



# University of Kentucky

2025 FINANCIAL STATEMENTS

**University of Kentucky**  
**A Component Unit of the Commonwealth of Kentucky**  
**Financial Statements**  
**Year Ended June 30, 2025**

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**MESSAGE FROM THE EXECUTIVE VICE  
PRESIDENT FOR FINANCE AND  
ADMINISTRATION AND CO-EXECUTIVE VICE  
PRESIDENT FOR HEALTH AFFAIRS**

President Capilouto reminds us often that our mission is to advance Kentucky in all that we do.

We understand, too, that meeting this moment and this mission will depend upon how UK collaborates with partners to create and sustain a state that tomorrow is healthier, wealthier and wiser than it is today.

That was our purpose more than 160 years ago at our founding.

It remains our promise today.

The University of Kentucky's budget for Fiscal Year (FY) 2025-2026 supports and amplifies in so many ways — even in times of significant challenge — how we intend to honor that mission in the year ahead.

The \$8.62 billion budget for FY 2025-2026 continues a trend and commitment of holding down prices so more students can attend college and be part of the distinctive education that only we provide for Kentucky. In fact, more students are graduating on time, and without debt, than ever before at UK.

Further, this budget underscores that prudent planning through strategic investments can extend healing to more places throughout Kentucky and ensure that research and discovery continue to be a cornerstone of our mission to advance this state.

Finally, our institutional budget demonstrates our deep understanding of how important athletics is to our community and the state we serve. Strategic investments in this program in a time of unprecedented change show that we are planning in creative and innovative ways



for how UK Athletics will remain one of the premier programs in the country.

Highlights of the FY 2025-2026 budget include:

**Taking Care of our Students**

- A modest three percent increase for fall 2025, as authorized by the state Council on Postsecondary Education, ensures that the rolling, four-year average for tuition and mandatory fees at UK remains under three percent.
- The percentage of UK students graduating without debt is now over 50% as we have significantly increased financial aid and scholarships over the last decade.
- This fall, according to our preliminary projections, we anticipate a record first-year class of more than 6,800 students — the fourth straight year of classes of more than 6,000. At the same time, graduation rates have climbed to more than 70%, placing us among the top 100 public, four-year institutions in the country.

### **Taking Care of our People**

- For the 12th time in 13 years, UK is providing compensation increases for its people — a display of the longstanding commitment to taking care of the people who take care of our Commonwealth.
- Specifically, this budget includes a 1.5% increase for all eligible employees, with a minimum raise of \$750.
- UK continues to try to offset, as much as possible, the rising costs of health care, with more than \$80.0 million in additional compensation in benefits.
- The University is also, in the context of this budget, expanding parental leave and elder care leave — benefits that staff leaders have worked closely with the University on bolstering as we continue to care for our growing community.

### **Taking Care of Kentucky**

- UK's research enterprise for the year ending June 30, 2025, had grown to \$500.0 million in funding and expenditures — much of that supported by the federal government and focused on the diseases and challenges that most confront Kentucky.
- We are being prudent as we plan for the immediate future with uncertain funding streams, projecting an approximate 10% decline in research funding for the coming year.
- The health care enterprise has a more than \$5.13 billion budget for FY 2025-2026 — a reflection of a health mission that extends across the state, into every corner and community of the Commonwealth.

### **Innovation in the Face of Change**

- This budget also outlines potential investments — internal loans that will be repaid with interest — of up to \$110.0 million over the next few years in UK Athletics.
- The internal loan and investment initiative is part of a new governing

model and operating structure for UK Athletics — designed to incentivize growth in revenues in a new era in which student athletes receive compensation in addition to scholarships and previous benefits.

In total, these investments throughout UK and our state speak not simply to priorities, but to our values as an institution and a community, as well.

After all, you invest in what you believe in and what you care about.

At UK, these budget priorities clearly and without reservation reflect our answer to the charge our Board of Trustees has given us — to do more, working with partners, than any institution in the country to advance the health of the state we serve.

It's an ambitious mission and an audacious vision for our future and that of the state we serve.

It is also a necessary one. We exist to advance this state in everything that we do. This budget reflects that fact and that aspiration.

We are the university of, for and with Kentucky.

Eric N. Monday

Executive Vice President for Finance and Administration and Co-Executive Vice President for Health Affairs

## Independent Auditor's Report

Board of Trustees  
University of Kentucky  
Lexington, Kentucky

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the business-type activities and the fiduciary activities of the University of Kentucky (University), collectively a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the University, as of June 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Kentucky Medical Services Foundation (KMSF) and Insure Blue, which are blended component units of the University, constituting 2.2%, 0.2%, and 5.0%, respectively, of the assets, net position, and revenues of the business-type activities of the University, as of June 30, 2025. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for KMSF and Insure Blue, are based solely on the reports of the other auditors.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of University of Kentucky Alumni Association, Inc., University of Kentucky Gluck Equine Research Foundation, Inc., University of Kentucky Humanities Foundation, Inc., University of Kentucky Mining Engineering Foundation, Inc., Royal Blue Health LLC, Central Kentucky Management Services, Inc., Kentucky Technology, Inc., KMSF and Insure Blue, which are included as blended component units of the business type activities, were not audited in accordance with *Government Auditing Standards*.

### ***Emphasis of Matter***

As discussed in Note 26 to the financial statements, in 2025, the University entered into a membership substitution agreement to acquire St. Claire Medical Center, Inc. and its affiliates, which resulted in a government combination. Our opinions are not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, other postemployment and long-term disability benefit plan information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the governing board, administration, and deans and directors listing, and the message from the executive vice president for finance and administration and co-executive vice president for health affairs, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2025 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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.

**Forvis Mazars, LLP**

**Louisville, Kentucky  
October 2 2025**

**UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2025**

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Kentucky (the University or UK) and its affiliated corporations for the fiscal year ended June 30, 2025. Management has prepared this discussion and suggests that it be read in conjunction with the financial statements and the notes appearing in this report.

**About the University of Kentucky**

**Mission.** The University of Kentucky is a public, land-grant university dedicated to improving people's lives through excellence in education, research and creative work, service and health care. As Kentucky's flagship institution, the University plays a critical leadership role by promoting one community from among many people – a place where everyone is welcome.

The University of Kentucky:

- Facilitates learning, informed by scholarship and research;
- Expands knowledge through research, scholarship and creative activity; and
- Serves a global community by disseminating, sharing and applying knowledge.

The University plays a critical leadership role for the Commonwealth of Kentucky (the Commonwealth) by contributing to the economic development and quality of life within Kentucky's borders and beyond. The University nurtures a community made of people from different backgrounds and perspectives, ensuring broad access to opportunity for all.

**Vision.** As Kentucky's indispensable institution, we transform the lives of our students and advance the Commonwealth we serve — and beyond — through our teaching and learning, community connection, discovery, research and creativity, promotion of health and deep community engagement.

**Background.** Under provisions of the federal Morrill Land-Grant Colleges Act (1862), Kentucky State Agricultural and Mechanical College was established in 1865 as part of Kentucky University (now Transylvania University). The College separated from Kentucky University in 1878 and was established on a 52-acre site (the University's current location) donated by the city of Lexington. In 1908, the College was renamed the State University, Lexington, Kentucky. In 1916, it became the University of Kentucky.

According to the Kentucky Revised Statutes (KRS) 164.125(2):

In carrying out its statewide mission, the University of Kentucky shall conduct statewide research and provide statewide services including, but not limited to, agricultural research and extension services, industrial and scientific research, industrial technology extension services to Kentucky employers, and research related to the doctoral, professional and postdoctoral programs offered within the University. The University may establish and operate centers and utilize state appropriations and other resources to carry out the necessary research and service activities throughout the state. The University may enter into joint research and service activities with other universities in order to accomplish its statewide mission.

Today, the University continues to focus on the core academic mission of the institution and the original tenets of the Morrill Land-Grant Colleges Act (1862). UK remains steadfast in its covenant with the Commonwealth to produce graduates prepared for a 21st century economy; to conduct research that extends the boundaries

of scientific discovery; to contribute to our economy and address relevant questions; and to render service and patient care that uplifts our community and region.

The UK Board of Trustees (Board) adopted UK's newest strategic plan at its October 2021 retreat. The plan considers the current operating context for higher education and focuses on five strategic principles that support our role as Kentucky's indispensable institution:

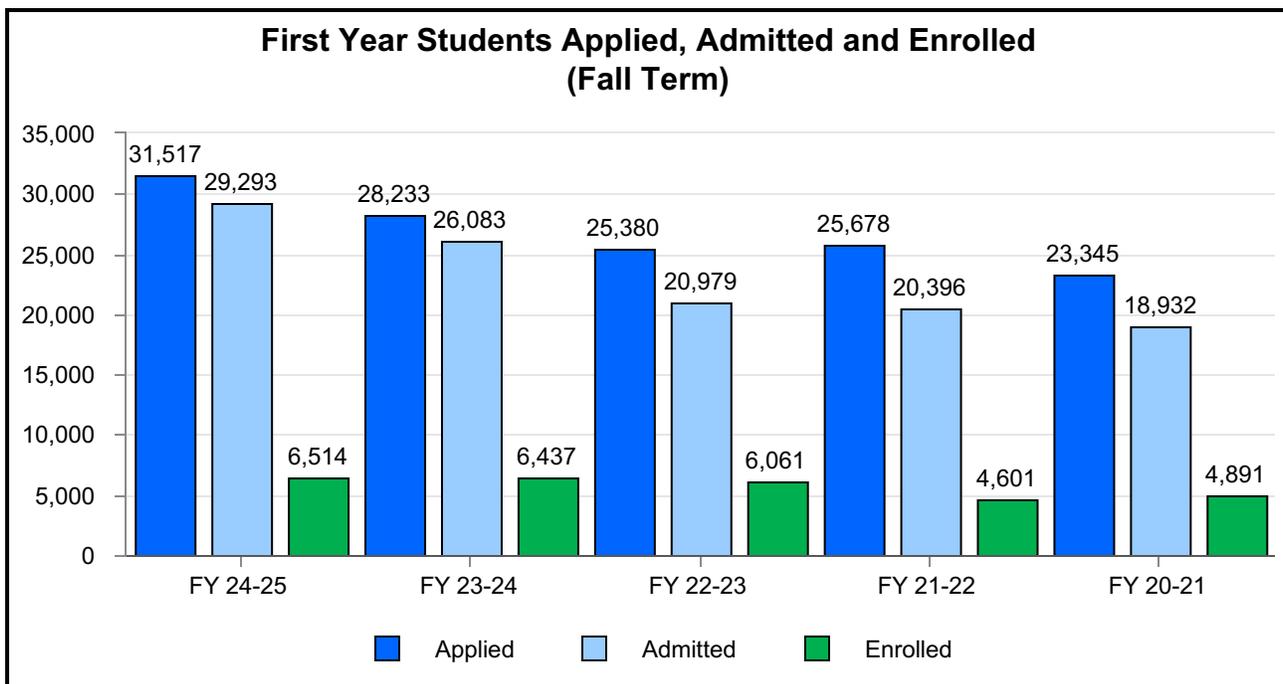
- **Putting Students First** – They are why we are here. Whether it is maintaining a modern curriculum that prepares our students for success, providing appropriate support for graduate students or ensuring that doctoral students start and complete their programs successfully, we must put students first.
- **Taking Care of Our People** – We will only accomplish our mission of advancing Kentucky when our people are compensated – in terms of pay and benefits – and supported in ways that lead the state, too.
- **Inspiring Ingenuity in Everything That We Do** – How do we embed innovation and discovery into every aspect of our institution? The breadth and depth of programming and offerings on one campus makes us distinctive in higher education. How do we incentivize the spark of ingenuity throughout our campus?
- **Ensuring Greater Trust, Transparency and Accountability** – We are Kentucky's institution. And that mantle holds with it heightened responsibilities around accountability and transparency. But we need to do more to instill a sense of trust in each other on issues ranging from shared governance to open accountability for how we perform and what we measure.
- **Many People; One Community** – UK is a big place. We are home to many different people who come to us to learn and teach, heal and serve, innovate and discover. They bring with them a vibrant array of experiences and perspectives, and they help advance our mission while simultaneously nurturing a strong and meaningful community. That is what it means to bring together many people into one community so that we may constantly discover what's possible when we learn from one another.

Progress on these objectives is reported on an annual basis and presented to the Board at the October board retreat.

The University is identified as a “Research University (very high research activity)” by the Carnegie Commission on Higher Education.

The University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACSCOC). This has been reaffirmed at approximately 10-year intervals since 1915, with the most recent accreditation reaffirmed at the SACSCOC Board of Trustees meeting on December 3, 2023 with no areas of noncompliance or concern out of more than 70 standards evaluated. In addition, several degree programs and individual units are accredited by agencies appropriate to specific professions or fields.

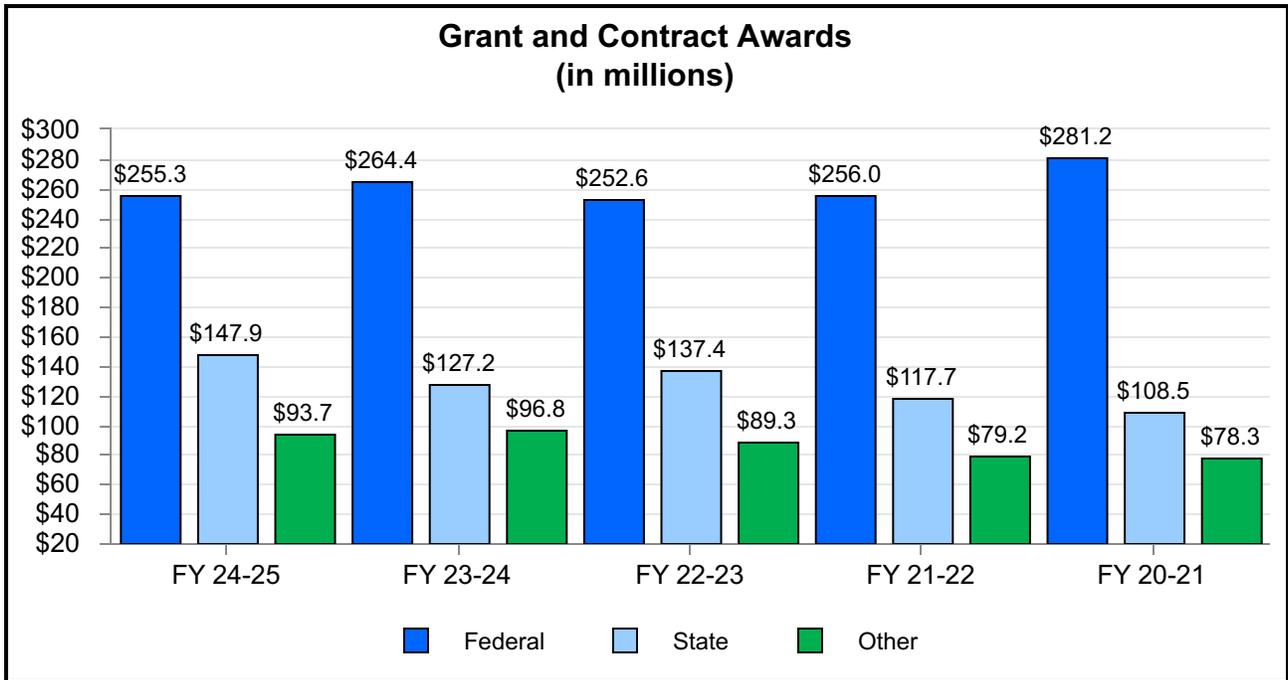
**Students.** UK's enrollment has grown in the past decade from just under 31,000 students to a record of nearly 36,000 students in fall 2024, an increase of more than 5,200 students (17.0%) since Fall 2015. They represent all 120 Kentucky counties, every state in the U.S. and more than 100 countries. Last fall, enrollment was more than 6,500 first-time, first-year students — another record. Six-year graduation rates have reached a historic high of more than 70%, placing us among the top 100 public, four-year institutions in the country.



**Programs.** The University offers more than 200 majors and degree programs in 16 academic and professional degree-granting colleges that are supported by a comprehensive research library system, the Graduate School and the Lewis Honors College. UK is one of only eight public universities in the country with the full complement of liberal arts, engineering, professional, agricultural and medical colleges and disciplines on one contiguous campus.

**Research.** The University's total research expenses, as reported to the National Science Foundation as part of the Higher Education Research and Development (HERD) Survey, totaled \$527.7 million for fiscal year 2023-24 compared to \$504.0 million in fiscal year 2022-23. The research expenses include both funded and unfunded recoveries of facilities and administrative costs and purchases of capital assets, thus are not correlating to the amounts shown in the Statement of Revenues, Expenses and Changes in Net Position. The reported total University research expenses for fiscal year 2023-24 and associated rankings will be released by the National Science Foundation in late 2025. University of Kentucky Research Foundation (UKRF) awards (grants and contracts) received during fiscal year 2024-25 totaled \$496.9 million, a 1.7% increase from the prior year's amount of \$488.4 million.

UK is one of 34 institutions in the country with the trifecta of National Institutes of Health research designations for excellence in cancer, aging and translational science. The impact of the work of UK researchers goes far beyond our campus. The \$527.7 million UK spent on research and development in fiscal year 2024 generated \$937.0 million in economic activity across the state, supporting more than 4,700 jobs throughout Kentucky.



**Outreach.** As Kentucky’s flagship, land-grant university, UK engages citizens and communities across the state in a myriad of ways, including extension offices in all 120 Kentucky counties; continuing education opportunities for teachers, lawyers and health care providers; clinics providing legal, pharmaceutical and health care assistance; statewide arts and cultural contributions; and a multitude of research efforts aimed at Kentucky’s most difficult problems in economic development, health care, infrastructure and education.

In October 2024, the Board called on UK to be the university that does more for the state it serves than any other institution in the country. In response, the Advancing Kentucky Together Network was created - a strategic, statewide network rooted in UK’s land-grant mission and fueled by meaningful partnerships. It is designed to empower and support Kentucky communities as we co-create solutions to their most pressing challenges. We know there is so much more that we can accomplish together than we could ever achieve alone. As the university of, for and with Kentucky, we are distinctly positioned to work with partners across the state to ensure a Kentucky tomorrow that is healthier, wealthier and wiser than it is today.

**UK HealthCare.** UK HealthCare Hospital System (UK HealthCare or the System), the University's advanced academic medical center and clinical care network, is uniquely equipped to provide advanced subspecialty care to the people of Kentucky. The academic medical center and health system provide patient care on par - in terms of both volume and complexity - with the nation's top 25% of academic medical centers. The System has been named the number two hospital in Kentucky by U.S. News and World Report’s Best Hospitals rankings. To be recognized as one of the Best Hospitals, the System had to rank high nationally on a stringent data-driven ratings system that gauges performance. The analysis includes multiple clinical specialties, procedures and conditions. Scores are based on a variety of patient outcome and care-related factors such as mortality and patient safety, as well as reputation.

Prior to December 1, 2022, the System operated two hospital units under one Joint Commission Accreditation and two licenses in addition to ambulatory services. The major service units included Albert B. Chandler Hospital, Good Samaritan Hospital, Kentucky Children's Hospital (collectively UK Hospital) and the Kentucky Clinic.

On December 1, 2022, Ashland-based Royal Blue Health LLC (RBH or King's Daughters health system), the largest employer in northeastern Kentucky, officially became part of the System - a move that is creating greater access to high-quality care for more Kentuckians. RBH has more than 5,000 employees at two acute

care hospitals; more than 50 ambulatory centers and practice locations; a long-term care facility; a medical transport company and six urgent care centers. The ownership of RBH creates new opportunities to serve patients from the greater Ashland/tri-state community that reaches across northeastern Kentucky, southern Ohio and West Virginia.

On July 1, 2024, Morehead based St. Claire Medical Center, Inc. and its subsidiary corporation St. Claire Real Properties, Inc. officially became part of the University through a newly created corporation Claire Blue Health, LLC (CBH). CBH is one of the largest employers in the greater Morehead region with more than 1,300 employees including more than 125 physicians and nearly 70 advanced practice professionals representing more than 30 medical specialties. CBH includes a hospital with 159 licensed beds as well as seven primary care locations located within five counties, a multi-specialty medical pavilion, two urgent care centers, a pediatrics clinic, a retail pharmacy, a counseling center, a medical equipment and supply store and an outpatient center. This partnership furthers UK's mission to treat and heal even more Kentuckians.

