grants due to a decline in prepaid funding from sponsors this year.
- Total net position increased \$21,487,836. Unrestricted net position was the most significant component, increasing \$21,024,490 due to revenues from recoveries of facilities and administrative costs exceeding expenses in unrestricted funds. Restricted net position increased \$833,526 primarily due to the transfer of \$600,000 to establish the Myron and Elaine Jacobson Innovation quasi-endowment fund to support initiatives promoting the commercialization of research, ideas, products, methods, and applications generated by the College of Health Sciences. Net investment in capital assets decreased \$370,180 primarily from depreciation expense offset by the addition of capital assets.

Statements 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 35 requires certain revenue items, such as gifts, investment and endowment income, and patent income, to be classified as nonoperating revenues. 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.

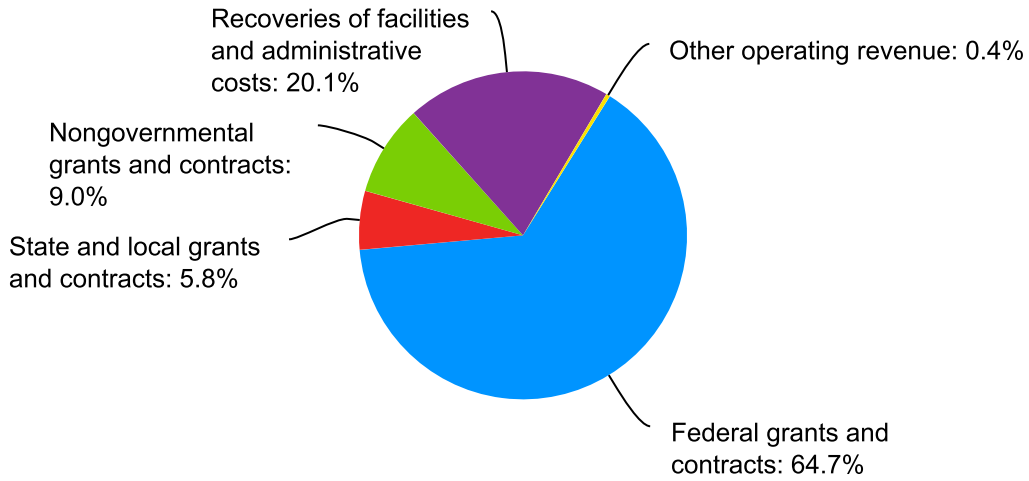
A summarized comparison of the Foundation's revenues, expenses and changes in net position for the years ended June 30, 2020, 2019 and 2018 is as follows:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2020	2019	2018
OPERATING REVENUES			
Federal grants and contracts	\$219,369,735	\$206,698,361	\$186,384,990
State and local grants and contracts	19,685,141	17,812,817	17,671,638
Nongovernmental grants and contracts	30,642,528	32,047,080	37,960,872
Recoveries of facilities and administrative costs	68,219,429	66,947,295	59,780,793
Other operating revenue	1,150,054	1,390,263	2,056,237
Total operating revenues	339,066,887	324,895,816	303,854,530
OPERATING EXPENSES			
Research	197,468,269	191,610,761	178,004,325
Other educational and general	106,245,854	98,702,715	94,437,714
Student financial aid	1,950,455	2,002,412	2,180,639
Depreciation	459,236	451,005	438,693
Total operating expenses	306,123,814	292,766,893	275,061,371
NET INCOME FROM OPERATIONS	32,943,073	32,128,923	28,793,159
NONOPERATING REVENUES (EXPENSES)			
Gifts	304,395	208,833	173,852
Investment income	733,385	2,087,272	1,750,577
License income	2,943,621	2,327,053	2,345,029
Other nonoperating revenues and expenses, net	(1,896)	19,609	41,150
Capital grants and gifts	4,214,124	14,034,077	7,851,790
Additions to permanent endowments	2,500	14,100	6,570
Grants to the University of Kentucky	(27,179,373)	(29,373,743)	(27,353,507)
Other, net	—	41,712	49,582
Total nonoperating revenues (expenses)	(18,983,244)	(10,641,087)	(15,134,957)
INCREASE IN NET POSITION	13,959,829	21,487,836	13,658,202
NET POSITION, beginning of year	116,761,926	95,274,090	81,615,888
NET POSITION, end of year	\$130,721,755	\$116,761,926	\$95,274,090

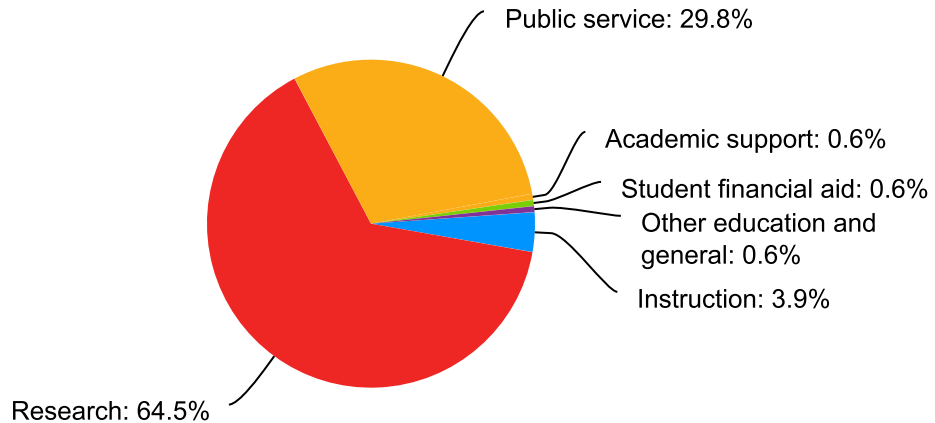
2020. Total operating revenues, consisting primarily of grants and contracts, and related recoveries of facilities and administrative costs, were \$339,066,887 for the year ended June 30, 2020. Federal, state and nongovernmental grants and contracts, and related recoveries of facilities and administrative costs, accounted for 99.7% of operating revenues. Operating revenues increased \$14,171,071 or 4.4%, primarily caused by increases of \$12,671,374 or 6.1% in federal grants and contracts, \$1,872,324 or 10.5% in state and local grants and contracts, and \$1,272,134 or 1.9% in recoveries of facilities and administrative costs, offset by decreases of \$1,404,552 or 4.4% in nongovernmental grants and contracts and \$240,209 or 17.3% in other operating revenues. These increases and decreases were due to fluctuations in numerous grants.

TOTAL OPERATING REVENUES



Operating expenses totaled \$306,123,814. Of this amount, \$197,468,269 or 64.5% was used for research expenses, \$91,142,386 or 29.8% was used for public service expenses and \$12,017,332 or 3.9% was used for instruction. Operating expenses increased \$13,356,921. This increase was primarily attributable to increases in research and public service activities.

TOTAL OPERATING EXPENSES



2019 Versus 2018. Total operating revenues, consisting primarily of grants and contracts, and related recoveries of facilities and administrative costs, were \$324,895,816. Federal, state and nongovernmental grants and contracts, and related recoveries of facilities and administrative costs, accounted for 99.6% of operating revenues. Operating revenues increased \$21,041,286 or 6.9%, primarily caused by increases of \$20,313,371 or 10.9% in federal grants and contracts, \$7,166,502 or 12.0% in recoveries of facilities and administrative costs, and \$141,179 or 0.8% in state and local grants and contracts, offset by decreases of \$5,913,792 or 15.6% in nongovernmental grants and contracts and \$665,974 or 32.4% in other operating revenues. These increases and decreases were due to fluctuations in numerous grants.