Working more closely together, we have expanded access to specialty and subspecialty care within the large service areas of northeastern Kentucky, enabling the region's people to stay closer to home for treatments. The System has a total of 1,784 licensed beds. On a monthly basis in fiscal year 2025, the System averaged 6,034 discharges, 8,320 surgeries, 20,008 emergency department visits and 242,395 outpatient clinic visits.

Under a management contract with the Kentucky Cabinet for Health and Family Services, the System also operates and manages Eastern State Hospital, a 300,000 square-foot facility located on the University's Coldstream Research Campus. The psychiatric facility provides a modern setting for both acute and long-term inpatient psychiatric treatment for adults living within Fayette County and the 50 surrounding counties. In July 2024, Eastern State Hospital opened a new emergency unit dedicated to the treatment of patients experiencing a mental health crisis. The unit is known as EmPATH (Emergency Psychiatric Assessment, Treatment and Healing).

In Fall 2023, the System's Markey Cancer Center (Markey) earned a "Comprehensive" Cancer Center designation, the highest level of recognition awarded by the National Cancer Institute (NCI). Markey is the first and only center in Kentucky to achieve this designation, and the next closest Comprehensive Cancer Center is 200 miles from Lexington. Currently, 73 NCI-designated Cancer Centers exist, and 57 of those are Comprehensive Cancer Centers. The System is one of an elite group of medical centers in the United States that have NCI designation, a federally funded Center on Aging and a highly prized Clinical and Translational Science Award grant.

The System's dramatic growth within the last decade is in large part the result of a commitment to support the state's overall system of care by working together with local community providers to bring specialty care closer to the patient. These relationships take on different dimensions in each locality (management agreements, affiliate networks, outreach, etc.) and support keeping less acute care in the local community and smoothing the process for more complex, serious cases to be treated in the System's Lexington facilities. The goal is better care at all points of the continuum.

**Libraries.** As the premier research library in the Commonwealth, UK Libraries empowers lifelong learners to discover, create and connect by providing ever-expanding access to quality information and collaborating with academic and creative communities worldwide to advance knowledge, enhance scholarship and preserve the history and culture of the Commonwealth.

## **Financial Highlights**

The University's overall financial position remains fiscally sound with assets of \$13.14 billion, deferred outflows of resources of \$30.2 million, liabilities of \$2.98 billion and deferred inflows of resources of \$499.7 million as of June 30, 2025. Net position, which represents the University's residual interest in assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was \$9.69 billion (74% of total assets).

- On July 1, 2024, the University's affiliate Beyond Blue Corporation (BBC) acquired CBH through member substitution. The entity is reported as part of BBC and the impact as of the date of acquisition resulted in an increase in assets of \$207.4 million, liabilities of \$91.4 million and net position of \$116.0 million.
- Total assets increased \$1.24 billion (11%) primarily due to increases in capital assets, net; cash and cash equivalents; endowment investments; and other long-term investments. These increases were offset by a decrease in notes, loans, leases and accounts receivable, net.
- Deferred outflows of resources decreased \$9.3 million (24%) primarily due to a decrease in pensions, long-term disability and retiree health due to net differences between projected and actual earnings in each of these plans.
- Total liabilities increased \$160.8 million (6%) primarily due to increases in long-term liabilities and accounts payable and accrued liabilities offset by decreases in unearned revenue, net OPEB retiree health liabilities, net OPEB long-term disability liabilities and net pension liabilities.
- Deferred inflows of resources decreased \$21.7 million (4%) primarily due to a \$21.1 million decrease in the OPEB retiree health related to amortization of plan liabilities and decreases in the net difference between projected and actual earnings, an \$11.1 million decrease in service concessions arrangements with Aramark, Barnes and Noble and Greystar offset by increases of \$5.5 million in lessor contracts, \$2.5 million in trusts and annuities and \$2.0 million in the OPEB long-term disability plan.
- Total net position increased \$1.09 billion (13%). Net investment in capital assets increased \$610.1 million primarily due to an increase in capital asset additions and capital gifts offset by depreciation and amortization expense compared to the prior year and the acquisition of CBH. Unrestricted net position increased \$361.5 million primarily due to the net increase in the System's operating revenues in excess of operating expenses and the acquisition of CBH. Restricted net position increased \$121.1 million primarily due to increases in endowment investments due to a positive return on the endowment pool, unrealized gains, quasi endowment funds received from the state and new gifts offset by decreases in restricted plant funds primarily due to continued spending on asset preservation and other construction projects.
- Operating revenues were \$6.70 billion and operating expenses were \$6.89 billion, resulting in a net loss from operations of \$191.1 million. Nonoperating and other revenues, net of nonoperating expenses, were \$1.28 billion, including \$358.6 million in state appropriations.

### Using the Financial Statements

The University presents its financial reports in a "business-type activity" format, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities - an amendment of GASB Statement No. 34*. GASB requires that statements be presented on a comprehensive, entity-wide basis. In addition to this MD&A section, the financial report includes:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements
- Required Supplementary Information

### Reporting Entity

The University is a component unit of the Commonwealth. The financial statements of the University include the operations of the University and the following entities:

- University of Kentucky Alumni Association, Inc.
- University of Kentucky Gluck Equine Research Foundation, Inc.
- University of Kentucky Humanities Foundation, Inc.
- University of Kentucky Mining Engineering Foundation, Inc.
- University of Kentucky Real Estate Foundation, Inc.
- University of Kentucky Research Foundation and its for-profit subsidiary, Kentucky Technology, Inc.

- Beyond Blue Corporation and its non-profit subsidiaries Royal Blue Health LLC, Claire Blue Health LLC and Insure Blue
- Central Kentucky Management Services, Inc.
- Kentucky Medical Services Foundation, Inc.

### Statement of Net Position

The Statement of Net Position is the University's balance sheet. It reflects the total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (equity) of the University as of June 30, 2025. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as noncurrent. Net position (the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources) is an important indicator of the University's current financial condition, while the change in net position is an indicator of whether the overall financial position has improved or eroded during the year. Generally assets, liabilities, deferred inflows of resources and deferred outflows of resources are reported using current values. A major exception is capital assets, net, 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 as of June 30, 2025 and 2024 are as follows:

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

	<u>2025</u>	<u>2024</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Current assets	\$ 3,401,968	\$ 3,241,920
Capital, lease, and subscription assets, net	5,216,880	4,400,108
Other noncurrent assets	4,522,272	4,258,045
Deferred outflows of resources	<u>30,191</u>	<u>39,453</u>
Total assets and deferred outflows of resources	<u>13,171,311</u>	<u>11,939,526</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
Current liabilities	995,546	977,679
Noncurrent liabilities	1,987,277	1,844,326
Deferred inflows of resources	<u>499,692</u>	<u>521,433</u>
Total liabilities and deferred inflows of resources	<u>3,482,515</u>	<u>3,343,438</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,941,153	2,331,016
Restricted		
Nonexpendable	811,887	782,062
Expendable	1,553,126	1,461,852
Unrestricted	<u>4,382,630</u>	<u>4,021,158</u>
Total net position	<u>\$ 9,688,796</u>	<u>\$ 8,596,088</u>

**Assets.** As of June 30, 2025, total assets amounted to \$13.14 billion. The largest asset class was capital assets, net, that totaled \$5.11 billion or 39% of total assets. Cash and cash equivalents totaled \$2.35 billion, or 18% of total assets. Endowment investments totaled \$2.23 billion, or 17% of total assets and notes, loans, leases and accounts receivable, net totaled \$1.97 billion or 15% of total assets. During the year, total assets increased \$1.24 billion due to increases in capital assets, net of \$811.1 million, cash and cash equivalents of \$271.8 million, endowment investments of \$192.7 million, other long-term investments of \$110.9 million, inventories and other assets of \$45.2 million, current investments of \$10.0 million, subscription assets, net of \$5.2 million and lease assets, net of \$493 thousand offset by decreases in notes, loans, leases and accounts receivable, net of \$206.3 million.

**Deferred Outflows of Resources.** The University's deferred outflows of resources totaled \$30.2 million, a decrease of \$9.3 million, due to decreases related to pension liabilities of \$3.5 million, long-term disability liabilities of \$2.6 million and retiree health of \$2.5 million due primarily to the net difference between projected and actual earnings on investments. It also includes a decrease of \$695 thousand related to the unamortized difference between the reacquisition price and the net carrying amount of refunded debt.

**Liabilities.** As of June 30, 2025, total liabilities amounted to \$2.98 billion. Bonds, notes and capital debt obligations issued for educational buildings, UK HealthCare facilities, athletic facilities, student center and equipment totaled \$1.65 billion or 55% of total liabilities. During the year, total liabilities increased \$160.8 million due to increases in long-term liabilities of \$181.9 million and accounts payable and accrued liabilities of \$49.4 million. These increases were offset by decreases in unearned revenue of \$55.1 million, net OPEB retiree health liabilities of \$7.6 million, RBH pension liability of \$3.9 million and net OPEB long-term disability liabilities of \$3.8 million.

**Deferred Inflows of Resources.** The University's deferred inflows of resources totaled \$499.7 million that represent service concession arrangements with Greystar of \$349.6 million, Aramark of \$72.0 million and Barnes and Noble of \$1.6 million. Deferred inflows of resources also include OPEB long-term disability and retiree health of \$39.2 million and trusts and annuities of \$20.6 million that represent the beneficial interest that the University will receive in future years. During the year, deferred inflows of resources decreased \$21.7 million primarily due to a decrease in OPEB retiree health of \$21.1 million due to amortization of plan liabilities and decreases in the net difference between projected and actual earnings in the OPEB Plans investments. Aramark and Greystar service concession arrangements decreased \$6.1 million and \$4.7 million, respectively, due to the amortization of earned revenue. These decreases were offset by increases in lessor contracts of \$5.5 million related to RBH, trusts and annuities of \$2.5 million primarily due to market increases and new trust additions, OPEB long-term disability of \$2.0 million due to the difference between actual and expected experience and Pension of \$890 thousand due to the difference between projected and actual earnings on Pension Plan investments.

**Net Position.** The University's net position of \$9.69 billion as of June 30, 2025 is reported on the Statement of Net Position in three net position categories: net investment in capital assets, \$2.94 billion (31%); restricted nonexpendable, \$811.9 million (8%); restricted expendable, \$1.55 billion (16%); and unrestricted, \$4.38 billion (45%).

Restricted net position is subject to externally imposed restrictions governing its use. Although unrestricted net position is not subject to externally imposed stipulations, most of the unrestricted net position has been internally designated to support of academic and research programs and initiatives, capital projects and working capital requirements.

Total net position increased \$1.09 billion during the year ended June 30, 2025. Net investment in capital assets increased \$610.1 million primarily due to additions in capital and subscription assets, net of capital and lease related debt offset by decreases in lease assets as well as depreciation and amortization expenses. Unrestricted net position increased \$361.5 million primarily due to revenues exceeding expenses in the System and the acquisition of CBH. Restricted net position increased \$121.1 million primarily due to increases in endowment investments due to a favorable return on the endowment pool, unrealized gains, quasi endowment funds received from the state and new gifts offset by decreases in restricted plant funds primarily due to continued spending on asset preservation and other construction projects.

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

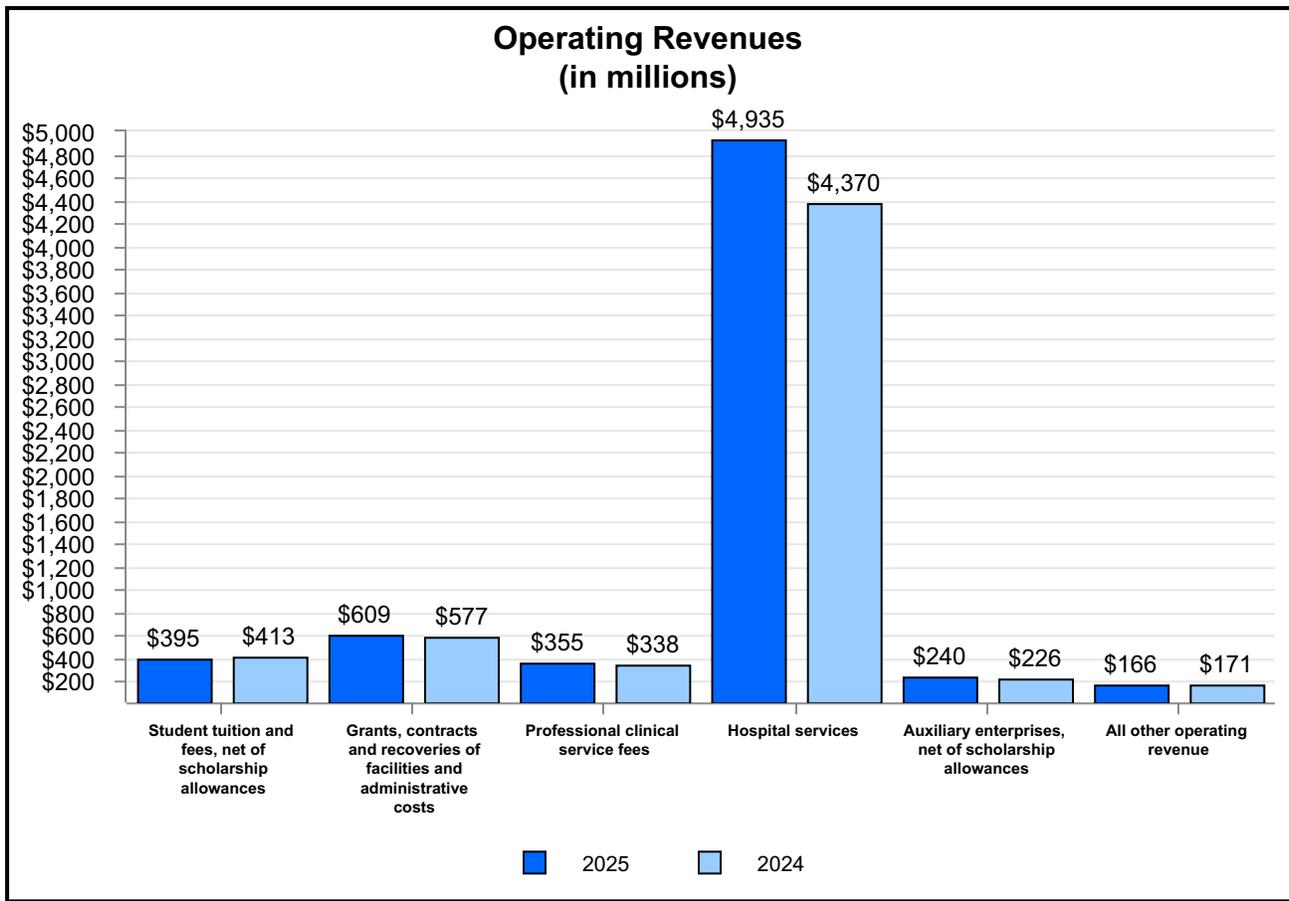
The Statement of Revenues, Expenses and Changes in Net Position is the University's income statement. It details how net position changed during the year ended June 30, 2025. This statement is prepared on the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Items that increase or decrease net position appear on the Statement of Revenues, Expenses and Changes in Net Position as revenues, expenses, gains or losses.

Financial activities are reported as either operating or nonoperating. GASB Statement No. 35 requires state appropriations, gifts and investment income to be classified as nonoperating revenues. Accordingly, the University may report a net loss from operations prior to the addition of nonoperating revenues (expenses). The utilization of long-lived capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Tuition revenue is reduced by external scholarships and institutional aid and is reported net of the scholarship allowance.

A summarized comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2025 and 2024 are as follows:

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

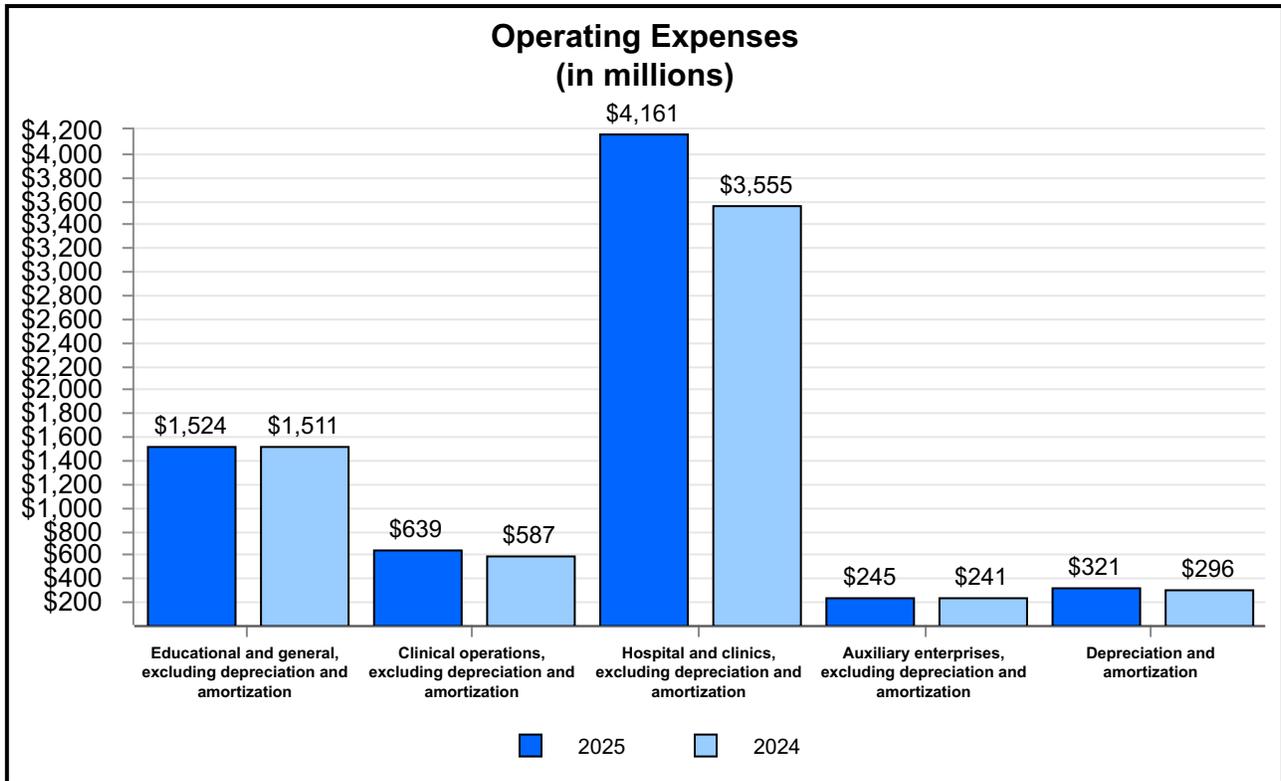
	<u>2025</u>	<u>2024</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees, net of scholarship allowances	\$ 395,183	\$ 413,235
Grants and contracts	510,910	480,455
Recoveries of facilities and administrative costs	97,658	96,259
Sales and services	77,397	88,402
Federal and county appropriations	58,241	53,373
Professional clinical service fees	355,324	338,034
Hospital services	4,935,230	4,370,161
Auxiliary enterprises, net of scholarship allowances	239,780	226,142
Other operating revenues	<u>30,453</u>	<u>28,757</u>
Total operating revenues	<u>6,700,176</u>	<u>6,094,818</u>
<b>OPERATING EXPENSES</b>		
Educational and general, excluding depreciation and amortization	1,524,093	1,510,690
Clinical operations, excluding depreciation and amortization	638,739	587,085
Hospital and clinics, excluding depreciation and amortization	4,161,107	3,554,835
Auxiliary enterprises, excluding depreciation and amortization	244,595	240,722
Depreciation and amortization	321,244	296,364
Other operating expenses	<u>1,519</u>	<u>1,059</u>
Total operating expenses	<u>6,891,297</u>	<u>6,190,755</u>
<b>NET LOSS FROM OPERATIONS</b>	<u>(191,121)</u>	<u>(95,937)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	358,566	319,669
Gift and non-exchange grants	180,618	146,750
Investment income	388,697	338,392
Interest on capital, lease and subscription asset-related debt	(61,796)	(54,839)
Capital grants and gifts	250,964	382,656
Additions to permanent endowments	24,271	53,135
Other, net	26,503	26,891
Special item - acquisition of Claire Blue Health	<u>116,006</u>	<u>—</u>
Total nonoperating revenues	<u>1,283,829</u>	<u>1,212,654</u>
<b>INCREASE IN NET POSITION</b>	1,092,708	1,116,717
<b>NET POSITION, beginning of year</b>	<u>8,596,088</u>	<u>7,479,371</u>
<b>NET POSITION, end of year</b>	<u>\$ 9,688,796</u>	<u>\$ 8,596,088</u>



Total operating revenues were \$6.70 billion for the year ended June 30, 2025, an increase of \$605.4 million (10%). The primary components of operating revenues were student tuition and fees, net of scholarship allowances of \$395.2 million; grants and contracts and recoveries of facilities and administrative costs of \$608.6 million; professional clinical service fees of \$355.3 million; hospital services of \$4.94 billion and auxiliary enterprises of \$239.8 million.

The most significant increase was in UK HealthCare hospital services revenue of \$565.1 million due to the acquisition of CBH of \$307.9 million, UK Hospital of \$233.5 million and RBH of \$23.7 million primarily attributable to increases in overall net patient service fees and non-patient income from sales at outpatient pharmacies. CBH's increase of \$307.9 was primarily due to net service fees of \$274.1 million, other non-patient revenue of \$25.6 million and outpatient retail pharmacy revenue of \$7.9 million. UK Hospital's increase of \$233.5 million was primarily due to increases of \$98.3 million in non-patient income from sales at outpatient pharmacies, \$92.7 million in Medicare and Medicaid reimbursements for teaching hospitals and \$38.0 million in net patient service fees. RBH's increase of \$23.7 million was primarily due to increases of \$11.8M in net patient service fees and \$9.2 million in non-patient income from sales at outpatient pharmacies.

Other significant increases in operating revenues related to grants and contracts of \$30.5 million, professional clinical service fees of \$17.3 million and auxiliary enterprises of \$13.6 million. These increases were offset by a decrease in net tuition and fees of \$18.1 million due to an increase in gross tuition and fees of \$54.2 million offset by a decrease in scholarship allowances of \$72.3 million. Scholarship allowances decreased due to a change in the calculation methodology to comply with the guidance of the National Association of College and University Business Officers (NACUBO). The new direct method calculation for fiscal year 2025 utilized actual student level detail to arrive at a more accurate allowance, whereas the previous alternative method calculated an estimate of financial aid applied to tuition and fees based on summary level detail.



Operating expenses totaled \$6.89 billion, an increase of \$700.5 million (11%). Of this amount, \$1.52 billion, excluding depreciation and amortization, was expended for educational and general programs, including instruction, research and public service. Clinical operations expenses, excluding depreciation and amortization, were \$638.7 million; hospital and clinics expenses, excluding depreciation and amortization, amounted to \$4.16 billion and auxiliary enterprises expenses, excluding depreciation and amortization, were \$244.6 million. Depreciation and amortization expenses for the year amounted to \$321.2 million.

Hospital and clinics expenses, excluding depreciation and amortization, increased \$606.3 million primarily due to additional staffing and supplies, in part related to the acquisition of CBH which added \$285.5 million. Clinical operations expenses, excluding depreciation and amortization, increased \$51.7 million. Depreciation and amortization expenses increased \$24.9 million primarily due to new buildings, renovations and equipment. Educational and general expenses, excluding depreciation and amortization, increased \$13.4 million primarily due to increases in instruction of \$29.3 million, public service of \$13.4 million, research of \$13.1 million, operations and maintenance of plant of \$12.2 million, academic support of \$9.0 million, student services of \$2.2 million and libraries of \$1.6 million offset by decreases in student financial aid of \$41.8 million due to the change in methodology to comply with the requirements of the NACUBO and institutional support of \$25.6 million. Auxiliary enterprises expenses, excluding depreciation and amortization, increased \$3.8 million due to increases in other auxiliaries of \$6.6 million and housing and dining of \$1.4 million offset by a decrease in athletics expenses of \$4.1 million.

The net loss from operations for the year was \$191.1 million. Nonoperating and other revenues, net of expenses, totaled \$1.28 billion and included state appropriations of \$358.6 million, an increase of \$38.9 million. Gifts and non-exchange grants totaled \$180.6 million, an increase of \$33.9 million. Investment income totaled \$388.7 million, an increase of \$50.3 million from prior year due to investment gains and interest and dividend earnings due to higher interest rates and increased investments; capital grants and gifts totaled \$251.0 million, a decrease of \$131.7 million; additions to permanent endowments totaled \$24.3 million, a decrease of \$28.9 million; and other, net revenues totaled \$26.5 million, a decrease of \$388 thousand. There was also an increase of \$116.0 million due to the acquisition of CBH.

## Statement of Cash Flows

The Statement of Cash Flows details how cash has increased or decreased during the fiscal year ended June 30, 2025. The sources and uses of cash are arranged in the following categories:

- Operating activities
- Noncapital financing activities
- Capital and related financing activities
- Investing activities

Cash flows associated with the University's expendable net position appear in the operating and noncapital financing categories. Capital financing activities include payments for capital assets, proceeds from capital debt, capital debt repayments and principal and interest paid or received on leases and subscriptions. Purchases of investments and proceeds from sales and maturities of investments are reflected in 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 University during the year that will allow financial statement readers to assess the University's ability to generate future net cash flows, to meet obligations as they become due and to assess the possible need for external financing.

A comparative summary of the University's statement of cash flows for the years ended June 30, 2025 and 2024 are as follows:

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

	<u>2025</u>	<u>2024</u>
<b>CASH PROVIDED (USED) BY:</b>		
Operating activities	\$ 287,369	\$ 122,122
Noncapital financing activities	572,432	527,350
Capital and related financing activities	(713,815)	(409,600)
Investing activities	<u>125,819</u>	<u>56,646</u>
Net increase in cash and cash equivalents	271,805	296,518
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>2,075,399</u>	<u>1,778,881</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 2,347,204</u></u>	<u><u>\$ 2,075,399</u></u>

The University's cash and cash equivalents increased \$271.8 million in fiscal year 2025. Total cash provided by operating activities was \$287.4 million, an increase of \$165.2 million. Total cash provided by noncapital financing activities was \$572.4 million, an increase of \$45.1 million. Total cash provided by investing activities was \$125.8 million, an increase of \$69.2 million. Total cash used by capital and related financing activities was \$713.8 million, an increase of \$304.2 million reflecting capital grants and gifts and uses for purchases of capital assets and debt service.

Major sources of cash provided by operating activities were hospital services of \$5.18 billion; grants and contracts and recoveries of facilities and administrative costs of \$598.0 million; student tuition and fees of \$399.3 million; and professional clinical service fees of \$363.2 million. Major uses of cash for operating activities were payments to employees for salaries, wages and benefits of \$3.83 billion and to vendors and contractors of \$2.79 billion.

Noncapital financing activities include state appropriations from the Commonwealth of \$358.6 million and gifts and grants other than capital purposes of \$207.7 million.

Capital and related financing activities include \$752.9 million that was expended for construction and purchases of capital assets and \$202.1 million that was expended for principal and interest payments on capital debt, lease, and subscription obligations offset by capital grants and gifts of \$206.7 million and proceeds from capital debt of \$11.1 million.

Investing activities include proceeds from sales and maturities of investments of \$976.8 million, interest and dividends on investments of \$171.0 million and cash acquired by the acquisition of CBH of \$44.5 million offset by cash of \$1.07 billion used for purchases of investments.

## Capital, Lease and Subscription Assets and Debt Administration

### Capital, Lease and Subscription Assets.

Capital assets, net of accumulated depreciation, totaled \$5.11 billion at June 30, 2025, an increase of \$811.1 million. Capital assets as of June 30, 2025 and significant changes in capital assets during the year are as follows (in millions):

	Balance June 30, 2024	Additions (Deletions) FY 2024-25	Balance June 30, 2025
Land and land improvements	\$ 480	\$ 28	\$ 508
Buildings, fixed equipment and infrastructure	5,097	325	5,422
Equipment, vehicles and capitalized software	1,236	58	1,294
Library materials and art	174	1	175
Certificate of need	12	—	12
Construction in progress	375	611	986
Accumulated depreciation	<u>(3,076)</u>	<u>(212)</u>	<u>(3,288)</u>
Total	<u>\$ 4,298</u>	<u>\$ 811</u>	<u>\$ 5,109</u>

At June 30, 2025, the University had commitments in construction in progress for capital projects totaling approximately \$2.40 billion in scope. Major projects include the construction of the new UK HealthCare Cancer Treatment Center and Advanced Ambulatory Center, Cancer Center Parking Garage, Michael D. Rankin M.D. Health Education Building, renovation and expansion of patient care facilities, and campus modernization and asset preservation projects. The estimated cost to complete the projects in progress is approximately \$1.67 billion. Additionally, RBH and CBH had capital expenditure commitments of approximately \$64.7 million and \$1.3 million, respectively, related to construction contracts.

Lease assets, net of accumulated amortization, totaled \$75.4 million at June 30, 2025. Lease assets as of June 30, 2025 are as follows (in millions):

	Balance June 30, 2024	Additions (Deletions) FY 2024-25	Balance June 30, 2025
Buildings	\$ 63	\$ 10	\$ 73
Equipment	61	4	65
Accumulated amortization	<u>(49)</u>	<u>(14)</u>	<u>(63)</u>
Total	<u>\$ 75</u>	<u>\$ —</u>	<u>\$ 75</u>

Subscription assets, net of accumulated amortization, totaled \$32.2 million at June 30, 2025, an increase of \$5.2 million. Subscription assets as of June 30, 2025 are as follows (in millions):

	Balance June 30, 2024	Additions (Deletions) FY 2024-25	Balance June 30, 2025
Subscription assets	\$ 47	\$ 15	\$ 62
Accumulated amortization	(20)	(10)	(30)
Total	<u>\$ 27</u>	<u>\$ 5</u>	<u>\$ 32</u>

### **Debt.**

At June 30, 2025, capital obligations amounting to \$1.65 billion, summarized by trust indenture and type, are as follows (in millions):

	2025	2024
General receipts bonds	\$ 1,081	\$ 1,148
Revenue bonds	213	222
Capital financed obligations	241	41
Capital debt obligations	64	60
Notes payable	49	26
Total	<u>\$ 1,648</u>	<u>\$ 1,497</u>

Debt increased \$151.1 million during the year primarily due to the issuance of \$104.7 million of 2024 Lease Purchase Obligations, \$98.8 million of 2025 Lease Purchase Obligations Series A and B and the addition of \$29.4 million in debt obligations from the acquisition of CBH offset by principal payments on bonds of \$76.6 million and net decreases in capital financed obligations, capital debt obligations and notes payable of \$5.2 million.

At June 30, 2025, lease obligations totaled \$77.2 million and subscription obligations totaled \$26.4 million.

### **Economic and Other Factors That Will Affect the Future**

Senior leaders believe the University is well-positioned to maintain its fiscally sound condition and will continue to provide excellent services to students, patients, the community and the citizens of the Commonwealth. However, the future of public universities is changing rapidly. With continued shifts in federal influence and funding, universities are facing increased scrutiny and policy changes which will impact research, student aid, and, therefore, the institutions' operating and business models. On July 4, 2025, President Trump signed into law a massive tax and spending package that will challenge the University, especially UK HealthCare. The following are known facts and circumstances that may influence future financial results:

#### **Higher Education**

**State Funding.** The Commonwealth's General Fund receipts total revenues finished fiscal year 2025 with a \$131.3 million revenue surplus compared to the official estimate. For the 2024-26 biennium, the Commonwealth's Consensus Forecasting Group anticipates moderate growth in the state's General Fund revenue of 2.9% per year. In addition, the enacted state budget for 2024-26 spends significant dollars from the state's Budget Reserve Trust Fund primarily on infrastructure and specific projects. As a result, the 2024 Kentucky General Assembly invested significant funds in postsecondary education for the current biennium.

Per enacted legislation, state appropriations to the University will increase by \$5.4 million to \$364.0 million for fiscal year 2025-26, the largest state appropriations amount on record for the University. This historic amount of state funding will be a combination of direct appropriations and an allocation from the state's performance

funding pool. Fiscal year 2025-26 will be the ninth year the Kentucky General Assembly has used the Kentucky Postsecondary Education Performance Funding Model to allocate state funds to the public universities and the Kentucky Community and Technical College System. UK continues to perform extremely well. As a result, UK will receive \$41.2 million, or 45.9% of the available state funds for the public universities.

However, recent federal reductions to programs such as Supplemental Nutrition Assistance Program and Medicaid will create pressure on Kentucky's state budget that will likely impact higher education funding levels in the future.

Enrollment Growth and Student Success. The University anticipates a first-year class for the 2025 fall semester of approximately 7,000 students and an overall enrollment of approximately 38,000. With the increase in enrollment, UK has also experienced historic growth in retention and graduation rates over the past decade. Retention has increased more than four percent to nearly 87% for the 2023 cohort of students. The six-year graduation rate in that same period increased almost ten percent to 71.2% – comparable to the top institutions in the country.

UK HealthCare. With the close of fiscal year 2025, the System approached:

- 72,500+ Total Discharges
- 80,700+ Surgical Cases
- 238,900+ Emergency Room Visits

UK HealthCare Obstetrics and Gynecology was ranked nationally among the Top 50 programs by U.S. News & World Report, which also designated as high-performing five specialty areas of Cancer, Geriatrics, Orthopedics, Pulmonology and Urology and 12 high-performing procedures and conditions.

Kentucky Children's Hospital was recognized as a 2024-25 Best Children's Hospital by U.S. News & World Report and ranked nationally in two areas of specialized care: pediatric cardiology and heart surgery, and pediatric and adolescent behavioral health.

In fiscal year 2025, the System received Pediatric Specialty Accreditation from the American College of Surgeons Commission on Cancer, a designation that represents meeting strict national standards in treating children and teens with cancer and offering young patients a full range of cancer care services.

The Joint Commission's Maternal Levels of Care Verification program also named UK HealthCare a Level IV maternal care verified facility – one that provides expert and compassionate care for critically ill and high-risk maternity patients. And UK HealthCare's Kentucky Adult Congenital Heart Program earned accreditation from the Adult Congenital Heart Association.

The system's executive triad, under the leadership of Co-Executive Vice President for Health Affairs Bob DiPaola and Eric Monday, was finalized following a nationwide search for the roles – Executive Chief Medical Officer Chris DeSimone, Chief Nurse Executive Gwen Moreland and Senior Vice President/Chief Operations Officer Tim Slocum.

In addition to affiliate networks for cancer, heart, stroke and transplant, the System organized the Kentucky Children's Hospital Affiliate Network in fiscal year 2025 and announced members in Ashland, Georgetown, Winchester, Somerset and Manchester.

Following guidance issued by the Board in October 2024 that UK should become the university that, working with partners, does more than any other in the country to improve the health of the state it serves, the System played a key role in the creation of the Advancing Kentucky Together Network. This is the next step in UK's long-standing work to tackle health disparities, boost regional economies and build a stronger, more resilient workforce. Building upon earlier work that used community partnerships to improve clinical care and access to care, the System is contributing to an effort to employ strategic collaborations to meet even broader local and statewide needs. The first two collaborations announced under this new framework were Pikeville Medical Center and Transylvania University.

Construction is underway on an outpatient cancer and advanced ambulatory building and parking garage to support the UK Markey Cancer Center's mission to increase access for Kentucky's most complex patients. The Markey Cancer Center is Kentucky's only NCI-designated comprehensive cancer center. An ambulatory surgery center and comprehensive spine center are also planned for the building.

In July 2024, Morehead-based St. Claire Medical Center, Inc. and its subsidiary corporation, St. Claire Real Properties, Inc. officially became part of the University. The transition was facilitated through a newly created wholly owned subsidiary corporation, CBH, whose sole member is BBC. The acquisition resulted in the University assuming all assets and liabilities of CBH. As a non-profit affiliate of BBC, CBH joins King's Daughters health system located in Ashland, a previously acquired affiliate of the University. In May 2025, UK King's Daughters health system unveiled a new main entrance to the Ashland campus leading to a new emergency department. The new emergency department has 86 total treatment areas and four trauma bays. The new centralized imaging department has all inpatient imaging modalities in one location and will become fully operational in August 2025.

Also, in fiscal year 2025, the System opened the state's first emergency psychiatric unit operated on the Emergency Psychiatry Assessment Treatment and Healing (EmPATH) model. Its goal is to decompress emergency departments and inpatient units and promote better outcomes through rapid treatment access in the safest setting.

Working under a financial plan endorsed by the Board in 2023, the System continues to develop projects that represent significant capital investments. Among those investments are the Cancer and Advanced Ambulatory Building; new operating suites and procedure rooms; hospital expansion projects; recruiting and retaining a workforce that aligns with volume growth rates while reducing agency workforce; establishing pipelines to building workforce; and the launch of four additional ambulatory sites based on UK employee residence, demographic growth and accessibility needs. The second of those four ambulatory locations opened in Frankfort in March 2025. Two additional locations are in development and scheduled to open in 2026 – one in Richmond and the other on Newtown Pike in Lexington.

### ***UK Research***

With thoughtful planning, multi-disciplinary collaboration and execution, UK Research has achieved extraordinary growth in external funding. UK researchers were awarded \$496.9 million in annual grants and contracts for fiscal year 2024-25, a 1.7% increase from the \$488.4 million in the prior fiscal year. Research and development expenditures reported for the fiscal year 2024 HERD Survey totaled \$527.7 million, including \$273.7 million from the federal government. However, recent federal funding cuts, specifically to the National Institutes of Health, are projected to impair UK's research efforts.

### ***Summary***

Our mission to **advance Kentucky** – for nearly 160 years – has never changed. Now, more than ever, the Commonwealth depends on the University to uplift its citizens and communities. UK's Strategic Plan – UK-PURPOSE – defines the five principles and key objectives that serve as a north star for guiding institutional decisions. With compassion and grit, the University has adopted new technology, business models and revamped campus operations. The University's diversified funding strategies and wide array of programs allows us to excel in multidisciplinary studies and foster an environment of cooperative engagement across all colleges, programs and research endeavors.