Operating expenses totaled \$292,766,893. Of this amount, \$191,610,761 or 65.4% was used for research expenses, \$83,070,020 or 28.4% was used for public service expenses, and \$12,014,067 or 4.1% was used for instruction. Operating expenses increased \$17,705,522. This increase was primarily attributable to an increase in research, public service and instruction activities.

Statements of Cash Flows

The Statement of Cash Flows presents information related to the Foundation's cash inflows and outflows and is summarized by operating, noncapital financing, capital and related financing and investing activities. The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and cash payments made by the Foundation during the year that will allow financial statement readers to assess the Foundation's:

- ability to generate future net cash flows,
- ability to meet obligations as they become due, and
- the possible need for external financing.

A comparative summary of the Foundation's statement of cash flows for the years ended June 30, 2020, 2019 and 2018 is as follows:

Condensed Statements of Cash Flows

	2020	2019	2018
CASH PROVIDED (USED) BY:			
Operating activities	\$ 39,015,657	\$ 25,906,839	\$ 38,844,845
Noncapital financing activities	(10,749,444)	(9,967,235)	(10,434,547)
Capital and related financing activities	(9,218,662)	(2,944,032)	(6,690,682)
Investing activities	240,565	(299,061)	1,403,041
Net increase in cash and cash equivalents	19,288,116	12,696,511	23,122,657
CASH AND CASH EQUIVALENTS, beginning of year	98,796,305	86,099,794	62,977,137
CASH AND CASH EQUIVALENTS, end of year	\$ 118,084,421	\$ 98,796,305	\$ 86,099,794

2020. Major sources of cash provided by operating activities were grants and contracts of \$275,151,617 and recoveries of facilities and administrative costs of \$69,201,456. The largest cash payments used for operating activities were made to the University as reimbursements for employee salaries and benefits of \$207,394,603 and to suppliers of \$98,268,612.

The largest use of cash in the noncapital financing activities related to grants to the University for noncapital purposes totaling \$13,886,306. Cash provided by this category is mostly from other receipts of \$2,829,232, primarily license income.

Cash used by capital and related financing activities was primarily expended on grants to the University for capital purposes of which included the construction and acquisition of capital assets totaling \$13,133,536, offset by capital grants and gifts of \$4,214,124.

During the year ended June 30, 2020, cash provided by investing activities reflects net of proceeds from sales and maturities of investments of \$7,634,327 and interest and dividend income on investments of \$279,841, offset by investment purchases of \$7,673,603.

2019 Versus 2018. Cash and cash equivalents increased \$12,696,511 primarily due to cash provided by operating activities offset by cash used by capital and related financing activities, noncapital financing activities, and investing activities.

Capital Assets and Debt Administration

Capital Assets. Capital assets, net of accumulated depreciation, totaled \$7,768,514 at June 30, 2020 a decrease of \$159,986. The decrease is a result of current year depreciation expense exceeding new purchases of equipment. Capital assets as of June 30, 2020, and changes in capital assets during the years ended June 30, 2020 and 2019 are as follows (in thousands):

	Net		Net		Balance June 30, 2020
	Balance June 30, 2018	Additions FY 18-19	Balance June 30, 2019	Additions FY 19-20	
Land	\$ 2,336	\$ —	\$ 2,336	\$ —	\$ 2,336
Land improvements	593	—	593	—	593
Buildings	1,090	—	1,090	—	1,090
Infrastructure	6,567	—	6,567	—	6,567
Equipment	2,796	16	2,812	293	3,105
Accumulated depreciation	(5,058)	(411)	(5,469)	(453)	(5,922)
Total	\$ 8,324	\$ (395)	\$ 7,929	\$ (160)	\$ 7,769

Debt. The Foundation had long-term liabilities totaling \$492,932 and \$409,702 at June 30, 2020 and 2019, respectively, for long-term liabilities of KTI.

Factors Impacting Future Periods

The following are known facts and circumstances that will affect future financial results:

- At June 30, 2020, grants and contracts of \$332,534,978 had been awarded to the Foundation, but not expended. These grants and contracts are available to provide revenue to future periods and will be recognized as expended.
- The facilities and administrative cost rates applicable to federal grants and contracts are negotiated with the Department of Health and Human Services. The rate applicable to organized research was 53.0% for fiscal year 2020 and will remain the same through fiscal year 2022.
- The Foundation is funded primarily by grants and contracts funded by sponsors. Operating revenues in grants and contracts showed an increase this year due to increases in several grants and additional grant awards. Total grant awards were \$429,224,037 a 2.9% increase over the previous period. Federal grant awards continue to comprise the majority of grant awards at \$272,239,189 or 63.4% of total awards. Increases in federal award funding are significant as these awards provide most of the recoveries of facilities and administrative costs.
- 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. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

**UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 117,964,759	\$ 92,573,164
Notes and accounts receivable, net	34,596,509	37,274,704
Other current assets, net	2,866,413	3,670,014
Total current assets	<u>155,427,681</u>	<u>133,517,882</u>
Noncurrent Assets		
Restricted cash and cash equivalents	119,662	6,223,141
Endowment investments	14,860,449	15,069,050
Other long-term investments	2,646,165	2,320,359
Notes and accounts receivable, net	73,590	73,165
Capital assets, net	7,768,514	7,928,500
Total noncurrent assets	<u>25,468,380</u>	<u>31,614,215</u>
Total assets	<u>180,896,061</u>	<u>165,132,097</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	8,377,055	9,082,945
Unearned revenue	38,772,187	33,022,590
Long-term liabilities - current portion	21,626	21,626
Total current liabilities	<u>47,170,868</u>	<u>42,127,161</u>
Noncurrent Liabilities		
Unearned revenue	2,532,132	5,854,934
Long-term liabilities	471,306	388,076
Total noncurrent liabilities	<u>3,003,438</u>	<u>6,243,010</u>
Total liabilities	<u>50,174,306</u>	<u>48,370,171</u>
NET POSITION		
Net investment in capital assets	<u>7,768,514</u>	<u>7,910,707</u>
Restricted		
Nonexpendable	855,513	853,013
Expendable	4,694,385	4,978,615
Total restricted	<u>5,549,898</u>	<u>5,831,628</u>
Unrestricted	<u>117,403,343</u>	<u>103,019,591</u>
Total net position	<u>\$ 130,721,755</u>	<u>\$ 116,761,926</u>