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF NET POSITION (in thousands)**  
**JUNE 30, 2025**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**Current Assets**

Cash and cash equivalents	\$ 2,010,244
Notes, loans, leases and accounts receivable, net	1,205,091
Investments	25,054
Inventories and other assets	161,579
Total current assets	<u>3,401,968</u>

**Noncurrent Assets**

Restricted cash and cash equivalents	336,960
Endowment investments	2,231,452
Other long-term investments	1,166,499
Notes, loans, leases and accounts receivable, net	765,274
Other noncurrent assets	22,087
Capital assets, net	5,109,317
Lease assets, net	75,408
Subscription assets, net	32,155
Total noncurrent assets	<u>9,739,152</u>

Total assets	<b>13,141,120</b>
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**Deferred Outflows of Resources**

Total assets and deferred outflows of resources	<u>13,171,311</u>
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**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

**Current Liabilities**

Accounts payable and accrued liabilities	717,234
Unearned revenue	126,379
Long-term liabilities - current portion	151,933
Total current liabilities	<u>995,546</u>

**Noncurrent Liabilities**

Unearned revenue	143,222
Long-term liabilities	1,827,367
Net pension liability	2,668
Net other postemployment benefit liability - retiree health	10,067
Net other postemployment benefit liability - long-term disability	3,953
Total noncurrent liabilities	<u>1,987,277</u>

Total liabilities	<b>2,982,823</b>
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**Deferred Inflows of Resources**

Total liabilities and deferred inflows of resources	<u>3,482,515</u>
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**NET POSITION**

**Net investment in capital assets**

**Restricted**

Nonexpendable	
Scholarships and fellowships	254,420
Research	348,450
Instruction	96,406
Academic support	89,791
Other	22,820
Total restricted nonexpendable	<u>811,887</u>

Expendable	
Scholarships and fellowships	193,970
Research	243,427
Instruction	98,355
Academic support	170,482
Loans	13,889
Capital projects	631,389
Debt service	358
Auxiliary	26,466
Other	174,790
Total restricted expendable	<u>1,553,126</u>

Total restricted	<u>2,365,013</u>
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**Unrestricted**

Total net position	<u>4,382,630</u>
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Total net position	<b>\$ 9,688,796</b>
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**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands)**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**OPERATING REVENUES**

Student tuition and fees	\$ 691,629
Less: Scholarship allowances	<u>(296,446)</u>
Net student tuition and fees	395,183
Federal grants and contracts	303,348
State and local grants and contracts	168,578
Nongovernmental grants and contracts	38,984
Recoveries of facilities and administrative costs	97,658
Sales and services	77,397
Federal appropriations	17,007
County appropriations	41,234
Professional clinical service fees	355,324
Hospital services	4,935,230
Auxiliary enterprises:	
Housing and dining	37,539
Less: Scholarship allowances	<u>(910)</u>
Net housing and dining	36,629
Athletics	145,773
Other auxiliaries	57,378
Other operating revenues	<u>30,453</u>
Total operating revenues	<u><b>6,700,176</b></u>

**OPERATING EXPENSES**

Educational and general:	
Instruction	390,826
Research	413,279
Public service	293,674
Libraries	27,019
Academic support	142,087
Student services	60,501
Institutional support	50,850
Operations and maintenance of plant	128,151
Student financial aid	17,706
Depreciation and amortization	<u>100,150</u>
Total educational and general	1,624,243
Clinical operations (including depreciation and amortization of \$9,481)	648,220
Hospital and clinics (including depreciation and amortization of \$173,858)	4,334,965
Auxiliary enterprises:	
Housing and dining (including depreciation and amortization of \$10,769)	33,723
Athletics (including depreciation and amortization of \$17,307)	198,022
Other auxiliaries (including depreciation and amortization of \$9,679)	50,605
Other operating expenses	<u>1,519</u>
Total operating expenses	<u><b>6,891,297</b></u>
Net loss from operations	<u><b>(191,121)</b></u>

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	358,566
Gifts and non-exchange grants	180,618
Investment income	388,697
Interest on capital asset, lease and subscription-related debt	(61,796)
Other nonoperating revenues and expenses, net	<u>6,777</u>
Net nonoperating revenues	<u><b>872,862</b></u>
Net income before other revenues, expenses, gains or losses and special item	<u><b>681,741</b></u>
Capital grants and gifts	250,964
Additions to permanent endowments	24,271
Other, net	19,726
Special item - acquisition of Claire Blue Health	<u>116,006</u>
Total other revenues	<u><b>410,967</b></u>
<b>INCREASE IN NET POSITION</b>	<b>1,092,708</b>
<b>NET POSITION, beginning of year</b>	<u><b>8,596,088</b></u>
<b>NET POSITION, end of year</b>	<u><u><b>\$ 9,688,796</b></u></u>

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF CASH FLOWS (in thousands)**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Student tuition and fees	\$ 399,250
Grants and contracts	502,471
Recoveries of facilities and administrative costs	95,488
Sales and services	73,155
Federal appropriations	18,255
County appropriations	39,660
Payments to vendors and contractors	(2,789,829)
Payments on short-term leases	(3,899)
Student financial aid	(17,693)
Salaries, wages and benefits	(3,833,845)
Professional clinical service fees	363,239
Hospital services	5,182,628
Auxiliary enterprises receipts	226,084
Loans issued to students	(324,160)
Collection of loans to students	325,238
Self insurance receipts	98,126
Self insurance payments	(96,422)
Other receipts	29,623
Net cash provided by operating activities	<u>287,369</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State appropriations	358,566
Gifts and grants received for other than capital purposes:	
Gifts received for endowment purposes	24,271
Gifts received for other purposes	183,473
Agency receipts	10,225
Agency payments	(9,993)
Other financing receipts	5,890
Net cash provided by noncapital financing activities	<u>572,432</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital grants and gifts	206,729
Purchases of capital assets	(752,931)
Proceeds from capital debt	11,067
Proceeds from sales of capital assets	1,443
Principal paid on capital debt	(94,067)
Interest paid on capital debt	(58,294)
Principal payments received on leases receivable	795
Interest payments received on leases receivable	258
Principal paid on leases payable	(29,973)
Interest paid on leases payable	(2,546)
Principal paid on subscriptions payable	(16,633)
Interest paid on subscriptions payable	(556)
Other financing receipts	20,893
Net cash used by capital and related financing activities	<u>(713,815)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sales and maturities of investments	976,822
Interest and dividends on investments	171,003
Purchases of investments	(1,066,467)
Cash acquired from acquisition of Claire Blue Health	44,461
Net cash provided by investing activities	<u>125,819</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

271,805

**CASH AND CASH EQUIVALENTS, beginning of year**

2,075,399

**CASH AND CASH EQUIVALENTS, end of year**

\$ 2,347,204

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF CASH FLOWS (in thousands)**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	2025
<b>Reconciliation of net loss from operations</b>	
<b>to net cash provided by operating activities:</b>	
Net loss from operations	\$ (191,121)
Adjustments to reconcile net income (loss) from operations	
to net cash provided by operating activities:	
Depreciation and amortization expense	321,244
Change in assets and liabilities:	
Notes, loans, leases and accounts receivable, net	284,364
Inventories and other assets	(31,603)
Deferred outflows of resources	8,567
Accounts payable and accrued liabilities	(19,739)
Unearned revenue	(55,845)
Long-term liabilities	6,001
Pension liabilities	(3,883)
Net OPEB liabilities	(11,361)
Deferred inflows of resources	(19,255)
<b>Net cash provided by operating activities</b>	<b>\$ 287,369</b>
 <b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Lease obligations incurred	\$ 29,893
Subscription obligations incurred	\$ 21,449
Gifts of capital assets	\$ 12,149
Trade in of land, equipment and vehicles	\$ 459
Capital asset change in accounts payable and long-term liabilities	\$ 26,452
Proceeds from lease purchase obligations	\$ 211,815
Assets leased to others	\$ 5,664
Amortized bond discount and premium	\$ 5,595
Amortized difference between reacquisition price and net carrying	
amount of refunded debt	\$ 198
Investment unrealized gains	\$ 115,399
 In connection with the acquisition of Claire Blue Health	
noncash assets, deferred outflows of resources, liabilities and	
deferred inflows of resources assumed were as follows:	
Patient and other accounts receivable	\$ 42,847
Other current assets	\$ 13,630
Other long-term investments	\$ 3,684
Capital assets	\$ 96,401
Lease assets	\$ 6,389
Current liabilities	\$ (51,471)
Long-term debt	\$ (29,374)
Other long-term liabilities	\$ (10,560)

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF FIDUCIARY NET POSITION (in thousands)**  
**JUNE 30, 2025**

**ASSETS**

Cash and cash equivalents	\$ 12,892
Accrued interest receivable	175
Investments	364,954
Total assets	<u>378,021</u>

**LIABILITIES**

Accounts payable and accrued liabilities	<u>—</u>
Total liabilities	<u>—</u>

**NET POSITION**

Net position restricted for postemployment benefits	<u>\$ 378,021</u>
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**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (in thousands)**  
**FOR THE YEAR ENDED JUNE 30, 2025**

Revenues

Investment income:	
Interest and dividend income	\$ 6,821
Net appreciation in fair value of investments	26,835
Net investment gain	<u>33,656</u>

Contributions:

University of Kentucky	14,690
Beneficiaries	5,215
Total contributions	<u>19,905</u>
Total gains	<u>53,561</u>

Expenses

Administrative expenses	2,931
Payments to retirees and beneficiaries	20,773
Total expenses	<u>23,704</u>

**INCREASE IN NET POSITION**

29,857

**NET POSITION restricted for postemployment benefits, beginning of year**

348,164

**NET POSITION restricted for postemployment benefits, end of year**

\$ 378,021

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The University of Kentucky (the University) is a component unit of the Commonwealth of Kentucky (the Commonwealth) and is included in the basic financial statements of the Commonwealth. The financial statements of the University include the operations of the University and its affiliated non-profit corporations (entities for which the University is financially accountable as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No.14 and No. 34*; and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and which meet the definition of an affiliated corporation under Kentucky Revised Statutes (KRS) section 164A.550). The affiliates are presented as blended component units since University management has operational responsibility for each affiliated corporation and are as follows:

- University of Kentucky Research Foundation (UKRF) and its for-profit subsidiary, Kentucky Technology, Inc. (KTI). KTI has a calendar-year based fiscal year from January 1 through December 31. Therefore, the financial statement of KTI as of December 31, 2024 is included in the UKRF's financial statement as of June 30, 2025.
- University of Kentucky Gluck Equine Research Foundation, Inc. (UKGERF)
- University of Kentucky Humanities Foundation, Inc. (UKHF)
- University of Kentucky Mining Engineering Foundation, Inc. (UKMEF)
- Central Kentucky Management Services, Inc. (CKMS)
- Beyond Blue Corporation (BBC) and its non-profit subsidiaries Royal Blue Health, LLC (RBH or King's Daughters health system), Insure Blue (IB) and Claire Blue Health, LLC (CBH)

The financial statements of the University also include non-profit entities for which the University is financially accountable as defined by GASB, but which are not affiliated corporations under KRS and are as follows:

- Kentucky Medical Services Foundation, Inc. (KMSF)
- University of Kentucky Alumni Association, Inc. (UKAA)
- University of Kentucky Real Estate Foundation, Inc. (UKREF)

KMSF and UKREF are included within the University reporting entity as blended component units as they provide services entirely to the University. UKAA is included within the University reporting entity as a blended component unit as it has a dual reporting/funding model which integrates UKAA with the University.

The financial statements of the University also include the operations of organizational units of the University and are as follows:

- Kentucky Tobacco Research and Development Center
- UK HealthCare Hospital System (the System) which includes the following:
  - Albert B. Chandler University Hospital including Kentucky Children's Hospital and UK HealthCare Good Samaritan Hospital
  - BBC, an affiliated corporation that includes its non-profit subsidiaries RBH acquired December 1, 2022, IB acquired January 1, 2023 and CBH acquired July 1, 2024.
  - Kentucky Healthcare Enterprise, Inc., a wholly owned for-profit subsidiary.
  - Surgery Blue, LLC, a wholly owned for-profit subsidiary and its for-profit subsidiary, Surgery Center of Lexington, LLC (SCL) (51% ownership). SCL has a calendar-year based fiscal year from January 1 through December 31. Therefore, the financial statements of SCL as of and

for the year ended December 31, 2024 are included in the University's financial statements as of June 30, 2025.

- Separate financial statements were not issued in fiscal year 2025 for BBC or Surgery Blue, LLC. Nevertheless, these affiliated corporations are included in the University's financial statements.

The separate financial statements for the above entities can be found at: <https://ufs.uky.edu/financial-statements>.

The King's Daughters Medical Center Retirement Plan (Pension Plan or the Plan) is a single-employer defined benefit plan included in the University's financial statements as a pension trust fiduciary fund. The Board of RBH performs the governing duties of the Pension Plan, as the Pension Plan does not have a separate board. The fiduciary fund statements are presented as of December 31, 2024, the Plan's fiscal year-end.

The other post-employment benefit plans (OPEB Plans or Plans) are single-employer defined OPEB benefit plans included in the financial statements as OPEB trust fiduciary funds. The University Board of Trustees (the Board) performs the governing duties of the Plans, as the Plans do not have a separate Board. The fiduciary fund statements are presented as of June 30, 2025, the Plans' fiscal year-end.

The Pension and OPEB Plans are presented as fiduciary component units in the University's financial statements. The Plans are legal separate entities and the University appoints a voting majority of the Plans' governing body, provides specific financial benefits to the Plans and the Plans impose a financial burden on the University.

### **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 GASB. The GASB establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and financial reporting purposes into the following net position categories:

- Net investment in capital assets: Capital, lease, and subscription assets, net of accumulated depreciation/amortization, outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets, lease liabilities, subscription liabilities, deferred outflows of resources and deferred inflows of resources.
- Restricted:
  - Nonexpendable* - Net position subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the principal of the University's permanent endowment funds.
  - 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.
- 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 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 University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows. The fiduciary funds financial statement presentation is intended to report the assets held in trust for the beneficiaries of the Pension Plan and OPEB Plans and focuses on the fiduciary net position and the changes in fiduciary net position.

## **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 University reports as a Business-Type Activity (BTA) as defined by GASB Statement No. 35. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services.

Cash and Investments. The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The University also considers the investments held in the investment pool with the Commonwealth to be cash equivalents.

Noncurrent cash and cash equivalents include plant funds allocated for capital projects, debt service reserves, grant funds with restricted purposes and endowment fund cash pending transfer to the custodian for investment. Cash and cash equivalents held by bond trustees and the University's endowment fund managers are included in investments.

Investments in marketable debt, equity securities and negotiable certificates of deposit are carried at fair value, as determined by the major securities markets. Alternative investments are stated at net asset value. Life insurance policies, non-negotiable certificates of deposit and guaranteed investment contracts are stated at cost. See note 2 for more information on the fair value determination. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income (loss) in the Statement of Revenues, Expenses and Changes in Net Position.

Notes, Loans, Leases and Accounts Receivable. This classification consists of receivables related to tuition and fee charges to students; charges for auxiliary enterprise services provided to students, faculty and staff; and loans to students. Also included are patient accounts receivable; amounts due from various lessees; amounts due from the Commonwealth for capital projects; amounts due from sponsors for reimbursement of expenses made pursuant to grants and contracts; amounts due under multimedia rights contract and service concession arrangements; and pledges that are verifiable, measurable and expected to be collected. These amounts are recorded net of estimated uncollectible amounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

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

Pooled Endowment Funds. All endowments are managed in a consolidated investment pool, which consists of more than 2,730 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 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 3.5%, 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. Effective July 1, 2018, the management fee can be temporarily increased by up to 0.5%, for a maximum annual assessment of one percent, to support additional expenses related to the capital campaign. For the year ended June 30, 2025, the University's annual endowment management fee was 0.95%.

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 components of the University’s spending policy distribution and management fee for the year ended June 30, 2025 are as follows (in thousands):

Gross spending policy distribution	\$ 73,139
Reinvested spending policy distribution	(38,805)
Net spending policy distribution	<u>\$ 34,334</u>
Management fee	<u>\$ 18,092</u>

Capital Assets. Capital assets are stated at cost at the date of acquisition or, in the case of gifts, at acquisition value at the date of the gift.

Equipment with a unit cost of \$5 thousand or more (\$2 thousand or more for KMSF, \$2,500 or more for KTI, and \$1 thousand for UKAA) and having an estimated useful life of greater than one year is capitalized. Institutional software costing more than \$400 thousand is capitalized. Renovations to buildings, infrastructure and land improvements of \$100 thousand or more 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 75 years for student housing buildings under the Greystar service concession agreement, 40 years for other buildings, 10 - 25 years for land improvements, building improvements and infrastructure, 10 years for library books and capitalized software, and 3 - 20 years for equipment and vehicles.

The University capitalizes, but does not depreciate, works of art, historical treasures and certain library materials that are held for exhibition, education, research and public service.

Lease Assets. Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payment made at/or before the commencement of the lease term, less any incentives received from the lessor at/or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets. Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at/or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at/or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying information technology asset.

Capital, Lease and Subscription Assets Impairment. The University evaluates capital, lease and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease or subscription asset has occurred. If a capital, lease or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the accumulated depreciation or amortization 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. Asset impairment of \$5.3 million was recognized during the year ended June 30, 2025.

Deferred Outflows of Resources. A deferred outflow of resources is a loss in net position by the University that is applicable to a future reporting period. Deferred outflows of resources are reported in the Statement of Net Position, but are not recognized in the financial statements as expense until in the related period.

Unearned Revenue. Unearned revenue consists primarily of amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement. Unearned revenue also includes amounts received from multimedia rights pursuant to the contract agreement and amounts received in advance of an event, such as athletic ticket sales relating to future fiscal years, unearned hospital reimbursement revenue and unearned summer school revenue. Unearned revenue is recognized in the period to which the grant, event or semester relates.

Compensated Absences. A liability is accrued for compensated absences as the benefits are earned if the leave is more likely than not to be used for time off or settled in cash. Compensated absence liabilities are computed in accordance with GASB Statement No. 101, *Compensated Absences* implemented in fiscal year 2025, using the 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 and the University's 10% employee retirement contribution. The amount of vacation leave earned but not taken by employees at June 30, 2025 is recorded as a liability by the University. Temporary disability leave payable upon termination under the University's payout policy is also recorded as a liability. A liability is also recorded for the balance in the University's staff shared leave pool as of June 30, 2025 which is comprised of donated vacation leave for use by eligible employees that have exhausted all accrued paid leave time because of illness or injury affecting themselves or a family member.

Interest Rate Agreements. RBH's asset/liability strategy is to have a mixture of fixed- and variable-rate debt to take advantage of market fluctuations. As part of this strategy, RBH entered into the 2016 interest rate swap agreement (2016 agreement) for its 2016 B bonds. The intention of the swap is to reduce exposure to interest rate fluctuations. The University evaluated the 2016 agreement for effectiveness as of June 30, 2025 under the synthetic instrument method and determined it to be an ineffective hedge, thus it is reported as an investment derivative instrument. RBH has also entered into the 2006 interest rate swap agreement (2006 agreement) that was determined to be an ineffective hedge as the related bonds (hedgeable item) have been retired, thus it is reported as an investment derivative instrument. The agreements with the counterparties are scheduled to end on February 1, 2036 and September 1, 2036, respectively.

As of June 30, 2025, the 2016 agreement had a fair value of \$3.6 million and the 2006 agreement had a fair value of (\$145) thousand, calculated using the par value method, i.e., fixed and variable rates on the swaps were compared with the current fixed rates that could be achieved in the marketplace should the swaps be unwound. The fair value of the agreements of \$3.5 million was recognized in long-term liabilities in the Statement of Net Position for 2025, and was classified within level 2 of the valuation hierarchy. The change in fair value of the interest rate agreements was \$229 thousand for the year ended June 30, 2025, and was recorded in investment income in the Statement of Revenues, Expenses and Changes in Net Position.

Deferred Inflows of Resources. 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.

Scholarship Allowances. Student tuition and fees are presented net of scholarship allowances applied to student accounts. Stipends and other payments made directly to students are presented as student financial aid expenses. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students or third parties on behalf of the students. Certain governmental grants, such as Pell grants and other similar federal and state programs, are recorded as nonoperating revenues; other governmental and nongovernmental grants are recorded as operating revenues in the University's financial statements. 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.

During fiscal year 2025, the University implemented a change in the calculation for scholarship allowances to comply with guidance from the National Association of College and University Business Officers. The new direct method calculation utilized actual student level detail to arrive at a more accurate scholarship allowance, whereas the alternative method used in previous years calculated an estimate of financial aid applied to tuition and fees based on summary level detail. The impact of this change for fiscal year 2025 is summarized as follows (in thousands):

Description	NACUBO Direct Method	Alternative Method	Change
Student tuition and fees	\$ 691,629	\$ 691,629	\$ —
Less: Scholarship allowances	(296,446)	(246,758)	49,688
Net tuition and fees	\$ 395,183	\$ 444,871	\$ (49,688)
Student financial aid expense	\$ 17,706	\$ 67,394	\$ (49,688)

Hospital and Clinical Services Revenues. Hospital and clinical services revenues are reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including contractual allowances and estimated retroactive adjustments under reimbursement programs with third-party payers, less a provision for doubtful accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient non-acute services and defined medical education costs are paid based on a cost reimbursement methodology. The System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The System is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary.

Revenue from the Medicare and Medicaid programs accounted for approximately 42% and 25%, respectively for the System gross patient services revenues for the year ended June 30, 2025. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Since the COVID-19 pandemic, more Kentuckians applied for and received presumptive Medicaid. These changes have an impact on Medicaid payments. The calculation methodology for supplemental payments was adjusted during fiscal year 2020 and is now referred to as Directed Payments.

These payments replaced the Medicaid Managed Care Organization's portion of Intensity Operating Allowance and Physician Supplemental Payments. The Directed Payments are the difference between the System's average commercial rate and the rates Medicaid Managed Care Organizations pay for health care services. The payments are applicable to both inpatient and outpatient hospital services. A per day and per visit gap has been calculated and is applied to Medicaid Managed Care volume. The program is based upon data two years in arrears. The payments are based upon two components: access and quality. For fiscal year 2025, access was 90% of the program and quality was 10%. The Commonwealth withholds the quality component as well as an additional 5% for reconciliation, which occurs 14 months following the end of the first quarter, i.e., November 2025 for July through September 2024. A receivable for these dollars has been applied to the Hospital third-party payer settlements for fiscal year 2025. Directed Payments of \$829.2 million were recognized in net patient service revenue in fiscal year 2025. The Department of Medicaid Services will be refunding the 5% withheld in the near future thus relieving this receivable.