See notes to financial statements

**UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Federal grants and contracts	\$ 219,369,735	\$ 206,698,361
State and local grants and contracts	19,685,141	17,812,817
Nongovernmental grants and contracts	30,642,528	32,047,080
Recoveries of facilities and administrative costs	68,219,429	66,947,295
Other operating revenues	1,150,054	1,390,263
Total operating revenues	<u>339,066,887</u>	<u>324,895,816</u>
OPERATING EXPENSES		
Educational and general:		
Instruction	12,017,332	12,014,067
Research	197,468,269	191,610,761
Public service	91,142,386	83,070,020
Academic support	1,982,266	2,370,957
Student services	30,007	6,994
Institutional support	902,062	850,171
Operations and maintenance of plant	171,801	390,506
Student financial aid	1,950,455	2,002,412
Depreciation	459,236	451,005
Total operating expenses	<u>306,123,814</u>	<u>292,766,893</u>
Net income from operations	<u>32,943,073</u>	<u>32,128,923</u>
NONOPERATING REVENUES (EXPENSES)		
Gifts	304,395	208,833
Investment income	733,385	2,087,272
License income	2,943,621	2,327,053
Grants to the University of Kentucky for noncapital purposes	(13,886,306)	(12,661,732)
Other nonoperating revenues (expenses), net	(1,896)	19,609
Net nonoperating expenses	<u>(9,906,801)</u>	<u>(8,018,965)</u>
Net income before other revenues, expenses, gains, or losses	<u>23,036,272</u>	<u>24,109,958</u>
Capital grants and gifts	4,214,124	14,034,077
Additions to permanent endowments	2,500	14,100
Grants to the University of Kentucky for capital purposes	(13,293,067)	(16,712,011)
Other, net	—	41,712
Total other expenses	<u>(9,076,443)</u>	<u>(2,622,122)</u>
INCREASE IN NET POSITION	<u>13,959,829</u>	<u>21,487,836</u>
NET POSITION, beginning of year	<u>116,761,926</u>	<u>95,274,090</u>
NET POSITION, end of year	<u>\$ 130,721,755</u>	<u>\$ 116,761,926</u>

See notes to financial statements

**UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contracts	\$ 275,151,617	\$ 250,431,779
Recoveries of facilities and administrative costs	69,201,456	65,385,207
Payments to vendors and contractors	(98,268,612)	(98,306,001)
Salaries, wages and benefits reimbursement to the University of Kentucky	(207,394,603)	(192,519,336)
Salaries, wages and benefits	(707,223)	(586,525)
Other receipts	1,033,022	1,501,715
Net cash provided by operating activities	<u>39,015,657</u>	<u>25,906,839</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes	2,500	14,100
Private gifts for other purposes	305,130	190,425
Grants to the University of Kentucky	(13,886,306)	(12,661,732)
Other receipts	2,829,232	2,489,972
Net cash used by noncapital financing activities	<u>(10,749,444)</u>	<u>(9,967,235)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants to the University of Kentucky for capital purposes	(13,133,536)	(16,946,662)
Capital grants and gifts	4,214,124	14,034,077
Purchases of capital assets	(299,250)	(55,366)
Principal paid on capital debt and leases	—	(17,793)
Other receipts	—	41,712
Net cash used by capital and related financing activities	<u>(9,218,662)</u>	<u>(2,944,032)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments, net	7,634,327	5,547,023
Interest and dividends on investments	279,841	1,614,880
Purchase of investments	(7,673,603)	(7,460,964)
Net cash provided (used) by investing activities	<u>240,565</u>	<u>(299,061)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>19,288,116</u>	<u>12,696,511</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>98,796,305</u>	<u>86,099,794</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 118,084,421</u>	<u>\$ 98,796,305</u>
Reconciliation of net income from operations to net cash provided by operating activities:		
Net income from operations	\$ 32,943,073	\$ 32,128,923
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation expense	459,236	451,005
Change in assets and liabilities:		
Notes and accounts receivable, net	2,673,640	(5,199,844)
Other current and noncurrent assets	1,914,624	15,715
Accounts payable and accrued liabilities	(1,032,522)	1,075,234
Long-term liabilities	83,230	(71,805)
Unearned revenue	1,974,376	(2,492,389)
Net cash provided by operating activities	<u>\$ 39,015,657</u>	<u>\$ 25,906,839</u>
NONCASH CAPITAL AND INVESTING ACTIVITIES		
Capital asset change in accounts payable	\$ 159,531	\$ (234,651)
Unrealized investment income	\$ 287,125	\$ 434,409

See notes to financial statements

**UNIVERSITY OF KENTUCKY
RESEARCH FOUNDATION
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The University of Kentucky Research Foundation (the Foundation) is a not-for-profit Kentucky corporation established to receive, invest and expend funds in promoting and implementing scientific, educational and developmental activities at the University of Kentucky (the University). The Foundation is considered to be an affiliate and component unit of the University because all Board members are related to the University as faculty, staff or trustees and/or are appointed by the Board of Trustees of the University, and certain officers of the Foundation are officers of the University.

The financial statements of the Foundation include the operations of the following entities:

- University of Kentucky Research Foundation
- Kentucky Technology, Inc. (KTI) (a 100% owned, for-profit subsidiary of the Foundation) and its for-profit subsidiary, Secat, Inc. (100% ownership)

KTI has a calendar-year basis fiscal year from January 1 through December 31. Therefore, the financial statements of KTI as of December 31, 2019 and December 31, 2018 are included in the Foundation's financial statements as of June 30, 2020 and 2019, respectively.

KTI is considered to be a component unit of the Foundation in the financial statement using the blending method because the officials are appointed by the Foundation and they are the employees of the University. Furthermore, there is a financial benefit or burden relationship between KTI and the Foundation, and it is the Foundation's responsibility to manage KTI's operation.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB 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 it be maintained permanently by the Foundation. Such assets include the principal of the Foundation's permanent endowment funds.
 - Expendable* – Net position whose use by the Foundation is subject to externally imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.
- Unrestricted: Net position whose use by the Foundation is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation is intended to provide a comprehensive, entity-wide perspective of the Foundation's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

Summary of Significant Accounting Policies

Accrual Basis. The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The Foundation reports as a Business-Type Activity (BTA) as defined by GASB Statement No. 35. BTA's are those activities that are financed in whole or part by fees charged to external parties for goods and services.

Cash and Cash Equivalents. The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Noncurrent cash and cash equivalents include grant funds with restricted purposes and endowment fund cash pending transfer to the custodian for investment. Cash and cash equivalents held by the University's endowment fund managers are included in investments.

Notes and Accounts Receivable. This classification consists of amounts due from sponsors and other customers for reimbursement of expenses made pursuant to contracts and grants. Also included are pledges that are verifiable, measurable and expected to be collected. Accounts receivable are recorded net of estimated uncollectible amounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Allowances for uncollectible amounts are not significant in the current or previous fiscal years.

Inventories. Inventories are stated principally at the lower of average cost or market.

Pooled Endowment Funds. All endowments are managed in a consolidated investment pool, which consists of more than 2,300 named funds. All contributing endowments participate in the income and appreciation of the pool on a per unit basis commensurate with their contribution to the pool. New endowments purchase units in the pool at the current unit value, which is calculated each month based on the fair value of the pool investments divided by the number of pool units outstanding. The market value method of accounting for pooled endowment funds is employed to ensure proper distribution of market price changes, realized gains (losses) on sales, accrued income earned, and distribution of investment earnings for expenditure by participating funds.

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

The adopted spending policy is a "hybrid" policy, which includes both the market value of the endowment and the current level of inflation in determining spending each year. Annual spending is calculated by taking a weighted average comprising 60% of the prior year's spending, adjusted for inflation, and 40% of the amount that results when the target annual spending rate of four percent is applied to the average market value of the endowment over the preceding 36 months. The spending amount determined by the

formula is constrained so that the calculated rate is at least three and half percent, and not more than five percent, of the current endowment market value.

The University also utilizes an endowment management fee to support internal management and fundraising costs related to the endowment. For the years ended June 30, 2020 and 2019, the University's annual endowment management fee was 0.90% and 0.82%, respectively. To protect endowment funds from permanent impairment of value, spending and management fee withdrawals are suspended on endowments with a market value less than the contributed value by more than 20%. Additionally, endowments with a market value less than the contributed value by more than 10% undergo a formal review to determine the appropriate level of spending in accordance with various factors set forth in UPMIFA. All donor restrictions and stipulations prevail in decisions regarding preservation and spending of endowment funds.