The System also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Charity Care. The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges forgone for the services and supplies furnished under the System's charity care policy aggregated to approximately \$49.0 million for the year ended June 30, 2025. The costs of charity care provided under the System's charity care policy were \$14.6 million for the year ended June 30, 2025. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Management Contract Revenue. The System entered into a contract with the Kentucky Cabinet for Health and Family Services to manage Eastern State Hospital (ESH) and Central Kentucky Recovery Center (CKRC). Under the contract the System is reimbursed 100% of the related operating expenses up to a limit of \$59.0 million for ESH and \$2.2 million for CKRC for the year ended June 30, 2025, respectively. The System also receives a 5.7% and 8.0% management fee for ESH and CKRC, respectively. The initial contract term was August 13, 2013 to June 30, 2014 with the option to renew the contract for additional one-year terms. The contract was renewed for the period of July 1, 2025 to June 30, 2026.

Income Taxes. The University is an agency and instrumentality of the Commonwealth, pursuant to KRS sections 164.100 through 164.280. Accordingly, the University is excluded from federal income taxes as an organization described in section 115 of the Internal Revenue Code (IRC) of 1986, as amended. Each of the University's affiliated non-profit organizations has received a determination from the Internal Revenue Service granting exemption from federal income taxation pursuant to the provisions of IRC section 501(c)(3). KMSF, UKAA and UKREF are not-for-profit corporations as described in section 501(c)(3) of the IRC.

Restricted Asset Spending Policy. The University's policy is 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.

Operating Activities. The University defines operating activities, as reported in 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 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 Statement No. 35.

The University has classified operating expenses based upon their functional classifications. Operating expenses by natural classification are presented in note 24. During fiscal year 2025, departmental research in

non-sponsored accounts of approximately \$139.2 million was recorded as research expense in the Statement of Revenues, Expenses and Changes in Net Position.

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 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 bad debt and contractual allowances, estimated third-party payer settlements, self-insurance reserves, accrued expenses and other liability accounts. The University has elected to self-insure certain costs related to medical malpractice, health insurance, workers' compensation and unemployment claims. See note 20.

Pensions and Other Postemployment Benefit (OPEB) Plans. The University has a single-employer defined OPEB benefit, Health Insurance Benefits for Retirees plan and long-term disability plan (LTD). The University also has a single-employer defined benefit retirement plan (Pension Plan) for RBH. For purposes of measuring the net Plan liability (asset), deferred outflows of resources, deferred inflows of resources and Plan expenses, information about the 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 for the pension plan) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Recent Accounting Pronouncements. The GASB has issued the following statements applicable to the University, which have not yet been implemented.

- GASB Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024. The provisions of this statement are effective for fiscal years beginning after June 15, 2025 (fiscal year 2026). This statement supersedes sections of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, to establish new or modify existing requirements related to financial statement components including, but not limited to, management's discussion and analysis; unusual or infrequent items; and the presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position. The University has yet to determine the impact GASB Statement No. 103 will have on its financial statements.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, issued September 2024. The provisions of this statement are effective for fiscal years beginning after June 15, 2025 (fiscal year 2026). This statement rescinds the effects of GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* on paragraphs 116 and 117 of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement also amends portions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 72, *Fair Value Measurement and Application*. The standard requires separate disclosures for certain capital assets, including lease assets, intangible right-to-use assets recognized by an operator, subscription assets and intangible assets other than those disclosed in one of the above mentioned categories. It also requires disclosures related to capital assets held for sale. The University has yet to determine the impact GASB Statement No. 104 will have on its financial statement disclosures.

## **2. DEPOSITS AND INVESTMENTS**

The University's deposits and investments can be grouped into five significant categories as follows:

- Overnight investments include money market funds, certificates of deposit, and deposits with local banks and the Commonwealth.

- Bond revenue fund and bond project fund investments held by the Treasurer of the Commonwealth as required by the University's bond trust indentures and invested in high quality global fixed income funds managed by the Commonwealth.
- Short-term and intermediate-term investments:
  - managed by the University, including individual securities purchased and held by the University and
  - managed by external managers in low duration strategies.
- Debt service reserve fund investments required by the University's bond trust indentures and held by the bond trustees.
- Endowment investments:
  - administered by the University and managed using external investment managers and
  - held in external trusts administered by external trustees.

Deposit and Investment Policies. The Board is responsible for establishing deposit and investment policies. The policies are developed to ensure compliance with state laws and regulations and to maintain sound financial management practices. The day-to-day management of the deposits and investments has been delegated to the Treasurer of the University.

The Treasurer of the University manages overnight, short-term and intermediate-term investments based on the Operating Fund Investment Policy, as approved by the Investment Committee of the Board and maintained by the Operating Fund Investment Committee. The University's policy for the investment of bond revenue and debt service reserve funds is governed by each respective bond's trust indenture. The Investment Committee of the Board establishes and maintains the University's Endowment Investment Policy.

The fair value of deposits and investments by Statement of Net Position classification at June 30, 2025 is as follows (in thousands):

Statement of Net Position classification

Deposits

Current cash and cash equivalents	\$ 2,010,244
Restricted cash and cash equivalents	336,960
Total deposits	2,347,204

Investments

Current investments	25,054
Endowment investments	2,231,452
Other long-term investments	1,166,499
Total investments	3,423,005
Total deposits and investments	\$ 5,770,209

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 (NAV) per share (or its equivalent) practical expedient, amortized cost, or historical cost and therefore have not been classified in the fair value hierarchy. These investments have been included in the following table to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Net Position.

The University has the following valuation measurements, by type, at June 30, 2025 (in thousands):

	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	Net asset value (NAV)	
<u>Non-endowed deposits and investments</u>							
Cash and cash equivalents	\$ 585,427	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 585,427
Cash surrender value of life insurance policies	9,978	—	—	—	—	—	9,978
Certificates of deposit	42,525	—	39,055	—	39,055	—	3,470
Diversifying strategies <sup>1,3</sup>	20,995	20,990	—	—	20,990	5	—
Deposits with the Commonwealth of Kentucky <sup>2</sup>	34,764	—	—	—	—	—	34,764
Global equity - international	74,990	12,368	1,233	—	13,601	61,389	—
Global equity - private <sup>3</sup>	46	—	—	—	—	8	38
Global equity - U.S.	183,271	69,129	4,522	—	73,651	109,616	4
Global fixed income - public fixed income <sup>4</sup>	2,531,402	95,299	906,875	—	1,002,174	164,287	1,364,941
Global fixed income - private credit <sup>3</sup>	1	—	—	—	—	1	—
Guaranteed investment contracts	622	—	—	—	—	—	622
Other	3	—	—	—	—	—	3
Real assets - private <sup>3</sup>	18,686	—	—	—	—	18,686	—
Real assets - public	36,047	834	1,816	—	2,650	33,397	—
Total non-endowed deposits and investments	3,538,757	198,620	953,501	—	1,152,121	387,389	1,999,247
<u>Endowed deposits and investments</u>							
Cash and cash equivalents	5,854	—	—	—	—	—	5,854
Diversifying strategies <sup>1,3</sup>	270,553	—	—	—	—	270,553	—
External trusts	18,001	—	—	18,001	18,001	—	—
Global equity - international	353,626	210,890	620	—	211,510	142,116	—
Global equity - private <sup>3</sup>	450,449	—	—	—	—	450,449	—
Global equity - U.S.	610,555	67,232	1,056	—	68,288	542,267	—
Global fixed income - public fixed income	215,774	136,883	78,891	—	215,774	—	—
Global fixed income - private credit <sup>3</sup>	45,217	—	—	—	—	45,217	—
Other	1	—	1	—	1	—	—
Real assets - private <sup>3</sup>	223,620	—	—	21,592	21,592	202,028	—
Real assets - public	37,802	9,426	267	—	9,693	28,109	—
Total endowed deposits and investments	2,231,452	424,431	80,835	39,593	544,859	1,680,739	5,854
Total deposits and investments	\$ 5,770,209	\$ 623,051	\$ 1,034,336	\$ 39,593	\$ 1,696,980	\$ 2,068,128	\$ 2,005,101

- 1) Diversifying strategies include investments in various diversified, unconstrained strategies including hedge funds and global tactical asset allocation strategies.
- 2) Non-endowed deposits with the Commonwealth include deposits held by the state for capital construction, tobacco research and state appropriations. The University does not earn investment income on these funds; all investment income accrues to the Commonwealth.
- 3) Diversifying strategies, global equity - private, global fixed income - private credit and real assets - private include alternative investments whose fair market value is measured using its net asset value as of March 31, 2025 of \$18.2 million, \$450.5 million, \$42.8 million and \$202.0 million, respectively. Global fixed income - private credit includes alternative investments whose fair market value is measured using its net asset value as of May 31, 2025 of \$1.3 million. Real assets - private includes alternative investments whose fair market value is measured using level 3 unobservable inputs as of March 31, 2025 of \$21.6 million.
- 4) Non-endowed global fixed income - public fixed income includes deposits and investments in the Commonwealth's limited pool and intermediate pool funds. As of June 30, 2025, \$1.36 billion was held in the Commonwealth's limited-term investment pool and \$387.2 million was held in the intermediate-term pool. The limited-term pool fund's fair value is measured at amortized cost and the

intermediate-term pool fund's fair value is measured using level 2 observable inputs. Both investment pools provide same day liquidity with no limitations, fees or restrictions on withdrawals.

Where quoted market prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. If quoted market 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. In certain cases, where level 1 or level 2 inputs are not available, securities are classified within level 3 of the hierarchy.

External trusts are based on level 3 valuations provided by the external trustee.

Investments valued using NAV per share (or its equivalent) as of June 30, 2025 are as follows (in thousands):

	Net asset value (NAV)	Redemption Frequency/Notice Period					Unfunded commitments
		Daily, weekly/ 1 - 7 days	Semi-monthly, monthly/ 15 - 30 days	Quarterly/ 45 - 90 days	Annually/ 360 days	End of term/ 5 to 10 years	
Diversifying strategies	\$ 270,558	\$ 15,183	\$ 49,432	\$ 117,566	\$ 62,556	\$ 25,821	\$ 20,413
Global equity - international	203,505	61,386	136,284	5,835	—	—	—
Global equity - private	450,457	—	—	—	—	450,457	259,481
Global equity - U.S.	651,883	566,738	85,145	—	—	—	—
Global fixed income - public fixed income	164,287	164,287	—	—	—	—	—
Global fixed income - private credit	45,218	—	—	—	—	45,218	10,176
Real assets - private	220,714	—	—	18,682	—	202,032	104,164
Real assets - public	61,506	33,397	15,799	12,310	—	—	—
Total measured at net asset value	<u>\$ 2,068,128</u>	<u>\$ 840,991</u>	<u>\$ 286,660</u>	<u>\$ 154,393</u>	<u>\$ 62,556</u>	<u>\$ 723,528</u>	<u>\$ 394,234</u>

**Deposit and Investment Risks.** The University'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 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 Statement 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 University 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:

- Overnight investments (deposits and money market funds) policies minimize credit risk in several ways. The University deposits, in Federal Deposit Insurance Corporation (FDIC) insured financial institutions, are covered up to \$250 thousand 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 and/or U.S. agency securities, held in the name of the University by the Federal Reserve Bank, to cover all amounts over the \$250 thousand coverage. Money market funds held by the University are invested in U.S. Treasury and agency securities. KMSF's financial institution maintains a letter of credit for amounts on deposit over and above FDIC insured balances through the Federal Home Loan Bank of Cincinnati.
- Bond revenue fund and bond project fund investments held in the Commonwealth's investment pools can invest in U.S. Treasury and agency securities; commercial paper, asset-backed securities or qualified mutual funds rated in the highest category by a nationally recognized statistical rating

organization; certificates of deposit, bankers acceptances, state or local government securities and corporate, Yankee and Eurodollar securities rated in one of the three highest categories by a nationally recognized statistical rating organization; and state and local property tax certificates of delinquency secured by interests in real property.

- Short-term and intermediate-term investments managed by the University and those held in the Commonwealth's investment pools are subject to the same credit quality restrictions as denoted above for bond revenue fund investments. The low duration strategies managed by external managers must adhere to certain investment guidelines. For one of the portfolios, the investment guidelines require that a minimum of 85% of the portfolio holdings are investment grade and a minimum A- portfolio average quality is maintained, with no single credit industry exceeding 15% of the portfolio. For the other portfolio, the investment guidelines require a minimum issue quality of B and a minimum commercial paper quality of A3/P3. Issuer quality below BBB is limited to 10% and a minimum A- portfolio average quality is maintained. The low duration strategies have been classified as global fixed income - public fixed income in the note 2 tables.
- Investment securities held in debt service reserve funds may be invested and reinvested solely in bonds or interest-bearing notes of the United States government.
- Endowment managers are permitted to use derivative instruments to limit credit risk.

At June 30, 2025, the credit quality of the University's fixed income investments is summarized below (in thousands):

	S&P/Moody's Credit Ratings							Total
	AAA/Aaa	AA/Aa	A	BBB/Baa	Below BBB/Baa	Not rated	Rating not applicable	
<u>Non-endowed deposits and investments</u>								
Cash and cash equivalents	\$ 241,670	\$ —	\$ —	\$ —	\$ —	\$ 343,757	\$ —	\$ 585,427
Certificates of deposit	—	—	—	—	—	42,525	—	42,525
Global fixed income - public fixed income	100,149	147,583	90,192	68,436	4,851	1,978,136	142,055	2,531,402
Global fixed income - private credit	—	—	—	—	—	1	—	1
Guaranteed investment contracts	—	622	—	—	—	—	—	622
Total non-endowed fixed income investments	<u>341,819</u>	<u>148,205</u>	<u>90,192</u>	<u>68,436</u>	<u>4,851</u>	<u>2,364,419</u>	<u>142,055</u>	<u>3,159,977</u>
<u>Endowed deposits and investments</u>								
Cash and cash equivalents	187	—	—	—	—	5,667	—	5,854
Global fixed income - public fixed income	89,925	1,322	11,176	8,547	522	59,898	44,384	215,774
Global fixed income - private credit	—	—	—	—	—	45,217	—	45,217
Total endowed fixed income investments	<u>90,112</u>	<u>1,322</u>	<u>11,176</u>	<u>8,547</u>	<u>522</u>	<u>110,782</u>	<u>44,384</u>	<u>266,845</u>
Total fixed income investments	<u>\$ 431,931</u>	<u>\$ 149,527</u>	<u>\$ 101,368</u>	<u>\$ 76,983</u>	<u>\$ 5,373</u>	<u>\$ 2,475,201</u>	<u>\$ 186,439</u>	<u>\$ 3,426,822</u>

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University 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:

- Overnight investments (deposits and money market funds) are not exposed to custodial credit risk. Deposits and money market funds are held in the University's name by various financial institutions.
- Bond revenue fund and bond project fund investments held in the Commonwealth's investment pools are held in the Commonwealth's name by the Commonwealth's custodian.
- Short-term and intermediate-term investments held by the Commonwealth for the benefit of the University are invested in the Commonwealth's investment pools and are held in the name of the Commonwealth by the Commonwealth's custodian. Short-term and intermediate-term investments managed by the University are held in the University's name in a safekeeping account. The low duration strategy investments managed by external managers are held in the University's name by the University's custodian.

- Investment securities held in debt service reserve funds are held by the respective bond trustee in a specific trust account for the benefit of the University and its bondholders.
- Endowment investments in external trusts are held in the name of the trust. Other endowment investments are held in the University's name by the University's custodian.

Non-endowed global fixed income - public fixed income investments whose fair market value was \$1.75 billion as of June 30, 2025, were exposed to custodial credit risk. These bond revenue fund investments were held by the Commonwealth, uninsured and not registered in the name of the University.

As of June 30, 2025, there was \$27.6 million of cash and cash equivalents held by component units of the University by various financial institutions that were exposed to custodial credit risk. These balances were uninsured or uncollateralized. As of June 30, 2025, there was \$33.9 million of cash and cash equivalents held by component units of the University that were uninsured with collateral held by pledging financial institutions.

Concentrations of Credit Risk. University 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:

- Overnight investments (deposits and money market funds) are not limited to a 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 U.S. agency securities or other similar investments as provided by KRS 41.240.
- Bond revenue fund and bond project fund investments held in the Commonwealth's investment pools are limited as follows: U.S. dollar denominated corporate and Yankee securities issued by foreign and domestic issuers shall not exceed 35% of an individual pool and \$25.0 million per issuer, inclusive of commercial paper, bankers acceptances and certificates of deposit per individual pool; and U.S. dollar denominated sovereign debt shall not exceed five percent of any individual portfolio and \$25.0 million per issuer.
- Short-term and intermediate-term investments managed by the University and those held in the Commonwealth's investment pools are subject to the same credit concentration restrictions as denoted above for the bond revenue fund investments. Investments in the low duration strategies managed by external managers are also subject to certain credit concentration restrictions. For one portfolio, no single credit industry shall exceed 15% of the portfolio at purchase. Additionally, no single issuer, with the exception of government and agency issuers, shall exceed three percent of the portfolio at purchase and high yield issuers may not exceed one percent of the portfolio at purchase. For the other portfolio, concentrations are limited to the following:
  - issue or issuer at five percent excluding sovereign debt of Organization for Economic Co-operation and Development governments and U.S. agencies. Specific mortgage pools and trusts are considered separate issuers and each tranche within a collateralized mortgage obligation is considered a separate issue;
  - issuer quality below BBB at 10%;
  - non-U.S. dollar denominated at 30% excluding money market securities and money market futures;
  - emerging markets at five percent and
  - foreign currency exposure at five percent.
- There is no specific limit on the maximum amount of investment securities held in debt service reserve funds that may be invested in one issuer. However, such investments are limited to bonds or interest bearing notes of the U.S. government.
- The University's endowment core-plus fixed income manager is limited to a maximum investment in any one issuer of no more than five percent of total investments excluding sovereign debt of governments belonging in the Organization for Economic Co-operation and Development governments and U.S. agencies.

At June 30, 2025, the University had no investments in any one issuer that represented five percent or more of total investments, other than U.S. Treasury and/or U.S. agency securities.

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:

- Overnight investments (deposits and money market funds) 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.
- Bond revenue fund and bond project fund investments held in the Commonwealth's limited-term investment pool are limited to a weighted average maturity that does not exceed 60 days, adjusted for interest rate resets and demand features. Investments in the Commonwealth's intermediate-term investment pool must maintain a duration of less than three years.
- Short/intermediate-term investments managed by the University are limited to a maximum duration of five years, intermediate/long-term investments managed by the University are limited to a maximum duration of 10 years, and those held in the Commonwealth's investment pools are subject to the same maturity and duration limits as denoted above for bond revenue fund investments. The portfolio duration of one of the low duration strategy investments managed by an external manager must be within a range of +/- 0.5 years of the Barclays Capital U.S. Government/Credit 1-5 Year Bond Index while the other portfolio is limited to a maximum duration of one year.
- Investment securities held in debt service reserve funds are required to have a maturity no later than two years from the date of the investment.
- Endowment managers are permitted to use derivative instruments to limit interest rate risk. Additionally, the University's actively managed core-plus fixed income portfolio manager is limited to a duration that is within two years of the duration of the Barclays U.S. Aggregate Bond Index. Unconstrained fixed income strategies have been implemented to further mitigate interest rate risk.

For June 30, 2025, the maturity distribution of the University's fixed income investments is summarized below (in thousands):

	Maturities in Years						Total
	Less than 1	1-5	5-10	Greater than 10	Managed based on duration	Alternative strategy <sup>1</sup>	
<u>Non-endowed deposits and investments</u>							
Cash and cash equivalents	\$ 585,427	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 585,427
Certificates of deposit	28,919	13,606	—	—	—	—	42,525
Global fixed income - public fixed income	54,688	105,117	6,355	17	2,365,225	—	2,531,402
Global fixed income - private credit <sup>1</sup>	—	—	—	—	—	1	1
Guaranteed investment contracts	—	622	—	—	—	—	622
Total non-endowed fixed income investments	<u>669,034</u>	<u>119,345</u>	<u>6,355</u>	<u>17</u>	<u>2,365,225</u>	<u>1</u>	<u>3,159,977</u>
<u>Endowed deposits and investments</u>							
Cash and cash equivalents	5,854	—	—	—	—	—	5,854
Global fixed income - public fixed income	—	—	—	—	215,774	—	215,774
Global fixed income - private credit <sup>1</sup>	—	—	—	—	—	45,217	45,217
Total endowed fixed income investments	<u>5,854</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>215,774</u>	<u>45,217</u>	<u>266,845</u>
Total fixed income investments	<u>\$ 674,888</u>	<u>\$ 119,345</u>	<u>\$ 6,355</u>	<u>\$ 17</u>	<u>\$ 2,580,999</u>	<u>\$ 45,218</u>	<u>\$ 3,426,822</u>

1) Global fixed income - private credit includes alternative investments that are not managed within traditional maturity or duration constraints.