The amount of gross spending policy distribution in accordance with the University's endowment spending policy was \$544,313 and \$506,849 for the years ended June 30, 2020 and 2019, respectively.

Investments. Investments in marketable securities are carried at fair value. See footnote 2 for more information on the fair value determination. Certain KTI investments in companies are accounted for on the cost or equity method, depending on control and KTI's ability to exercise significant influence, and are included in other long-term investments. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income (loss) in the Statements of Revenues, Expenses and Changes in Net Position.

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 (\$2,500 or more for KTI) 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 buildings, 10 – 25 years for land and building improvements and infrastructure, and 5 – 20 years for equipment and vehicles.

The Foundation evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the accumulated depreciation will be accelerated. The amount of the impairment loss will be recorded as the net book value divided proportionately over its remaining years of useful life. No asset impairment was recognized during the years ended June 30, 2020 and 2019.

Unearned Revenue. Unearned revenue consists primarily of amounts received from grant and contract sponsors which have not yet been earned under the terms of the agreement. Unearned revenue related to capital grants and the portion of multi-year grants related to future years are classified as noncurrent.

Income Taxes. The Foundation is exempt from federal income tax under the Internal Revenue Code, as a 501(c)(3) organization. KTI and its subsidiary, are subject to federal and state income taxes and have accrued such income taxes payable. Income taxes are not significant to the financial statements.

Restricted Asset Spending Policy. The Foundation's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination of whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Operating Activities. The Foundation defines operating activities, as reported on the Statement of Revenues, Expenses and Changes in Net Position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Nearly all of the Foundation's expenses are from exchange transactions. Certain revenues relied upon for operations, such as gifts and investment and patent income, are recorded as nonoperating revenues, in accordance with GASB Statement No. 35.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The accompanying financial statements include estimates for items such as depreciable lives, bad debt, accrued expenses and other liability accounts.

2. DEPOSITS AND INVESTMENTS

The fair value of deposits and investments, by Statement of Net Position classification, at June 30, 2020 and 2019 are as follows:

	2020	2019
<u>Statement of Net Position classification</u>		
Cash and cash equivalents	\$ 117,964,759	\$ 92,573,164
Restricted cash and cash equivalents	119,662	6,223,141
Total cash and cash equivalents	118,084,421	98,796,305
Endowment investments	14,860,449	15,069,050
Other long-term investments	2,646,165	2,320,359
Total	<u>\$ 135,591,035</u>	<u>\$ 116,185,714</u>

Fair Value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. The framework for measuring fair value established by generally accepted accounting principles provides a fair value hierarchy 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 in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The University categorizes its fair value measurements within the fair value hierarchy. Certain investments are measured at fair value using net asset value per share (or its equivalent), practical expedient, amortized costs, or historical costs and therefore have not been classified in the fair value hierarchy. These investments have been included in the table below to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Net Position.

The Foundation had the following valuation measurements, by type, at June 30, 2020:

	Fair Value Measurement Using					Amortized or Historical Cost
	Total Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Measured at Fair Value	
Cash and cash equivalents	\$ 118,084,421	\$ —	\$ —	\$ —	\$ —	\$ 118,084,421
Endowment deposits and investments	14,860,449	—	—	14,860,449	14,860,449	—
Global equity - international	215,744	215,744	—	—	215,744	—
Global equity - private	279,368	—	—	—	—	279,368
Global equity - U.S.	589,746	585,811	—	—	585,811	3,935
Global fixed income - high quality/rate sensitive	669,262	200,753	468,509	—	669,262	—
Global fixed income - public credit	770,670	172,681	597,989	—	770,670	—
Other	6	—	—	—	—	6
Real assets - public	121,369	121,369	—	—	121,369	—
Total	<u>\$ 135,591,035</u>	<u>\$ 1,296,358</u>	<u>\$ 1,066,498</u>	<u>\$ 14,860,449</u>	<u>\$ 17,223,305</u>	<u>\$ 118,367,730</u>

The Foundation had the following valuation measurements, by type, at June 30, 2019:

	Fair Value Measurement Using					Amortized or Historical Cost
	Total Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Measured at Fair Value	
Cash and cash equivalents	\$ 98,796,305	\$ —	\$ —	\$ —	\$ —	\$ 98,796,305
Endowment deposits and investments	15,069,050	—	—	15,069,050	15,069,050	—
Global equity - international	169,502	169,502	—	—	169,502	—
Global equity - private	301,894	—	—	—	—	301,894
Global equity - U.S.	470,336	466,401	—	—	466,401	3,935
Global fixed income - high quality/rate sensitive	493,883	41,286	452,597	—	493,883	—
Global fixed income - public credit	841,487	343,527	497,960	—	841,487	—
Other	6	—	—	—	—	6
Real assets - public	43,251	43,251	—	—	43,251	—
Total	<u>\$ 116,185,714</u>	<u>\$ 1,063,967</u>	<u>\$ 950,557</u>	<u>\$ 15,069,050</u>	<u>\$ 17,083,574</u>	<u>\$ 99,102,140</u>

Where quoted market prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. If quoted prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in level 2 of the valuation hierarchy.

The investment in University pooled endowment fund is derived based on the per unit calculation as described in footnote 1, thus is deemed to be a level 3 investment. For more information regarding the fair value measurements, refer to the University's financial statements, footnote 2. There have been no significant changes in the valuation techniques during the year ended June 30, 2020.

The composition of the University's pooled endowment fund based upon fair value at June 30, 2020 and 2019 is as follows:

	2020	2019
Cash and cash equivalents	0.3 %	0.2 %
Diversifying strategies	14.0 %	14.9 %
Global equity - hedged	5.9 %	6.0 %
Global equity - international	14.8 %	17.6 %
Global equity - private	19.9 %	16.1 %
Global equity - U.S.	15.2 %	12.4 %
Global fixed income - high quality/rate sensitive	6.0 %	6.9 %
Global fixed income - private credit	2.8 %	3.1 %
Global fixed income - public credit	5.0 %	5.8 %
Real assets - private	10.5 %	10.0 %
Real assets - public	5.6 %	7.0 %
Total	<u>100.0 %</u>	<u>100.0 %</u>

Deposit and Investment Policies. The Foundation follows the deposit and investment policies established by the University's Board of Trustees. Such policies are developed to establish and maintain sound financial management practices for the investment and management of the Foundation's funds. For purposes of investment management, the Foundation's deposits and investments can be grouped into four significant categories:

- Cash and cash equivalents on deposit with the University, which the University invests in deposits with banks and the Commonwealth. The University also invests cash on deposit in money market funds and the University's pooled endowment fund;
- Cash on deposit with local banks and short-term investments in marketable securities;
- Investments in early stage development companies; and
- Endowment investments in the University's pooled endowment fund.

Cash and cash equivalents on deposit with the University are managed based on the University's Operating Fund Investment Policy, established by the Treasurer of the University.

Endowment investments are managed within the guidelines established by the University's Endowment Investment Policy, as approved by the Investment Committee of the University's Board of Trustees, which governs the University's pooled endowment fund.

The Foundation previously held an alternative investment in a limited liability company. The company distributed its portfolio holdings to its members in 2018. The Foundation received equity investment in those holdings effective as of January 1, 2018. More information regarding this investment and additional investments in early stage development companies can be found in the KTI and Subsidiary consolidated financial statements footnote 2.