At June 30, 2025, the University had the following investments managed based on duration (in thousands):

	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
<u>Non-endowed deposits and investments</u>		
Global fixed income - public fixed income		
415(m) matching plan	\$ 6,552	6.1
UKAA	368	6.4
Commonwealth of Kentucky intermediate pool	387,232	0.8
Commonwealth of Kentucky limited pool	1,364,941	0.1
Externally managed low duration strategy funds	387,085	1.2
KMSF	5,002	4.7
KTI	530	4.4
Royal Blue Health	189,405	4.1
Insure Blue	23,275	2.9
Claire Blue Health	835	4.5
Total non-endowment investments	<u>2,365,225</u>	
<u>Endowed deposits and investments</u>		
Global fixed income - public fixed income	215,774	6.0
Total endowment investment	<u>215,774</u>	
Total managed based on duration	<u>\$ 2,580,999</u>	

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 University's exposure to foreign currency risk derives from certain operating and endowment investments. One of the University's low duration strategies allows for non-U.S. dollar denominated securities limited to 30% excluding money market securities and money market futures. Within the same portfolio, foreign currency exposure is limited to five percent with any currency hedging requirements met through either hedged cash bond exposure or a combination of forward and derivative positions coupled with a long currency position in the same currency. The value of these investments included in the following table was \$10.1 million as of June 30, 2025 and the fair market value of the hedges related to those investments was (\$311) thousand as of June 30, 2025. The University's endowment 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.

As of June 30, 2025, the following endowment and operating investments were subject to foreign currency risk (in thousands):

	<u>Fair Value</u>
Global equity - private	\$ 12,487
Global fixed income - public fixed income	10,125
Total	<u>\$ 22,612</u>

### 3. NOTES, LOANS, LEASES AND ACCOUNTS RECEIVABLE, NET

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

	Gross Receivable	Allowance	Net Receivable
Accrued interest receivable	\$ 3,443	\$ —	\$ 3,443
Commonwealth funded capital projects	416,218	—	416,218
Dentistry patient accounts (net of contractual allowances)	2,727	(99)	2,628
Hospital patient accounts (net of contractual allowances)	642,905	(204,260)	438,645
Hospital third-party payer settlements	490,157	—	490,157
KMSF patient accounts (net of contractual allowances)	60,174	(21,773)	38,401
Leases receivable	6,933	—	6,933
Medical Group third-party payer settlements	63,112	—	63,112
Multimedia rights receivable	193,233	—	193,233
Pledges receivable (less discounts of \$32,257)	168,163	(26,677)	141,486
Reimbursement receivable - federal appropriations	1,603	—	1,603
Reimbursement receivable - grants and contracts	78,126	(640)	77,486
Service concession arrangements	32,732	—	32,732
Student accounts	32,156	(15,165)	16,991
Student loans	13,167	(1,345)	11,822
Other	35,484	(9)	35,475
	<u>\$ 2,240,333</u>	<u>\$ (269,968)</u>	<u>\$ 1,970,365</u>
Total			<u>\$ 1,970,365</u>
Current portion			\$ 1,205,091
Noncurrent portion			<u>765,274</u>
Total			<u>\$ 1,970,365</u>

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the University is required to record operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are actually received. For the year ended June 30, 2025, the University recorded the discounted value of operating and capital pledges using a rate of three percent.

Deferred gifts through insurance, known bequests and irrevocable trusts in which the University has a remainder interest is estimated to be approximately \$414.7 million at June 30, 2025. The University records these amounts as revenue when the cash is received.

The University leases a portion of its property to various third parties, the terms of which expire 2025 through 2089. Payments are constant based on the individual contract terms and conditions. Leases receivable and deferred inflows of resources are reported at the present values using the University's implicit interest rate unless otherwise noted in the contract terms. Leases receivable are reported in notes, loans, leases and accounts receivable, net.

Revenue recognized under lease contracts during the year ended June 30, 2025 was \$1.1 million, which includes both lease revenue and interest income.

#### 4. CAPITAL, LEASE AND SUBSCRIPTION ASSETS, NET

Capital assets as of June 30, 2025 and capital asset activity for the year ended June 30, 2025 are summarized below (in thousands):

	June 30, 2024	Additions	Deletions	June 30, 2025
Land	\$ 191,618	\$ 18,934	\$ 161	\$ 210,391
Land improvements - nonexhaustible	101,294	1,889	—	103,183
Land improvements - exhaustible	186,902	7,523	—	194,425
Buildings	4,731,123	315,013	4,409	5,041,727
Fixed equipment - communications	203,554	10,169	29	213,694
Infrastructure	162,682	3,932	—	166,614
Equipment	913,545	120,574	43,669	990,450
Vehicles	27,974	2,320	987	29,307
Library materials	149,263	321	146	149,438
Nondepreciable library materials	8,307	112	—	8,419
Capitalized software	294,665	1,580	21,598	274,647
Art	16,661	420	—	17,081
Certificate of need	11,725	100	—	11,825
Intangible assets	100	—	—	100
Construction in progress	375,221	844,432	233,435	986,218
Total	<u>7,374,634</u>	<u>1,327,319</u>	<u>304,434</u>	<u>8,397,519</u>
<u>Accumulated Depreciation</u>				
Land improvements - exhaustible	129,088	11,714	—	140,802
Buildings	1,728,732	147,858	3,998	1,872,592
Fixed equipment - communications	150,507	11,292	29	161,770
Infrastructure	82,465	6,650	—	89,115
Equipment	604,304	81,443	38,116	647,631
Vehicles	20,792	2,651	847	22,596
Library materials	148,451	346	—	148,797
Capitalized software	211,963	14,434	21,598	204,799
Intangible assets	100	—	—	100
Total	<u>3,076,402</u>	<u>276,388</u>	<u>64,588</u>	<u>3,288,202</u>
Capital assets, net	<u>\$ 4,298,232</u>	<u>\$ 1,050,931</u>	<u>\$ 239,846</u>	<u>\$ 5,109,317</u>

At June 30, 2025, the University had commitments for capital projects currently underway in which the total budgeted costs were \$2.40 billion. Of this amount, \$1.67 billion remained to be incurred, not including RBH or CBH, for fiscal year 2025. Such construction was principally financed by cash reserves, gifts and grants, and proceeds from the University's general receipts bonds. Additionally, RBH and CBH had capital expenditure commitments of approximately \$64.7 million and \$1.3 million, respectively, related to construction contracts for fiscal year 2025.

On July 1, 2024, the University obtained \$96.4 million of capital assets, net from the acquisition of CBH.

Lease assets as of June 30, 2025, and lease asset activity for the year ended June 30, 2025, are summarized below (in thousands):

	June 30, 2024	Additions	Deletions	June 30, 2025
Buildings	\$ 63,489	\$ 14,701	\$ 4,463	\$ 73,727
Equipment	60,155	15,194	10,530	64,819
Total	<u>123,644</u>	<u>29,895</u>	<u>14,993</u>	<u>138,546</u>
<u>Accumulated Amortization</u>				
Buildings	21,888	12,529	3,465	30,952
Equipment	26,841	15,779	10,434	32,186
Total	<u>48,729</u>	<u>28,308</u>	<u>13,899</u>	<u>63,138</u>
Lease assets, net	<u>\$ 74,915</u>	<u>\$ 1,587</u>	<u>\$ 1,094</u>	<u>\$ 75,408</u>

On July 1, 2024, the University obtained \$6.4 million of lease assets, net from the acquisition of CBH.

Subscription assets as of June 30, 2025 and subscription asset activity for the year ended June 30, 2025 are summarized below (in thousands):

	June 30, 2024	Additions	Deletions	June 30, 2025
Subscription assets	\$ 47,060	\$ 21,746	\$ 7,026	\$ 61,780
Accumulated amortization	20,099	16,548	7,022	29,625
Subscription assets, net	<u>\$ 26,961</u>	<u>\$ 5,198</u>	<u>\$ 4</u>	<u>\$ 32,155</u>

## 5. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources as of June 30, 2025 are as follows (in thousands):

OPEB long-term disability	\$ 11,836
OPEB retiree health	10,514
Pension plan	6,754
Refunding bonds	1,087
Total	<u>\$ 30,191</u>

Deferred outflows of resources from the pension plan are more fully described in note 17. Deferred outflows of resources from OPEB plans are more fully described in notes 18 and 19.

Deferred outflows of resources from refunding bonds represents the difference between the reacquisition price and net carrying amount of refunded debt with the reacquisition price being the amount sent to the escrow agent. This consists of refunding bonds issued between 2014 and 2019. Amortization of the deferred outflows of resources from these refunding bonds was \$695 thousand for fiscal year 2025.

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Payable to vendors and contractors	\$ 338,659
Hospital third party payer settlements	24,690
Accrued expenses, including vacation and sick leave	244,301
Accrued interest payable	17,517
Employee withholdings and deposits payable to third parties	92,067
Total	<u>\$ 717,234</u>

## 7. UNEARNED REVENUE

Unearned revenues as of June 30, 2025 and unearned revenue activity for the year ended June 30, 2025 are summarized below (in thousands):

	June 30, 2024	Additions	Reductions	June 30, 2025	Current Portion	Noncurrent Portion
Unearned summer school revenue	\$ 13,972	\$ 17,481	\$ 13,972	\$ 17,481	\$ 17,481	\$ —
Unearned hospital revenue	37,098	265,376	284,717	17,757	17,757	—
Unearned grants and contracts revenue	52,113	140,260	145,199	47,174	45,034	2,140
Unearned multimedia rights revenue	189,566	23,159	53,862	158,863	17,954	140,909
Athletic ticket sales and contracts	17,976	36,156	38,250	15,882	15,811	71
Other	14,029	41,147	42,732	12,444	12,342	102
Total	<u>\$ 324,754</u>	<u>\$ 523,579</u>	<u>\$ 578,732</u>	<u>\$ 269,601</u>	<u>\$ 126,379</u>	<u>\$ 143,222</u>

A multimedia rights partnership was formed in July 2014 between the University and JMI Sports providing athletics and campus multimedia marketing rights in a 15 year, \$210.0 million agreement. Under the contract, the University will receive a guaranteed rights fee in each of the 15 years of the partnership, that started at \$9.1 million in fiscal year 2015-16 and will increase to \$16.0 million in fiscal year 2029-30. The agreement also included a \$29.4 million signing bonus that was paid over the first two years of the contract. This agreement was modified in April 2016 to increase the signing bonus to \$29.9 million, which was paid over the first three years of the contract. A three-year contract extension of \$51.0 million along with modification to add Rupp Arena media rights of \$67.5 million was signed in July 2018, which increased the total amount to be received to \$329.0 million. A modification in November 2020 extended the contract for an additional year. A modification in June 2022 to provide relief to JMI from the impact of COVID-19 pandemic restriction allowed JMI to reduce the fiscal year 2021-22 guaranteed rights fee payment by \$3.0 million and pay this amount back in equal amounts each year for ten years with interest. A modification in June 2023 allowed JMI to reduce the guaranteed rights fee amount over the life of the contract by \$5.5 million and instead contribute funds for the construction of space in Rupp Arena for a state-of-the-art studio and control rooms to be used by the University. A modification in April 2025 allowed JMI to contract with any University student-athlete who wished to grant JMI his or her Name-Image-Likeness (NIL) in exchange for NIL compensation. The University and JMI agreed the total NIL compensation between April 1, 2025 and June 30, 2025 would not exceed \$7.5 million and that JMI may pay in three monthly payments of \$2.5 million per month directly to the University student-athletes in the form of NIL compensation. A modification in June 2025 increased the maximum NIL compensation for the University student athletes between April 1, 2025 and June 30, 2025 by an additional \$5.3 million bringing the total to \$12.8 million. In consideration of this additional NIL contribution, the fiscal year 2025 guaranteed rights fee amount was further reduced by \$2.7 million and the Rupp Arena guaranteed rights fee amount was deemed fully paid. The modifications to the original contract resulted in a total guaranteed rights fee of \$336.9 million to be received through the life of the contract which ends in fiscal year 2033-34.

## 8. LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2025 and long-term liability activity for the year ended June 30, 2025 are summarized below (in thousands):

	June 30, 2024	Additions	Reductions	June 30, 2025	Current Portion	Noncurrent Portion
<u>Bonds, notes and capital debt</u>						
General receipts bonds	\$ 1,049,000	\$ —	\$ 65,665	\$ 983,335	\$ 53,445	\$ 929,890
Revenue bonds	133,985	—	5,830	128,155	6,090	122,065
Capital financed obligations	40,635	203,515	2,980	241,170	4,660	236,510
Capital debt obligations	59,743	10,996	6,513	64,226	6,264	57,962
Notes payable	10,949	1,562	5,647	6,864	1,423	5,441
Total	<u>1,294,312</u>	<u>216,073</u>	<u>86,635</u>	<u>1,423,750</u>	<u>71,882</u>	<u>1,351,868</u>
<u>Bonds, notes and capital debt from direct borrowings and direct placements</u>						
General receipts bonds	99,225	—	2,040	97,185	2,105	95,080
Revenue bonds	87,886	—	3,109	84,777	3,229	81,548
Notes payable	15,114	28,852	2,041	41,925	2,007	39,918
Total	<u>202,225</u>	<u>28,852</u>	<u>7,190</u>	<u>223,887</u>	<u>7,341</u>	<u>216,546</u>
Total bonds, notes and capital debt	<u>1,496,537</u>	<u>244,925</u>	<u>93,825</u>	<u>1,647,637</u>	<u>79,223</u>	<u>1,568,414</u>
<u>Other liabilities</u>						
Annuities payable	2,450	287	—	2,737	354	2,383
Automobile and property self insurance	143	603	584	162	162	—
Compensated absences	4,565	350	157	4,758	830	3,928
Federal loan programs	9,357	1,090	2,829	7,618	—	7,618
Health insurance	17,634	92,458	93,694	16,398	16,398	—
Insurance executory costs	16,428	—	253	16,175	253	15,922
Medical malpractice	29,935	17,137	10,869	36,203	7,121	29,082
Lease obligations	77,326	29,893	29,972	77,247	27,028	50,219
Subscription obligations	21,592	21,449	16,633	26,408	12,419	13,989
Interest rate swap agreements	3,684	—	229	3,455	—	3,455
Unamortized bond premium	45,017	9,525	5,602	48,940	—	48,940
Unemployment compensation	211	706	719	198	198	—
Workers' compensation	14,275	6,714	6,247	14,742	6,524	8,218
Other	58,282	44,664	26,324	76,622	1,423	75,199
Total other liabilities	<u>300,899</u>	<u>224,876</u>	<u>194,112</u>	<u>331,663</u>	<u>72,710</u>	<u>258,953</u>
Total	<u>\$ 1,797,436</u>	<u>\$ 469,801</u>	<u>\$ 287,937</u>	<u>\$ 1,979,300</u>	<u>\$ 151,933</u>	<u>\$ 1,827,367</u>

Annuities payable consists of the present value of future payments due under charitable remainder annuity trusts, charitable remainder unitrusts, lead trusts, irrevocable trusts and charitable gift annuities, discounted at 3.6% to 9.7% for fiscal year 2025.

Bond discounts and premiums are amortized over the life of the bond using the effective interest method.

Bonds payable consists of general receipts bonds in the original amount of \$1.49 billion dated November 24, 2009 through April 1, 2024, which bear interest at 1.0% to 4.4%. The bonds are payable in annual installments through October 1, 2047. The University is required to make semi-annual deposits of varying amounts to the debt service funds held by the trustees. The bonds are secured by the net revenues of the University and the assets restricted under the bond indenture agreements. Other capital debt obligations are due in periodic installments through December 22, 2056 and bear interest at 3.0% to 7.0%. All bonds, except for the General Receipts 2009 Bonds Series B, General Receipts 2017 Bonds Series B, General Receipts 2018 Bonds Series B, General Receipts 2019 Bonds Series A, General Receipts 2020 Bonds Series B, General Receipts 2022 Bonds Series A, General Receipts 2022 Bonds Series C and General Receipts 2024

Bonds Series C, totaling \$1.26 billion, are callable between now and April 2033. The General Receipts 2009 Bonds Series B are callable on any date at the make-whole redemption price.

The indenture agreements require that certain funds be established with the trustee and with the Commonwealth.

On September 18, 2024, approximately \$104.7 million University of Kentucky General Receipts Bonds 2024, Lease Purchase Obligations, were issued at a net interest cost of 4.3%. These bonds were issued for the purpose of funding the construction of a parking structure which will serve the new Cancer Treatment/ Ambulatory Outpatient Center.

On June 25, 2025, approximately \$98.8 million University of Kentucky General Receipts Bonds 2025 Series A and B, Lease Purchase Obligations, were issued at a net interest cost of 4.9% and 5.0%, respectively. These bonds were issued for the purpose of funding the expansions of Parking Structure Number Seven and the adjacent Johnson Student Recreation Center.

On July 1, 2024, the University acquired CBH via member substitution and the University assumed a total debt obligation of \$29.4 million at the time of acquisition. CBH has United States Department of Agriculture (USDA) and other various notes. These notes are secured by all personal property, equipment, fixtures, revenues, fees, charges, assessments and all income in connection with the operation of CBH's facilities. These notes have an original amount of \$43.5 million dated April 28, 2016 through February 10, 2024, which bear interest at 2.4% to 7.0%. The notes are payable in annual installments through December 22, 2056. None of these notes are callable.

Other long-term liabilities acquired by CBH totalled \$10.6 million, which included lease obligations of \$6.4 million and medical malpractice of \$4.2 million.

In prior fiscal years, certain general receipts bonds series were issued as Build America Bonds (BAB) as authorized under the American Recovery and Reinvestment Act of 2009 and as Qualified Energy Conservation Bonds (QECB) as authorized under the Recovery Act and the Hiring Incentive to Restore Employment Act of 2010. The University receives an annual cash subsidy from the U.S. Treasury equal to 35% BAB and 80% QECB of the interest payable on the bonds. The subsidy, which was approximately \$958 thousand for fiscal year 2025, was included in gifts and non-exchange grants in the Statement of Revenues, Expenses and Changes in Net Position. The subsidy payment is contingent on federal regulations and may be subject to change. On March 1, 2013, President Barack Obama signed an executive order reducing the budgetary authority in accounts subject to sequestration. As a result, the BAB subsidy was reduced to approximately 33% and the QECB subsidy was reduced to approximately 77% in fiscal year 2025.

The University's General Receipts 2019 Bonds Series A and B, Certificates of Participation, contain a provision that in an event of default, the trustee shall seek to enforce the pledge of General Receipts to satisfy the payment of base rent then due and payable under the facilities lease. Additionally, the facilities lessor may terminate the lease and the University's right to occupy the project on the 30th day following such event of default. This debt was approximately \$29.0 million as of June 30, 2025.

The University's General Receipts 2022 Bonds Series A and General Receipts 2024 Bonds Series A are direct placements and secured by a pledge of the University's General Receipts. This debt was approximately \$97.2 million as of June 30, 2025.

KMSF's outstanding notes from direct placements are secured with all assets, tangible and intangible. These outstanding notes contain a provision that in the event of default, the secured party takes possession of these assets up to the amount in default. This debt was approximately \$13.9 million as of June 30, 2025.

The RBH Revenue Bonds Series 2016 B and Revenue Bonds Series 2022 are from direct placements, which are secured by a security interest in the gross receipts of RBH and a first lien mortgage and security interest in mortgaged property.

Under the term of the Master Trust Indenture, there are limits on the incurrence of additional borrowing and requirements of certain measures of financial performance to be maintained as long as the bonds are outstanding for the Revenue Bonds Series 2022.

King's Daughters health system has a line of credit with a bank in the amount of \$15.0 million. The borrowings on the line bear interest at the Adjusted Term Secured Overnight Financing Rate (SOFR) per annum (6.37% at June 30, 2025). King's Daughters health system did not have borrowings under the line as of June 30, 2025. The line of credit has a maturity date of March 25, 2027.

Principal maturities and interest on bonds, notes and capital debt obligations for the next five fiscal years and in subsequent five-year fiscal periods as of June 30, 2025, are as follows (in thousands):

			Bonds, notes and capital financed obligations from direct borrowings and direct placements		Total
	Principal	Interest	Principal	Interest	
2026	\$ 71,882	\$ 58,540	\$ 7,341	\$ 7,418	\$ 145,181
2027	76,209	56,491	7,445	7,152	147,297
2028	70,509	53,145	14,955	6,879	145,488
2029	56,629	50,389	16,811	6,329	130,158
2030	58,973	47,880	17,333	5,738	129,924
2031-2035	338,821	197,925	79,434	20,164	636,344
2036-2040	386,497	124,416	39,202	8,439	558,554
2041-2045	241,505	55,199	13,725	4,877	315,306
2046-2051	65,085	20,874	15,792	2,816	104,567
2051-2055	57,640	7,515	10,163	755	76,073
2056-2057	—	—	1,686	59	1,745
Total	<u>\$ 1,423,750</u>	<u>\$ 672,374</u>	<u>\$ 223,887</u>	<u>\$ 70,626</u>	<u>\$ 2,390,637</u>

The University leases buildings and equipment, the terms of which expire in various years through 2037. The lease obligations are reported at net present value using the University's incremental borrowing rate unless otherwise noted in the contract term.

Principal and interest on lease obligations for the next five fiscal years and in subsequent five-year fiscal periods as of June 30, 2025, are as follows (in thousands):

	Principal	Interest	Total
2026	\$ 27,028	\$ 2,006	\$ 29,034
2027	19,149	1,258	20,407
2028	13,352	751	14,103
2029	7,397	442	7,839
2030	6,549	237	6,786
2031-2035	3,522	191	3,713
2036-2037	250	8	258
Total	<u>\$ 77,247</u>	<u>\$ 4,893</u>	<u>\$ 82,140</u>

The University leases software subscriptions, the terms of which expire in various years through 2031. The subscription obligations are reported at net present value using the University's incremental borrowing rate unless otherwise noted in the contract term.

Principal and interest on subscription obligations for the next six fiscal years as of June 30, 2025, are as follows (in thousands):

	Principal	Interest	Total
2026	\$ 12,419	\$ 754	\$ 13,173
2027	8,532	401	8,933
2028	2,881	176	3,057
2029	2,385	85	2,470
2030	68	5	73
2031	123	5	128
Total	<u>\$ 26,408</u>	<u>\$ 1,426</u>	<u>\$ 27,834</u>

## 9. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources as of June 30, 2025 are as follows (in thousands):

Aramark service concession arrangement	\$ 72,014
Barnes and Noble service concession arrangement	1,620
Forward delivery agreement	1,714
Greystar service concession arrangement	349,570
Lessor contracts	9,623
OPEB long-term disability	10,819
OPEB retiree health	28,420
Pension plan	3,376
Gain on refunded bonds	1,929
Trusts and annuities	20,607
Total	<u>\$ 499,692</u>

The University entered into a multi-phase housing project with a third party developer, Greystar (formerly Education Realty Trust), to complete a long-term housing plan. Phase I, signed in April 2012, was for two four-story buildings (601 beds), and opened in August 2013. The project, with a cost of \$25.2 million, is on land owned by the University and leased to Greystar for a 50-year term with options for additional 10-year and 15-year terms thereafter. At the conclusion of the initial 50-year term or the first renewal option, the University will be required to purchase the buildings from Greystar for an appraised value, unless the ground lease is renewed for the first or second optional extension. At the conclusion of the second optional extension, the University is required to purchase the buildings for the greater of current net book value or \$10. Ground lease is a percentage of gross revenues. The University accounts for the ground lease as a finance lease. These facilities are subject to ad valorem tax.

Phase II-A, Phase II-B and Phase II-C, which opened in August 2014, August 2015 and August 2016 respectively, included the development of 10 residence halls at a cost of \$321.3 million. The residence halls are reported as capital assets with a carrying value of \$277.3 million at June 30, 2025, and deferred inflows of resources of \$265.9 million at June 30, 2025, pursuant to the service concession arrangement.

Phase III-A, which opened in August 2017, included the construction of one residence hall at a cost of \$72.5 million. This 771 bed facility provides apartment style units for upper class, graduate and professional students. Phase III-B, which also opened in August 2017, cost \$36.4 million. This is a 346 bed facility to house undergraduate students and includes space dedicated to the Lewis Honors College. These residence halls are reported as capital assets with a carrying value of \$96.7 million at June 30, 2025, and deferred inflows of resources of \$82.9 million at June 30, 2025, pursuant to the service concession arrangement.

Phase IV of the project includes the construction of a 649 bed residence hall at a projected cost of \$80.1 million on the site of the former Kirwan and Blanding Towers. The building is anticipated to open in Fall 2026. A January 2024 agreement was entered into to begin pre-development activities. The agreement included a total pre-development cost of \$2.9 million to be shared between Greystar and the University. In fiscal year 2025, Greystar paid the University \$800 thousand toward the pre-development costs incurred. The deferred inflows of resources are \$788 thousand as of June 30, 2025.

The 75-year term lease with Greystar includes maintenance standards for the facilities and parameters for the room rental rates for the contract duration. The University will receive a percentage of the total revenues and a share of the net income after Greystar achieves a minimum internal rate of return. Phase II-A through Phase III-B are exempt from ad valorem tax.

In July 2014, the University entered into an approximately \$250.0 million contract with Aramark Enterprise Services, LLC (Aramark), forming a 15-year public/private partnership. In September 2018, this contract was extended 5 years and \$1.3 million was added with price contract modification number 20 and in December 2019 an additional 5 years and \$2.6 million was added with price contract modification number 23. In September 2024, contract modification number 41 extended the agreement five years until 2041. This partnership is transforming dining services offered to students, faculty, staff and the community served. Under the partnership, several new food brands are located on campus. Aramark provides meals covered under the University's student boarding plans and declining balance dollars. The contract allows for dining commissions to be paid to the University with guaranteed minimum amounts for each contract year. Aramark provided \$92.0 million in facilities investments, including \$59.0 million in new facilities. As part of these facilities investments, Aramark constructed a new K Lair Grill at Haggin Hall, made substantial upgrades to the student center food court, constructed "The 90" dining facility for the fall 2015 semester, and expanded the student center's dining and student support spaces in fall 2021. The completed projects are reported as capital assets with a carrying value of \$36.0 million at June 30, 2025, and deferred inflows of resources of \$30.0 million at June 30, 2025, pursuant to the service concession arrangement. The present value of the guaranteed minimum payments over the remaining 14 years of the contract is reported as a receivable of \$32.5 million and deferred inflows of resources in the amounts of \$42.0 million pursuant to the service concession arrangement at June 30, 2025.

In June 2015, the University entered into a contract with Barnes and Noble College Booksellers, LLC (Barnes and Noble) to operate and provide services for the bookstore for 10 years with an additional five year renewal option period. The bookstore is reported as a capital asset with a carrying value of \$2.8 million at June 30, 2025, and deferred inflows of resources of \$1.3 million at June 30, 2025, pursuant to the service concession arrangement. The present value of the guaranteed minimum payments over the remaining five years is reported after the contract period as a receivable of \$237 thousand and deferred inflows of resources in the amounts of \$363 thousand pursuant to the service concession arrangement as of June 30, 2025.

Deferred inflows for leases receivable is more fully described in note 3. As of June 30, 2025, the deferred inflows for leases of University property to various third parties was \$9.6 million, and amortized on a straight line basis according to the contract terms.

As of June 30, 2025, the beneficial interests from trusts and annuities that the University will receive in the future years of \$20.6 million, were recorded in deferred inflows of resources.

As of June 30, 2025, the deferred inflows for the net difference between expected and actual earnings on OPEB Plan investments and the assumption changes for the retiree health plan were \$28.4 million, and the corresponding amounts for the LTD Plan were \$10.8 million.

As of June 30, 2025, the deferred inflows of resources from the gain on refunded bonds was \$1.9 million. This consists of General Receipts 2022 Bonds Series D issued October 24, 2022. Amortization of the deferred inflows of resources from this refunding bond was \$241 thousand for fiscal year 2025.

As of June 30, 2025, the deferred inflows of resources for the net difference between projected and actual earnings on Pension Plan investments were \$3.4 million for fiscal year 2025.

The University entered into a bond purchase agreement with Morgan Stanley on February 17, 2021, granting Morgan Stanley the option to purchase the General Receipts 2022 Bonds Series A in the future, which refunded General Receipts 2014 Bonds Series B. Upon the closing date on February 23, 2021, the University received \$3.2 million from Morgan Stanley as a forward delivery agreement, representing the net present value savings of the refunding. As of June 30, 2025, the deferred inflows for the net present value savings of these refunding bonds was \$1.7 million.

## 10. COMPONENTS OF RESTRICTED EXPENDABLE NET POSITION

Restricted expendable net position is subject to externally imposed stipulations or conditions that must be followed and cannot be used for support of general operations of the University. As of June 30, 2025, restricted expendable net position is composed of the following (in thousands):

Appreciation on permanent endowments	\$ 466,744
Term endowments	23,983
Quasi-endowments initially funded with restricted assets	320,072
Funds restricted for capital projects and debt service	631,747
Funds restricted for noncapital purposes	96,691
Loan funds (primarily University funds required for federal match)	13,889
Total	<u>\$ 1,553,126</u>

## 11. DESIGNATIONS OF UNRESTRICTED NET POSITION

Unrestricted net position is designated for specific purposes by action of the Board or management or may otherwise be limited by contractual agreements with outside parties. Commitments for the use of unrestricted net position as of June 30, 2025 are as follows (in thousands):

Working capital requirements	\$ 97,291
Designated for future year fiscal operations	265,489
Designated for OPEB liability (see notes 18 and 19)	(30,909)
Designated for pension liability (see note 17)	710
Designated for capital projects	53,112
Designated for renewal and replacement of capital assets	60,249
UK HealthCare Hospital System	3,651,804
Affiliated corporations and component units	284,884
Total	<u>\$ 4,382,630</u>

## 12. PLEDGED REVENUES

Pledged revenues for the year ended June 30, 2025 as defined by the General Receipts Trust Indenture are as follows (in thousands):

Student tuition and fees	\$	395,183
Nongovernmental grants and contracts		838
Recoveries of facilities and administrative costs		97,658
Sales and services		76,782
Hospital services		3,530,089
Auxiliary enterprises - housing and dining		36,629
Auxiliary enterprises - athletics		145,773
Auxiliary enterprises - other		57,378
Other operating revenue		1,192
State appropriations		358,566
Gifts and grants		6,895
Investment income		136,792
Total	\$	<u>4,843,775</u>

The University has substantially pledged all of the unrestricted operating and nonoperating revenues to repay the general receipts bonds and capital debt obligations issued from 2009 to 2025. Proceeds from the bonds and capital debt obligations provided funding for new construction, major renovations, facility leases and for the refunding of bonds and notes issued over the years. These debts are payable from unrestricted revenues, operating and nonoperating, and are payable through fiscal year 2055. Annual principal and interest payments on bonds are expected to require approximately two percent of pledged revenue. The total principal and interest remaining to be paid on the bonds is approximately \$1.95 billion at June 30, 2025. Principal and interest paid for fiscal year 2025 was \$120.3 million.

## 13. INVESTMENT INCOME

Components of investment income for the year ended June 30, 2025 are as follows (in thousands):

Interest and dividends earned on endowment investments	\$	31,487
Realized and unrealized gains on endowment investments		167,894
Interest and dividends on cash and non-endowment investments		136,038
Realized and unrealized gains on non-endowment investments		50,670
Investment income from external trusts		2,608
Total	\$	<u>388,697</u>

## 14. FUNDS HELD IN TRUST BY OTHERS

The University is the income beneficiary of various perpetual trusts that are held and controlled by external trustees. For the year ended June 30, 2025, the University received income from these trusts of approximately \$2.2 million. The market value of the perpetual external trust assets as of June 30, 2025 was approximately \$52.9 million. As the University does not have ownership of the trust assets held by external trustees, the trusts are recorded at a nominal value of \$1 each.

The University is the residual principal and income beneficiary of various irrevocable trusts that are held and controlled by external trustees. For the year ended June 30, 2025, the University received income from these

trusts of approximately \$413 thousand. The market value of the irrevocable external trust assets as of June 30, 2025 was approximately \$18.0 million and is included in endowment investments.

Effective January 1, 2016, the University became the administrator of five trusts that were previously held and controlled by external trustees. For the year ended June 30, 2025, the University received income from these self-administered trusts of approximately \$99 thousand. The market value of the self-administered trusts as of June 30, 2025 was approximately \$2.1 million and is included in endowment investments.

## 15. GRANTS AND CONTRACTS AWARDED

At June 30, 2025, grants and contracts of approximately \$345.5 million, have been awarded to the University but not expended. These amounts will be recognized in future periods.

## 16. RETIREMENT PLANS

Regular full-time employees, including faculty, are participants in the University of Kentucky Retirement Plan (Plan), a defined contribution plan. The Plan consists of five groups as follows:

Group I	Established July 1, 1964, for faculty and certain administrative officials.
Group II	Established July 1, 1971, for staff members in the clerical, technical and service categories.
Group III	Established July 1, 1972, for staff members in the managerial, professional and scientific categories.
Group IV	Established January 1, 1973, for staff members having U.S. Civil Service retirement entitlement.
Group V	Established July 1, 1987, for staff members covered under the Federal Employees Retirement System that replaced Civil Service (those whose employment began during the period from January 1, 1984 to March 31, 1987). Staff members whose employment began after March 31, 1987 are under one of the above University of Kentucky Retirement Plans.

Participation in the Plan is mandatory for all regular full-time employees in groups I, II and III who are age 30 or older. Participation is voluntary for regular full-time employees under the age of 30 and for those employees in groups IV and V. Participants in groups I, II, III and IV contribute five percent and the University contributes 10% of the participant's eligible compensation to the retirement plan. Participants in group V contribute one percent and the University contributes two percent of the participant's eligible compensation to the retirement plan.

The University has authorized two retirement plan carriers as follows:

- Teachers Insurance and Annuity Association
- Fidelity Investments Institutional Services Company

Under the fully funded Plan, the University and Plan participants make contributions to provide retirement benefits to employees in individually owned contracts. All payments are vested immediately for employees hired prior to January 1, 2010. For employees hired after January 1, 2010, employer contributions are vested after three years. The University's contributions and costs for fiscal year 2025 was approximately \$195.5 million. Employees contributed approximately \$97.5 million in fiscal year 2025. The University's total payroll costs were approximately \$2.43 billion for the year ended June 30, 2025. The payroll for employees covered by the retirement plan was approximately \$2.44 billion for the year ended June 30, 2025.

The King's Daughters Medical Center's Base Contribution Plan and RBH Matching Contribution Plan were established to cover substantially all employees employed subsequent to December 31, 1992, (except for collectively bargained employees at that time) who qualify as to age and length of service and those

employees who were participants in the defined benefit plan and qualify as to length of service, but as of January 1, 2011, elected to become a limited participant in the defined benefit plan and an active participant in the defined contribution plans. Effective January 1, 2011, employees subject to collective bargaining may participate in the Base and Matching Plans. The contributions are three percent of the participants' compensation for the Base Plan and 50% of eligible participant contributions up to three percent of the employee's contribution for the Matching Plan, unless such contributions are suspended or terminated. King's Daughters health system contributions were approximately \$13.8 million to the Plans for fiscal year 2025.

The CBH 403(b) Plan (Plan) is a defined contribution retirement plan that provides benefits to substantially all of the employees. The Plan is administered by the Board of CBH. The Plan provides retirement and death benefits to Plan members and their beneficiaries. Benefit provisions are contained in the Plan document and were established and can be amended by action of CBH's governing body. Employee contributions are allowed up to the maximum allowable by law. CBH a discretionary contribution for eligible salaries as determined by governing body. For the year ended June 30, 2025, CBH's contributions were approximately \$4.2 million to the Plan.

## 17. PENSION PLAN

On December 1, 2022, the University acquired RBH through member substitution and assumed the obligation of the King's Daughters Medical Center retirement plan (Pension Plan or Plan).

RBH contributes to the King's Daughters Medical Center retirement plan, a single-employer plan covering substantially all employees employed January 1, 2011 and prior. The Pension Plan is administered by the governing board of RBH. Benefit provisions are contained in the plan document and were established and can be amended by action of RBH's governing body. The Pension Plan issues publicly available financial statements and required disclosures through December 31, 2024 which can be obtained at [www.efast.dol.gov/5500Search/](http://www.efast.dol.gov/5500Search/).

The Pension Plan provides retirement and death benefits to plan members and their beneficiaries. Normal retirement benefits for participants 65 years or older are calculated as a monthly benefit equal to the greater of 0.75% of the first \$650 of their average monthly earnings plus 1.25% of the excess of their average monthly earnings over \$650, all multiplied by years of credited service, to a maximum of 35 years plus 1.25% of average monthly earnings times credited service in excess of 35 years. Earnings used in the benefit formula cannot exceed \$230 thousand indexed as provided by law or a dollar amount multiplied by years of credited service. Early retirement benefits for participants 55 or older and 10 years of service are calculated as the normal retirement benefit reduced by 1/300th for each month by the which the commencement date of benefits precedes the normal retirement date. Late retirement benefits for participants that are employed beyond age 70 ½ are calculated as the greater of earnings and credited service as of the actual retirement date or the normal retirement benefit increased actuarially to their late retirement date. Death benefits are equal to 50% of the participant's accrued benefits. If a participant has attained age 55 and completed 10 years of service, the death benefit payable to their spouse is equal to one half of the benefit payable if the participant had elected to retire the day they died and chosen the joint and one-half to spouse form of payment. If a participant dies prior to attaining age 55 but after completing five years of service, his/her spouse (if any) is entitled to a benefit commencing at the time the participant could have retired, if still living, and equal to 50% of the qualified joint and 50% survivor benefit payable at retirement.

Effective January 1, 2011, a plan amendment was approved to freeze the benefit accruals in the plan. New employees since the amendment date have not been eligible to participate.

For Plan reporting purposes, GASB Statement No. 67, *Financial Reporting for Pension Plans*, measures net pension liability as of December 31, 2024 for the year ended June 30, 2025. For employer reporting purposes, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, measures net pension liability as of December 31, 2024 for the year ended June 30, 2025. The following note disclosure is presented in order to comply with GASB Statement No. 67 and GASB Statement No. 68.

The net pension liability was measured as of December 31, 2024 for the fiscal year ended June 30, 2025. The total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of January 1, 2024 and rolled forward to December 31, 2024 using the following actuarial assumptions as of December 31, 2024:

Inflation	N/A
Salary increases	N/A
Investment rate of return	5.25% net of pension plan investment expense

Mortality rates were based on the Pri-2012 employee and retiree tables, no collar and Pri-2012 contingent survivor mortality table for surviving beneficiaries of deceased participants. All tables include generational projections based on SOA Scale Mortality Projection-2021.

The actuarial assumptions used in the June 30, 2025 valuations were based on the results of an actuarial experience study for the periods January 1, 2024 through December 31, 2024. The members covered by the Plan at December 31, 2024 are as follows:

Inactive members or beneficiaries currently receiving benefits	657
Inactive members entitled to but not yet receiving benefits	268
Active plan members	<u>252</u>
Total plan members	<u><u>1,177</u></u>

The Plan legally invests in direct obligations and other obligations guaranteed as to principal by the U.S. Treasury, U.S. agencies and instrumentalities, bank repurchase agreements, corporate bonds, equity securities, money market mutual funds, mutual funds and collective investment funds.

The fair value of deposits and investments, by Statement of Fiduciary Net Position classification, at June 30, 2025 is as follows (in thousands):

Statement of Fiduciary Net Position classification

Cash and cash equivalents	\$	982
Investments		<u>55,606</u>
Total deposits and investments	\$	<u><u>56,588</u></u>

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. See note 2 for a description of the framework used to measure fair value.

The University categorizes its fair value measurements within the fair value hierarchy. Certain investments are measured at 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 Statement of Fiduciary Net Position.

The Pension Plan has the following valuation measurements, by type, at June 30, 2025 (in thousands):

	Fair Value Measurement Using				
	Total value	Quoted prices in active markets for identical assets (Level 1)	Total measured at fair value	Net asset value (NAV)	Amortized or historical cost
Cash and cash equivalents	\$ 982	\$ —	\$ —	\$ —	\$ 982
Diversifying strategies	2,508	—	—	2,508	—
Global equity - international	7,134	—	—	7,134	—
Global equity - U.S.	12,738	—	—	12,738	—
Global fixed income - public fixed income	29,812	29,812	29,812	—	—
Real assets - private	1,566	—	—	1,566	—
Real assets - public	1,848	—	—	1,848	—
Total deposits and investments	<u>\$ 56,588</u>	<u>\$ 29,812</u>	<u>\$ 29,812</u>	<u>\$ 25,794</u>	<u>\$ 982</u>

The pension trust investments are exposed to various risks. 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 Statement of Fiduciary Net Position.