Deposit and Investment Risks. The Foundation's deposits and investments are exposed to various risks, including credit, interest rate and foreign currency risk, as discussed in more detail below. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could affect the investment amounts in the Statements of Net Position.

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

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

- Cash and cash equivalents on deposit with the University are governed by policy that minimizes risk in several ways. The University's deposits in Federal Deposit Insurance Corporation (FDIC) insured financial institutions are covered up to \$250,000 at each FDIC insured institution. State law requires that deposits in excess of this coverage be fully collateralized, therefore depository institutions issue a pledge of specific U.S. Treasury or agency securities, held in the name of the University by the Federal Reserve Bank, to cover all amounts over the \$250,000 coverage;
- Deposits with the Commonwealth consist of securities eligible for short-term investments under state law. The University invests a portion of its operating cash in a diversified pool of money market funds. Fund investments include U.S. Treasury and agency securities, certificates of deposit, commercial paper, repurchase agreements and other short-term fixed income securities;
- Short-term investments in marketable fixed income securities consist of investment grade rated securities, excluding \$172,681 and \$309,525 of SECAT and KTI investments, as of June 30, 2020 and 2019, respectively, which were rated below investment grade; and
- Endowment managers are permitted to use derivative instruments to limit credit risk.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. As a means of limiting its exposure to losses arising from custodial credit risk, the University's investment policies limit the exposure of its various investment types, as follows:

- Cash and cash equivalents on deposit with the University invested in deposits and money market funds are held in the University's name by various financial institutions. Deposits with the Commonwealth are held in the Commonwealth's name. The University maintains records evidencing the Foundation's ownership interest in such balances;
- Endowment investments are held in the University's name by the University's custodian. The University maintains records of the Foundation's ownership interest (units) in the University's pooled endowment fund.

Concentrations of Credit Risk. The Foundation's investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer. As a means of limiting its exposure to concentrations of credit risk, the University's investment policies limit concentrations in various investment types, as follows:

- Cash and cash equivalents on deposit with the University are not limited as to the maximum amount that may be invested in one issuer. However, the University's cash deposits in excess of federal deposit insurance are required to be fully collateralized by U.S. Treasury and/or agency securities or other similar investments as provided by KRS 41.240;
- Cash and cash equivalents on deposit with local banks are not limited to a maximum amount that may be invested in one issuer. However, all deposits are covered by the FDIC's insurance coverage; and
- The University's endowment fixed income managers are limited to a maximum investment in any one issuer of no more than five percent of total investments excluding sovereign debt of governments belonging to the Organization for Economic Cooperation and Development and U.S. agencies.

At June 30, 2020 and 2019, the Foundation had no investments in any one issuer that represented five percent or more of total investments, other than U.S. Treasury and agency obligations.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from increasing interest rates, the University's investment policies limit the maturity of its various investment types, as follows:

- Cash and cash equivalents on deposit with the University have limited exposure to interest rate risk due to the short-term nature of the investment. The University requires that all deposits and money market funds be available for use on the next business day;
- Cash and cash equivalents on deposit with local banks and short-term investments in marketable securities have limited exposure to interest rate risk due to the short-term nature of the investments and deposits; and
- Endowment managers are permitted to use derivative instruments to limit interest rate risk. Additionally, endowment investments held by the University's core-plus fixed income manager are limited to a duration that is within two years of the duration of the Barclays U.S. Intermediate Aggregate Bond Index and unconstrained fixed income strategies have been implemented to further mitigate interest rate risk.

As of June 30, 2020 and 2019, the Foundation had fixed income securities managed based on duration. The securities duration was 4.8 years and 3.0 years as of June 30, 2020 and June 30, 2019, respectively.

Foreign Currency Risk. Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit.

The Foundation's exposure to foreign currency risk derives from certain endowment investments of the University's pooled endowment fund. The University's investment policy allows fixed-income managers to invest a portion of their portfolios in non-U.S. securities. Additionally, the investment policy allows various pooled fund managers to invest in accordance with the guidelines established in each individual fund's prospectus, which allows for investment in non-U.S. securities. Endowment managers are permitted to use derivative instruments to limit foreign currency risk.

3. TRANSACTIONS WITH RELATED PARTIES

Salaries, wages and benefits reimbursements represent charges for University employees. Grants to (from) the University primarily consist of funds transferred in compliance with an agreement between the Foundation and the University, whereby the University provides general support of facilities, personnel and programs in exchange for an annual grant. Salaries, wages, and benefits reimbursements were \$207,394,603 and \$192,519,336 as of June 30, 2020 and June 30, 2019, respectively.

4. NOTES AND ACCOUNTS RECEIVABLE, NET

Notes and accounts receivable, net as of June 30, 2020 is summarized as follows:

	2020		
	Gross Receivable	Allowance	Net Receivable
Reimbursement receivable - grants and contracts	\$ 34,325,519	\$ (175,000)	\$ 34,150,519
Other	519,580	—	519,580
Total	<u>\$ 34,845,099</u>	<u>\$ (175,000)</u>	<u>\$ 34,670,099</u>
Current portion			\$ 34,596,509
Noncurrent portion			73,590
Total			<u>\$ 34,670,099</u>

Notes and accounts receivable, net as of June 30, 2019 is summarized as follows:

	2019		
	Gross Receivable	Allowance	Net Receivable
Reimbursement receivable - grants and contracts	\$ 37,194,924	\$ (180,000)	\$ 37,014,924
Other	332,945	—	\$ 332,945
Total	<u>\$ 37,527,869</u>	<u>\$ (180,000)</u>	<u>\$ 37,347,869</u>
Current portion			\$ 37,274,704
Noncurrent portion			73,165
Total			<u>\$ 37,347,869</u>

5. OTHER CURRENT ASSETS

Other current assets as of June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Unrecognized charges - patents, net	\$ 1,885,096	\$ 1,149,688
Inventories	876,008	2,477,346
Other	105,309	42,980
Total	<u>\$ 2,866,413</u>	<u>\$ 3,670,014</u>

6. CAPITAL ASSETS, NET

Capital assets as of June 30, 2020 are summarized as follows:

Capital Assets	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 2,336,455	\$ —	\$ —	\$ 2,336,455
Land improvements	592,993	—	—	592,993
Buildings	1,089,773	—	—	1,089,773
Infrastructure	6,567,248	—	—	6,567,248
Equipment	2,811,680	299,250	5,647	3,105,283
Total	<u>13,398,149</u>	<u>299,250</u>	<u>5,647</u>	<u>13,691,752</u>
<u>Accumulated Depreciation</u>				
Land improvements	252,022	59,299	—	311,321
Buildings	813,079	24,060	—	837,139
Infrastructure	2,141,055	262,690	—	2,403,745
Equipment	2,263,493	113,187	5,647	2,371,033
Total	<u>5,469,649</u>	<u>459,236</u>	<u>5,647</u>	<u>5,923,238</u>
Capital assets, net	<u>\$ 7,928,500</u>	<u>\$ (159,986)</u>	<u>\$ —</u>	<u>\$ 7,768,514</u>

Capital assets as of June 30, 2019 are summarized as follows:

Capital Assets	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 2,336,455	\$ —	\$ —	\$ 2,336,455
Land improvements	592,993	—	—	592,993
Buildings	1,089,773	—	—	1,089,773
Infrastructure	6,567,248	—	—	6,567,248
Equipment	2,795,550	55,366	39,236	2,811,680
Total	<u>13,382,019</u>	<u>55,366</u>	<u>39,236</u>	<u>13,398,149</u>
Accumulated Depreciation				
Land improvements	192,723	59,299	—	252,022
Buildings	789,019	24,060	—	813,079
Infrastructure	1,878,365	262,690	—	2,141,055
Equipment	2,197,773	104,956	39,236	2,263,493
Total	<u>5,057,880</u>	<u>451,005</u>	<u>39,236</u>	<u>5,469,649</u>
Capital assets, net	<u>\$ 8,324,139</u>	<u>\$ (395,639)</u>	<u>\$ —</u>	<u>\$ 7,928,500</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2020 and 2019 are as follows:

	2020	2019
Payable to vendors and contractors	\$ 6,592,210	\$ 7,825,814
Due to the University of Kentucky for accrued payroll	1,712,163	1,230,362
Accrued payroll - KTI	72,682	26,769
Total	<u>\$ 8,377,055</u>	<u>\$ 9,082,945</u>

8. UNEARNED REVENUE

Unearned revenue as of June 30, 2020 and 2019 is as follows:

	June 30, 2019	Additions	Reductions	June 30, 2020	Current Portion	Noncurrent Portion
Unearned grants and contracts revenue	\$ 38,873,357	\$ 63,114,961	\$ 60,692,045	\$ 41,296,273	\$ 38,764,141	\$ 2,532,132
Unearned revenue - KTI	4,167	3,879	—	8,046	8,046	—
Total unearned revenue	<u>\$ 38,877,524</u>	<u>\$ 63,118,840</u>	<u>\$ 60,692,045</u>	<u>\$ 41,304,319</u>	<u>\$ 38,772,187</u>	<u>\$ 2,532,132</u>
	June 30, 2018	Additions	Reductions	June 30, 2019	Current Portion	Noncurrent Portion
Unearned grants and contracts revenue	\$ 41,362,328	\$ 63,873,692	\$ 66,362,663	\$ 38,873,357	\$ 33,018,423	\$ 5,854,934
Unearned revenue - KTI	7,585	—	3,418	4,167	4,167	—
Total unearned revenue	<u>\$ 41,369,913</u>	<u>\$ 63,873,692</u>	<u>\$ 66,366,081</u>	<u>\$ 38,877,524</u>	<u>\$ 33,022,590</u>	<u>\$ 5,854,934</u>

9. LONG TERM LIABILITIES

Long-term liabilities as of June 30, 2020 and 2019 are summarized as follows:

	2020					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Deferred tax liability - KTI	\$ 388,076	\$ 83,230	\$ —	\$ 471,306	\$ —	\$ 471,306
Other long-term liabilities	21,626	—	—	21,626	21,626	—
Total long-term liabilities	<u>\$ 409,702</u>	<u>\$ 83,230</u>	<u>\$ —</u>	<u>\$ 492,932</u>	<u>\$ 21,626</u>	<u>\$ 471,306</u>

	2019					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Deferred tax liability - KTI	\$ 456,048	\$ —	\$ 67,972	\$ 388,076	\$ —	\$ 388,076
Other long-term liabilities	43,252	—	21,626	21,626	21,626	—
Total long-term liabilities	<u>\$ 499,300</u>	<u>\$ —</u>	<u>\$ 89,598</u>	<u>\$ 409,702</u>	<u>\$ 21,626</u>	<u>\$ 388,076</u>

10. INVESTMENT INCOME

Components of investment income for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Interest and dividends earned on endowment investments	\$ 166,880	\$ 233,520
Realized and unrealized gains and (losses) on endowment investments	(208,601)	591,106
Realized and unrealized gains, interest and dividends earned on non-endowment investments	754,389	1,244,154
Investment income from external trusts	20,717	18,492
Total	<u>\$ 733,385</u>	<u>\$ 2,087,272</u>

11. GRANTS AND CONTRACTS AWARDED

At June 30, 2020 and 2019, grants and contracts of \$332,769,799 and \$291,542,674 had been awarded to the Foundation, but not expended. These contracts are available to provide grant revenue to future periods and will be recognized as expended.

12. RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. These risks are covered by the State Fire and Tornado Insurance Fund (the Fund), commercial insurance, extension of coverage by the University's participation in an insurance risk retention group and self-insurance.

The Fund covers losses to property from fire, wind, earthquake, flood and other named perils between \$5,000 and \$1,000,000 per occurrence. Losses in excess of \$1,000,000 are insured by commercial carriers up to \$1.25 billion per occurrence. Buildings and contents are insured at replacement cost. Claims against directors, officers and employees for wrongful acts (errors and omission) are insured

through a risk retention group. There have been no significant reductions in insurance coverage from fiscal year 2019 to 2020. Settlements have not exceeded insurance coverage during the past three years.

The Foundation is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the University's self-insurance program or by commercial insurance; for example performance of contracts. The University evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the statements of net position, change in net position and cash flows of the Foundation. Due to the inherent uncertainties of claims and lawsuits, it is reasonably possible that events could occur that would change this estimate materially in the near term.

The Foundation is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

13. LEASING ARRANGEMENTS

KTI

KTI leases a facility from the University's Advanced Science and Technology Commercialization Center (ASTeCC). The lease automatically renews annually. Rent expense for this facility was \$128,176 and \$122,754 for the periods ended December 31, 2019 and 2018, respectively. KTI subleases the ASTeCC building to developing industries in advanced technology, with renewal options and escalation clauses. Sublease rental income was \$257,587 and \$243,636 for the periods ended December 31, 2019 and 2018, respectively.

KTI also offers virtual offices at the Coldstream Center. In the periods ended December 31, 2019 and 2018, rental income from virtual offices was \$0 and \$75, respectively, with no related expenses. The following is a schedule of future minimum rental receipts to be received under the leases at all locations at December 31, 2019:

Years ending December 31,	
2020	\$ 173,309
2021	38,696
2022	19,277
Total minimum rental receipts	<u>\$ 231,282</u>

KTI's wholly owned subsidiary, Secat, Inc., leases property from the University at no charge. The fair market value of this lease is approximately \$250,000 for each of the years ended December 31, 2019 and 2018, which has been included as both in-kind revenue and expense on the Foundation's Statement of Revenues, Expenses, and Changes in Net Position.

14. CURRENT ECONOMIC UNCERTAINTIES

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 UKRF. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

15. COMBINED STATEMENTS

The Foundation and its blended component unit's statements were summarized as follows for the years ended June 30, 2020 and 2019:

UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
COMBINED STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

	University of Kentucky Research Foundation	Kentucky Technology, Inc.	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 117,293,019	\$ 671,740	\$ —	\$ 117,964,759
Notes and accounts receivable, ne	34,166,495	430,014	—	34,596,509
Other current assets, net	2,761,104	105,309	—	2,866,413
Total current assets	<u>154,220,618</u>	<u>1,207,063</u>	<u>—</u>	<u>155,427,681</u>
Noncurrent Assets				
Restricted cash and cash equivalents	119,662	—	—	119,662
Endowment investments	14,860,449	—	—	14,860,449
Other long-term investments	8,018,229	2,642,224	(8,014,288)	2,646,165
Notes and accounts receivable, ne	10,602	62,988	—	73,590
Capital assets, net	2,870,762	4,897,752	—	7,768,514
Total noncurrent assets	<u>25,879,704</u>	<u>7,602,964</u>	<u>(8,014,288)</u>	<u>25,468,380</u>
Total assets	<u>180,100,322</u>	<u>8,810,027</u>	<u>(8,014,288)</u>	<u>180,896,061</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	8,082,294	294,761	—	8,377,055
Unearned revenue	38,764,141	8,046	—	38,772,187
Long-term liabilities - current portion	—	21,626	—	21,626
Total current liabilities	<u>46,846,435</u>	<u>324,433</u>	<u>—</u>	<u>47,170,868</u>
Noncurrent Liabilities				
Unearned revenue	2,532,132	—	—	2,532,132
Long-term liabilities	—	471,306	—	471,306
Total noncurrent liabilities	<u>2,532,132</u>	<u>471,306</u>	<u>—</u>	<u>3,003,438</u>
Total liabilities	<u>49,378,567</u>	<u>795,739</u>	<u>—</u>	<u>50,174,306</u>
NET POSITION				
Net investment in capital assets	<u>2,870,762</u>	<u>4,897,752</u>	<u>—</u>	<u>7,768,514</u>
Restricted				
Nonexpendable	855,513	—	—	855,513
Expendable	4,694,385	—	—	4,694,385
Total restricted	<u>5,549,898</u>	<u>—</u>	<u>—</u>	<u>5,549,898</u>
Unrestricted	<u>122,301,095</u>	<u>3,116,536</u>	<u>(8,014,288)</u>	<u>117,403,343</u>
Total net position	<u>\$ 130,721,755</u>	<u>\$ 8,014,288</u>	<u>\$ (8,014,288)</u>	<u>\$ 130,721,755</u>

UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
COMBINED STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

	University of Kentucky Research Foundation	Kentucky Technology, Inc.	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 91,971,496	\$ 601,668	\$ —	\$ 92,573,164
Notes and accounts receivable, net	37,037,780	236,924	—	37,274,704
Other current assets, net	3,627,034	42,980	—	3,670,014
Total current assets	<u>132,636,310</u>	<u>881,572</u>	<u>—</u>	<u>133,517,882</u>
Noncurrent Assets				
Restricted cash and cash equivalents	6,223,141	—	—	6,223,141
Endowment investments	15,069,050	—	—	15,069,050
Other long-term investments	7,642,615	2,316,417	(7,638,673)	2,320,359
Notes and accounts receivable, net	13,997	59,168	—	73,165
Capital assets, net	2,954,121	4,974,379	—	7,928,500
Total noncurrent assets	<u>31,902,924</u>	<u>7,349,964</u>	<u>(7,638,673)</u>	<u>31,614,215</u>
Total assets	<u>164,539,234</u>	<u>8,231,536</u>	<u>(7,638,673)</u>	<u>165,132,097</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	8,903,951	178,994	—	9,082,945
Unearned revenue	33,018,423	4,167	—	33,022,590
Long-term liabilities - current portion	—	21,626	—	21,626
Total current liabilities	<u>41,922,374</u>	<u>204,787</u>	<u>—</u>	<u>42,127,161</u>
Noncurrent Liabilities				
Unearned revenue	5,854,934	—	—	5,854,934
Long-term liabilities	—	388,076	—	388,076
Total noncurrent liabilities	<u>5,854,934</u>	<u>388,076</u>	<u>—</u>	<u>6,243,010</u>
Total liabilities	<u>47,777,308</u>	<u>592,863</u>	<u>—</u>	<u>48,370,171</u>
NET POSITION				
Net investment in capital assets	2,954,121	4,956,586	—	7,910,707
Restricted				
Nonexpendable	853,013	—	—	853,013
Expendable	4,978,615	—	—	4,978,615
Total restricted	<u>5,831,628</u>	<u>—</u>	<u>—</u>	<u>5,831,628</u>
Unrestricted	<u>107,976,177</u>	<u>2,682,087</u>	<u>(7,638,673)</u>	<u>103,019,591</u>
Total net position	<u>\$ 116,761,926</u>	<u>\$ 7,638,673</u>	<u>\$ (7,638,673)</u>	<u>\$ 116,761,926</u>

UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	University of Kentucky Research Foundation	Kentucky Technology, Inc.	Eliminations	Total
OPERATING REVENUES				
Federal grants and contracts	\$ 219,369,735	\$ —	\$ —	\$ 219,369,735
State and local grants and contracts	19,685,141	—	—	19,685,141
Nongovernmental grants and contracts	28,596,453	2,046,075	—	30,642,528
Recoveries of facilities and administrative costs	68,219,429	—	—	68,219,429
Other operating revenues	516,818	633,236	—	1,150,054
Total operating revenues	<u>336,387,576</u>	<u>2,679,311</u>	<u>—</u>	<u>339,066,887</u>
OPERATING EXPENSES				
Educational and general:				
Instruction	12,017,332	—	—	12,017,332
Research	195,279,632	2,203,908	(15,271)	197,468,269
Public service	91,142,386	—	—	91,142,386
Academic support	1,982,266	—	—	1,982,266
Student services	30,007	—	—	30,007
Institutional support	902,062	—	—	902,062
Operations and maintenance of plant	171,801	—	—	171,801
Student financial aid	1,950,455	—	—	1,950,455
Depreciation	83,359	375,877	—	459,236
Total operating expenses	<u>303,559,300</u>	<u>2,579,785</u>	<u>(15,271)</u>	<u>306,123,814</u>
Net income from operations	<u>32,828,276</u>	<u>99,526</u>	<u>15,271</u>	<u>32,943,073</u>
NONOPERATING REVENUES (EXPENSES)				
Gifts	304,395	—	—	304,395
Investment income (loss)	845,898	263,102	(375,615)	733,385
License income	2,943,621	—	—	2,943,621
Grants to the University of Kentucky for noncapital purposes	(13,886,306)	—	—	(13,886,306)
Other nonoperating revenues and expenses, net	388	12,987	(15,271)	(1,896)
Net nonoperating revenues (expenses)	<u>(9,792,004)</u>	<u>276,089</u>	<u>(390,886)</u>	<u>(9,906,801)</u>
Net income (loss) before other revenues, expenses, gains, or losses	<u>23,036,272</u>	<u>375,615</u>	<u>(375,615)</u>	<u>23,036,272</u>
Capital grants and gifts	4,214,124	—	—	4,214,124
Additions to permanent endowments	2,500	—	—	2,500
Grants to the University of Kentucky for capital purposes	(13,293,067)	—	—	(13,293,067)
Total other revenues (expenses)	<u>(9,076,443)</u>	<u>—</u>	<u>—</u>	<u>(9,076,443)</u>
INCREASE (DECREASE) IN NET POSITION	<u>13,959,829</u>	<u>375,615</u>	<u>(375,615)</u>	<u>13,959,829</u>
NET POSITION, beginning of year	<u>116,761,926</u>	<u>7,638,673</u>	<u>(7,638,673)</u>	<u>116,761,926</u>
NET POSITION, end of year	<u>\$ 130,721,755</u>	<u>\$ 8,014,288</u>	<u>\$ (8,014,288)</u>	<u>\$ 130,721,755</u>

UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	University of Kentucky Research Foundation	Kentucky Technology, Inc.	Eliminations	Total
OPERATING REVENUES				
Federal grants and contracts	\$ 206,698,361	\$ —	\$ —	\$ 206,698,361
State and local grants and contracts	17,812,817	—	—	17,812,817
Nongovernmental grants and contracts	30,368,253	1,678,827	—	32,047,080
Recoveries of facilities and administrative costs	66,947,295	—	—	66,947,295
Other operating revenues	797,879	592,384	—	1,390,263
Total operating revenues	<u>322,624,605</u>	<u>2,271,211</u>	<u>—</u>	<u>324,895,816</u>
OPERATING EXPENSES				
Educational and general:				
Instruction	12,014,067	—	—	12,014,067
Research	189,592,310	2,043,346	(24,895)	191,610,761
Public service	83,070,020	—	—	83,070,020
Academic support	2,370,957	—	—	2,370,957
Student services	6,994	—	—	6,994
Institutional support	850,171	—	—	850,171
Operations and maintenance of plant	390,506	—	—	390,506
Student financial aid	2,002,412	—	—	2,002,412
Depreciation	83,359	367,646	—	451,005
Total operating expenses	<u>290,380,796</u>	<u>2,410,992</u>	<u>(24,895)</u>	<u>292,766,893</u>
Net income (loss) from operations	<u>32,243,809</u>	<u>(139,781)</u>	<u>24,895</u>	<u>32,128,923</u>
NONOPERATING REVENUES (EXPENSES)				
Gifts	208,833	—	—	208,833
Investment income	1,990,973	72,818	23,481	2,087,272
License income	2,327,053	—	—	2,327,053
Grants to the University of Kentucky for noncapital purposes	(12,661,732)	—	—	(12,661,732)
Other nonoperating revenues and expenses, net	1,022	43,482	(24,895)	19,609
Net nonoperating revenues (expenses)	<u>(8,133,851)</u>	<u>116,300</u>	<u>(1,414)</u>	<u>(8,018,965)</u>
Net income (loss) before other revenues, expenses, gains, or losses	<u>24,109,958</u>	<u>(23,481)</u>	<u>23,481</u>	<u>24,109,958</u>
Capital grants and gifts	14,034,077	—	—	14,034,077
Additions to permanent endowments	14,100	—	—	14,100
Grants to the University of Kentucky for capital purposes	(16,712,011)	—	—	(16,712,011)
Other, net	41,712	—	—	41,712
Total other revenues (expenses)	<u>(2,622,122)</u>	<u>—</u>	<u>—</u>	<u>(2,622,122)</u>
INCREASE (DECREASE) IN NET POSITION	<u>21,487,836</u>	<u>(23,481)</u>	<u>23,481</u>	<u>21,487,836</u>
NET POSITION, beginning of year	95,274,090	7,662,154	(7,662,154)	95,274,090
NET POSITION, end of year	<u>\$ 116,761,926</u>	<u>\$ 7,638,673</u>	<u>\$ (7,638,673)</u>	<u>\$ 116,761,926</u>

UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	University of Kentucky Research Foundation	Kentucky Technology, Inc.	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Grants and contracts	\$ 273,105,542	\$ 2,046,075	\$ —	\$ 275,151,617
Recoveries of facilities and administrative costs	69,201,456	—	—	69,201,456
Payments to vendors and contractors	(97,229,627)	(1,429,871)	390,886	(98,268,612)
Salaries, wages and benefits reimbursement to the University of Kentucky	(207,394,603)	—	—	(207,394,603)
Salaries, wages and benefits	—	(707,223)	—	(707,223)
Other receipts	522,963	510,059	—	1,033,022
Net cash provided by operating activities	<u>38,205,731</u>	<u>419,040</u>	<u>390,886</u>	<u>39,015,657</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Gifts and grants received for other than capital purposes:				
Private gifts for endowment purposes	2,500	—	—	2,500
Private gifts for other purposes	305,130	—	—	305,130
Grants to the University of Kentucky	(13,886,306)	—	—	(13,886,306)
Other receipts (payments)	2,831,516	12,987	(15,271)	2,829,232
Net cash provided (used) by noncapital financing activities	<u>(10,747,160)</u>	<u>12,987</u>	<u>(15,271)</u>	<u>(10,749,444)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grants to the University of Kentucky for capital purposes	(13,133,536)	—	—	(13,133,536)
Capital grants and gifts	4,214,124	—	—	4,214,124
Purchases of capital assets	—	(299,250)	—	(299,250)
Net cash used by capital and related financing activities	<u>(8,919,412)</u>	<u>(299,250)</u>	<u>—</u>	<u>(9,218,662)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	6,168,518	1,465,809	—	7,634,327
Interest and dividends on investments	678,885	(23,429)	(375,615)	279,841
Purchase of investments	(6,168,518)	(1,505,085)	—	(7,673,603)
Net cash provided (used) by investing activities	<u>678,885</u>	<u>(62,705)</u>	<u>(375,615)</u>	<u>240,565</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>19,218,044</u>	<u>70,072</u>	<u>—</u>	<u>19,288,116</u>
CASH AND CASH EQUIVALENTS, beginning of year	98,194,637	601,668	—	98,796,305
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 117,412,681</u>	<u>\$ 671,740</u>	<u>\$ —</u>	<u>\$ 118,084,421</u>

UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	University of Kentucky Research Foundation	Kentucky Technology, Inc.	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Grants and contracts	\$ 248,752,952	\$ 1,678,827	\$ —	\$ 250,431,779
Recoveries of facilities and administrative costs	65,385,207	—	—	65,385,207
Payments to vendors and contractors	(96,759,829)	(1,547,586)	1,414	(98,306,001)
Salaries, wages and benefits reimbursement to the University of Kentucky	(192,519,336)	—	—	(192,519,336)
Salaries, wages and benefits	—	(586,525)	—	(586,525)
Other receipts	779,854	721,861	—	1,501,715
Net cash provided by operating activities	<u>25,638,848</u>	<u>266,577</u>	<u>1,414</u>	<u>25,906,839</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Gifts and grants received for other than capital purposes:				
Private gifts for endowment purposes	14,100	—	—	14,100
Private gifts for other purposes	190,425	—	—	190,425
Grants to the University of Kentucky	(12,661,732)	—	—	(12,661,732)
Other receipts (payments)	2,471,385	43,482	(24,895)	2,489,972
Net cash provided (used) by noncapital financing activities	<u>(9,985,822)</u>	<u>43,482</u>	<u>(24,895)</u>	<u>(9,967,235)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grants to the University of Kentucky for capital purposes	(16,946,662)	—	—	(16,946,662)
Capital grants and gifts	14,034,077	—	—	14,034,077
Purchases of capital assets	—	(55,366)	—	(55,366)
Principal paid on capital debt and leases	—	(17,793)	—	(17,793)
Other receipts	41,712	—	—	41,712
Net cash used by capital and related financing activities	<u>(2,870,873)</u>	<u>(73,159)</u>	<u>—</u>	<u>(2,944,032)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	5,318,684	228,339	—	5,547,023
Interest and dividends on investments	1,423,346	168,053	23,481	1,614,880
Purchase of investments	(5,318,683)	(2,142,281)	—	(7,460,964)
Net cash provided (used) by investing activities	<u>1,423,347</u>	<u>(1,745,889)</u>	<u>23,481</u>	<u>(299,061)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,205,500	(1,508,989)	—	12,696,511
CASH AND CASH EQUIVALENTS, beginning of year	83,989,137	2,110,657	—	86,099,794
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 98,194,637</u>	<u>\$ 601,668</u>	<u>\$ —</u>	<u>\$ 98,796,305</u>

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