The trustee of the pension trust diversifies the investments to minimize the risk of losses due to credit risk, interest rate risk, currency and other risks, as appropriate, based on market conditions. At June 30, 2025, the pension trust had no underlying investments in any one issuer which represented more than five percent of total investments, other than U.S. Treasury and agency obligations, as a way to limit concentration of credit risks. See note 2 for a description of credit, interest rate, foreign currency and concentration of credit risks.

For the year ended June 30, 2025, the annual money-weighted rate of return on the Plan investments, net of Plan investment expense, was 6.52%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term expected rate of return on pension plan investments was determined using a building-block approach considering the Plan's long-term inflation assumption of 2.5%, the Plan's target asset allocation, long-term real rate of return for each asset class and net of assumed investment expenses.

The target allocation and real rate of return for both the University and Plan for each major asset class as of June 30, 2025 are summarized in the following tables:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric)
Fixed income	55%	2.4%
Global equity	32%	4.7%
Hedged equity	5%	2.5%
Inflation sensitive assets	8%	3.6%
Total	<u>100%</u>	

The discount rate is based on the expected rate of return on pension plan investments (net of investment expenses) of 5.25% for the year ended June 30, 2025 and a municipal bond rate of 4.08% for the year ended June 30, 2025. Considering the Plan's contribution history in the most recent five years, as well as management's judgment that as a non-ERISA Plan, the Plan will formulate a contribution policy to target full funding, the pension plan's fiduciary net position and future contributions are projected to be sufficient to

finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

RBH's governing body has the authority to establish and amend the contribution requirements and definition of active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The University is required to contribute the actuarially determined rate. The employees may not make contributions to the Plan. For fiscal year 2025, the University's contribution was \$1.3 million.

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the University and Plan at June 30, 2025 are as follows (in thousands):

	Increase (decrease)		
	Total Pension liability (asset)	Plan fiduciary net position	Net Pension liability (asset)
Balance, beginning of period 7/1/2024 (based on 12/31/2023 measurement date)	\$ 63,041	\$ 56,490	\$ 6,551
Change recognized for the fiscal year:			
Interest	3,196	—	3,196
Difference between expected and actual experience	(2,119)	—	(2,119)
Change in assumptions	(401)	—	(401)
Contributions from the employer	—	1,251	(1,251)
Net investment income	—	3,552	(3,552)
Benefit payments	(4,331)	(4,331)	—
Administrative expense	—	(244)	244
Net changes	<u>(3,655)</u>	<u>228</u>	<u>(3,883)</u>
Balance recognized at 6/30/2025 (based on 12/31/2024 measurement date)	<u>\$ 59,386</u>	<u>\$ 56,718</u>	<u>\$ 2,668</u>

The net pension liability of the Plan has been calculated using a discount rate of 5.25%. The following presents the net pension liability, as well as what the University's net pension liability (asset) would be if it was calculated using a discount rate that is one-percentage-point lower (4.25%) or one-percentage-point higher (6.25%) than the current discount rate (in thousands):

	1% Decrease (4.25%)	Current Rate (5.25%)	1% Increase (6.25%)
Total pension liability	\$ 65,304	\$ 59,386	\$ 54,370
Plan fiduciary net position	<u>(56,718)</u>	<u>(56,718)</u>	<u>(56,718)</u>
Net pension liability (asset)	<u>\$ 8,586</u>	<u>\$ 2,668</u>	<u>\$ (2,348)</u>

The University recorded pension expense of \$1.8 million for fiscal year 2025. At June 30, 2025, the University reported deferred outflows of resources and/or deferred inflows of resources related to pensions (in thousands) from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ —	\$ (803)
Changes of assumptions	—	(152)
Net difference between expected and actual earnings on Pension Plan investment	<u>6,754</u>	<u>(2,421)</u>
Total	<u>\$ 6,754</u>	<u>\$ (3,376)</u>

Deferred outflows of resources as of June 30, 2025 related to pensions will be recognized in pension expense as follows:

2026	\$ 1,661
2027	2,616
2028	(760)
2029	(139)
	<u>\$ 3,378</u>

#### 18. UNIVERSITY OF KENTUCKY OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN TRUST

The University's OPEB Plan is administered through the University's OPEB trust fund as an irrevocable trust. The single-employer defined benefit OPEB Plan provides medical and prescription drug benefits. The trust is a separate legal entity and is governed by the University's Board.

The Plan provides lifetime health care insurance benefits for eligible retirees and their surviving spouses. Employees are eligible for the University retiree health benefits upon retirement after (a) completing 15 years of continuous service and (b) age plus years of service equal at least 75 years ("rule of 75"). Employees hired on or after January 1, 2006 are eligible to participate in the retiree health care plan on an "access only" basis upon retirement, but they must pay 100% of the cost of the selected plan. Employees hired prior to January 1, 2006 are eligible for the University subsidy based on their hire date and surviving spouses receive one-half of the health credit their spouse was entitled to if they were covered by the health plan at the time of the retiree's death. No health credit is provided to a spouse of a living retiree. The University's Human Resources' policies and procedures define retiree health benefits and can be amended by the president of the University as delegated by the Board. Employees who were hired before August 1, 1965 are also eligible for \$5,000 of life insurance coverage upon retirement.

The OPEB Plan's trust activity is reported in the University's Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position and Required Supplementary Information.

For Plan reporting purposes, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, measures net OPEB liability as of June 30, 2025 for fiscal year 2025. For employer reporting purposes, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, measures net OPEB liability as of July 1, 2024 for fiscal year 2025. The following note disclosure is presented in order to comply with GASB Statement No. 75 and GASB Statement No. 74.

The OPEB liabilities measured as of July 1, 2024 were based upon the plan members as of January 1, 2023:

Inactive members receiving benefits	3,500
Inactive members entitled to but not yet receiving benefits	495
Active plan members	<u>3,700</u>
Total plan members	<u><u>7,695</u></u>

The OPEB liabilities measured as of June 30, 2025 were based upon the plan members as of January 1, 2025:

Inactive members receiving benefits	3,522
Inactive members entitled to but not yet receiving benefits	593
Active plan members	<u>3,181</u>
Total plan members	<u><u>7,296</u></u>

The contribution requirements of plan members and the University are established and may be amended by the president of the University. For employees hired before January 1, 2006, the University provides a pre-65 credit of up to 90% of the “true retiree” cost of the least expensive pre-65 medical plan. For post-65 benefits, the University provides a credit equal to 90% of the “true retiree” cost of the post-65 medical plan. For fiscal year 2025, the University contributed \$9.8 million. Plan members receiving benefits contributed 53.4% of the premium costs for fiscal year 2025, an average for combined single and family coverage. In fiscal year 2025, total member contributions were approximately \$5.2 million.

The University’s employer net OPEB liability of \$10.1 million was measured as of July 1, 2024 for the fiscal year ended June 30, 2025. The University’s Plan net OPEB asset of \$25.0 million was measured as of June 30, 2025 for the fiscal year ended June 30, 2025. The total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of the measurement date.

The total OPEB liabilities measured as of July 1, 2024 and June 30, 2025 were determined using the following actuarial assumptions applied to all periods included in the measurement:

Health care trend rate	For employer reporting: Post-65 Medical rate is 12.75% for 2024 decreasing to an ultimate rate of 4.5% in 2032. Post-65 RX 12.75% initial rate for 2024 decreasing to an ultimate rate of 4.5% in 2032; Pre-65 7.48% initial rate for 2024 decreasing to an ultimate rate of 4.5% in 2032. For Plan reporting: Post-65 Medical rate is 13.5% for 2025 decreasing to an ultimate rate of 4.5% in 2035. Post-65 RX 13.5% initial rate for 2025 decreasing to an ultimate rate of 4.5% in 2035; Pre-65 8.46% initial rate for 2025 decreasing to an ultimate rate of 4.5% in 2035.
Salary scale	Three percent per year.
Retirement rates	For employer reporting: Faculty from 0.00 to 1.00 from age 50 to 85; staff from 0.03 to 1.00 from age 50 to 85.
Withdrawal rates	For employer reporting: Faculty from 0.035 to 0.21 from age 20 to 55; staff from 0.042 to 0.34 from age 20 to 55. For Plan reporting: Faculty from 0.02 to 0.08 from age 20 to 55; staff from 0.025 to 0.05 from age 20 to 55.
Discount rate and investment rate of return	7.5% based on the University’s funding policy and the expected long-term return on the separate trust assets that will be used to finance the payment of plan benefits. The University has stated a funding policy to contribute an amount to the segregated and protected trust fund, such that the assets available will always be sufficient to cover the expected benefit payments.

Mortality	For July 1, 2024, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2021 for the employer. For June 30, 2025, PUB-2016 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2021 for the Plan.
Disability	For employer reporting: Gender and age-related disability incidence rates based on 1987 GLTD (six-month elimination period). For Plan reporting: Unisex rates varying from 0.15 per thousand to 4.8 per thousand from age 20 to 74.
Plan participation	For employer reporting: 80% elect coverage. For Plan reporting: 75% of actives and 80% of working retirees elect coverage.
Dependent coverage	For employer reporting: 80% of active employees are assumed to be married at their retirement. 60% of those married retirees are assumed to have spousal coverage in effect upon death. Female spouse of male retirees are assumed to be three years younger than their husbands. Male spouses of female retirees are assumed to be three years older than their wives.  For Plan reporting: 80% of active employees are assumed to be married at their retirement. 20% of those married retirees are assumed to have spousal coverage in effect upon death. Participants and their covered spouses are assumed to be the same age.
Change in benefit terms	Postretirement medical benefits for Medicare eligible retirees was updated from a self-insured retiree Medical Carveout program with a deductible that is tied to the Medicare Part B deductible to a fully-insured Medicare Advantage plan effective 1/1/2019.

The actuarial assumptions used as of July 1, 2024 were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2014.

The actuarial assumptions used as of June 30, 2025 were based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2024.

The components of the employer's net OPEB liability of the University measured at July 1, 2024 for fiscal year 2025 are as follows (in thousands):

Total OPEB liability	\$ 268,233
Less: Plan fiduciary net position	<u>(258,166)</u>
Total net OPEB liability	<u>\$ 10,067</u>
Plan fiduciary net position as percentage of the total OPEB liability	96.2%

The components of the Plan's net OPEB asset of the University measured at June 30, 2025 for fiscal year 2025 is as follows (in thousands):

Total OPEB liability	\$ 256,433
Less: Plan fiduciary net position	<u>(281,419)</u>
Total net OPEB asset	<u>\$ (24,986)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	109.7%

The OPEB Plan 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 OPEB funds. The fair value of deposits and investments, by Statement of Fiduciary Net Position classification, at June 30, 2025 is as follows (in thousands):

Statement of Fiduciary Net Position classification

Cash and cash equivalents	\$ 9,590
Investments	271,829
Total deposits and investments	<u>\$ 281,419</u>

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. See note 2 for a description of the framework used to measure fair value.

The University categorizes its fair value measurements within the fair value hierarchy. Certain investments are measured at fair value using 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 Statement of Fiduciary Net Position.

The OPEB Plan has the following valuation measurements, by type, at June 30, 2025 (in thousands):

	Total value	Fair Value Measurement Using			Total measured at fair value	Net asset value (NAV)	Amortized or historical cost
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)			
Cash and cash equivalents	\$ 10,289	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 10,289
Diversifying strategies	33,373	—	—	—	—	33,373	—
Global equity - international	43,388	25,858	—	—	25,858	17,530	—
Global equity - private	55,563	—	—	—	—	55,563	—
Global equity - U.S.	74,884	7,996	—	—	7,996	66,888	—
Global fixed income - public fixed income	26,237	16,604	9,633	—	26,237	—	—
Global fixed income - private credit	5,578	—	—	—	—	5,578	—
Real assets - private	27,583	—	—	2,663	2,663	24,920	—
Real assets - public	4,524	1,057	—	—	1,057	3,467	—
Total deposits and investments	<u>\$ 281,419</u>	<u>\$ 51,515</u>	<u>\$ 9,633</u>	<u>\$ 2,663</u>	<u>\$ 63,811</u>	<u>\$ 207,319</u>	<u>\$ 10,289</u>

Cash and cash equivalents on deposit with the University are managed within guidelines established by the University's Operating Fund Investment Policy, as approved by the Investment Committee of the University's Board of Trustees and maintained by the Operating Fund Investment Committee. All other OPEB trust investments are managed within 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.

OPEB deposits and investments are exposed to various risks. 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 change could affect the investment amounts in the Statement of Fiduciary Net Position.

Endowment managers are permitted to use derivative instruments to limit credit risk, interest rate risk and foreign currency risk. See note 2 for more information regarding the policies in place to mitigate these and other risks.

The following reflects the approved asset allocation for both the employer and Plan as of June 30, 2025.

<u>Asset Category</u>	<u>Target Allocation</u>
Diversifying strategies	12%
Global equity	64%
Global fixed income	12%
Real assets	12%

For the year ended June 30, 2025, the annual money-weighted rate of return on the OPEB Plan investments, net of OPEB Plan investment expense, was 9.7%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB Plan investments was determined using efficient frontier modeling software for Monte Carlo simulations that analyze risk, return and the probability of meeting return objectives over multi-year periods. The modeling, which incorporates forward-looking return forecasts as well as historical risk and correlation data, identifies portfolios with the highest expected return at each level of risk.

The following reflects the expected rates of return for the employer, presented as geometric means, by asset allocation as of July 1, 2024:

<u>Asset Category</u>	<u>Long-term Expected Real Rate of Return</u>
Diversifying strategies	4.5%
Global equity	7.0%
Global fixed income	3.6%
Real assets	5.8%

The following reflects the expected rates of return for the Plan, presented as geometric means, by asset allocation as of June 30, 2025:

<u>Asset Category</u>	<u>Long-term Expected Real Rate of Return</u>
Diversifying strategies	4.5%
Global equity	7.1%
Global fixed income	3.6%
Real assets	5.8%

The discount rate used to measure the total OPEB liability for the employer and Plan was 7.5% for the year ended June 30, 2025, which was unchanged from the July 1, 2024 measurement date. The projection of cash flows used to determine the discount rate assumed that University contributions will be made at rates equal to actuarially determined contributions. Based on those assumptions, the OPEB Plan fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments of 7.5% was applied to all periods of projected benefit payments to determine the total OPEB liability.

The components of the employer net OPEB liability of the University at June 30, 2025 are as follows (in thousands):

	Increase (decrease)		
	Total OPEB liability (asset)	Plan fiduciary net position	Net OPEB liability (asset)
Balance recognized at 7/1/2024 (based on 7/1/2023 measurement date)	\$ 257,031	\$ 239,361	\$ 17,670
Change recognized for the fiscal year:			
Service cost	1,700	—	1,700
Interest on the total OPEB liability	19,070	—	19,070
Differences between expected and actual experience	(467)	—	(467)
Benefit payments	(9,101)	(9,101)	—
Contributions from the employer	—	9,110	(9,110)
Net investment income	—	21,138	(21,138)
Administrative expense	—	(2,342)	2,342
Net changes	<u>11,202</u>	<u>18,805</u>	<u>(7,603)</u>
Balance recognized at 6/30/2025 (based on 7/1/2024 measurement date)	<u>\$ 268,233</u>	<u>\$ 258,166</u>	<u>\$ 10,067</u>

The following presents the employer's fiscal year 2025 net OPEB liability (asset) of the University, as well as what the University's net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.5%) or one-percentage-point higher (8.5%) than the current discount rate (in thousands):

	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
Total OPEB liability	\$ 302,452	\$ 268,233	\$ 239,689
Plan fiduciary net position	<u>(258,166)</u>	<u>(258,166)</u>	<u>(258,166)</u>
Net OPEB liability (asset)	<u>\$ 44,286</u>	<u>\$ 10,067</u>	<u>\$ (18,477)</u>

The following presents what the employer's fiscal year 2025 net OPEB liability (asset) would be if it were calculated using the health care cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current health care cost trend rate (in thousands):

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	\$ 235,695	\$ 268,233	\$ 307,398
Plan fiduciary net position	<u>(258,166)</u>	<u>(258,166)</u>	<u>(258,166)</u>
Net OPEB liability (asset)	<u>\$ (22,471)</u>	<u>\$ 10,067</u>	<u>\$ 49,232</u>

The following presents the Plan's fiscal year 2025 net OPEB liability (asset) of the University, as well as what the University's Plan net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.5%) or one-percentage-point higher (8.5%) than the current discount rate (in thousands):

	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
Total OPEB liability	\$ 287,030	\$ 256,433	\$ 230,570
Plan fiduciary net position	<u>(281,419)</u>	<u>(281,419)</u>	<u>(281,419)</u>
Net OPEB liability (asset)	<u>\$ 5,611</u>	<u>\$ (24,986)</u>	<u>\$ (50,849)</u>

The following presents what the Plan's fiscal year 2025 net OPEB liability (asset) would be if it were calculated using the health care cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current health care cost trend rate (in thousands):

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	\$ 228,437	\$ 256,433	\$ 289,729
Plan fiduciary net position	<u>(281,419)</u>	<u>(281,419)</u>	<u>(281,419)</u>
Net OPEB liability (asset)	<u>\$ (52,982)</u>	<u>\$ (24,986)</u>	<u>\$ 8,310</u>

For the year ended June 30, 2025, the University recorded a reduction of OPEB expense of \$16.4 million and reported deferred outflows of resources and deferred inflows of resources (in thousands) from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 55	\$ (9,102)
Net difference between expected and actual earnings on OPEB Plan investment	371	—
Assumption changes	317	(19,318)
Contributions made subsequent to the measurement date of the net OPEB liability	<u>9,771</u>	<u>—</u>
Total	<u>\$ 10,514</u>	<u>\$ (28,420)</u>

At June 30, 2025, the University reported \$9.8 million as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date and prior to year end that will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2026. Other amounts (in thousands) reported as deferred outflows of resources and deferred inflows of resources at June 30, 2025, related to OPEB will be recognized in OPEB expense as follows:

2026	\$ (22,956)
2027	(1,070)
2028	(2,979)
2029	<u>(672)</u>
	<u>\$ (27,677)</u>

## 19. UNIVERSITY OF KENTUCKY LONG-TERM DISABILITY (LTD) PLAN TRUST

The University of Kentucky LTD Plan is administered through the University's LTD trust fund as an irrevocable trust. The trust pays claims and establishes necessary reserves. The trust is a separate legal entity and is governed by the University's Board. The coverage of the LTD benefits is established and may be amended by the president of the University.

Regular employees with a full-time equivalent of 0.75 or greater who have completed 12 months of service are automatically enrolled in the plan. To be covered, an employee must be actively at work on the first day of the month after the employee completes one full year of service. An employee approved for long-term disability receives benefits based on the employee's basic regular monthly salary at the time of the onset of the disabling condition. Primary income benefits provide payment of 60% of the basic regular monthly salary less any disability received from government programs and/or another employer for the same condition. Basic salary for medical faculty is defined as the tenure base salary. Other sources of income used in the benefit formula include Social Security, worker's compensation or other similar government programs, veterans' or other governmental disability payments, or other employer-sponsored disability benefits.

Employees approved for long-term disability receive 100% of their basic salary for the first six months and 60% thereafter. Benefits end when plan members recover, die, terminate employment or retire. In most cases, claimants retire at age 65. The plan also includes provisions for health insurance that allow participants who were enrolled in a health plan at the time their disability benefit began to continue health coverage (University subsidy limited to 29 months for claimants approved on or after October 1, 2006), life insurance benefit (\$10,000 before July 1, 2007 or one times salary on or after July 1, 2007) and retirement contributions equal to 10% of pre-disability salary per year for applications filed on or after October 1, 2006 and 15% of pre-disability salary per year for applications filed before October 1, 2006.

The LTD Plan's trust activity is reported in the University's Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position and Required Supplementary Information.

For Plan reporting purposes, GASB Statement No. 74 measures net LTD liability as of June 30, 2025 for fiscal year 2025. For employer reporting purposes, GASB Statement No. 75 measures net LTD liability as of July 1, 2024 for fiscal year 2025. The following note disclosure is presented in order to comply with GASB Statement No. 75 and GASB Statement No. 74.

The LTD liabilities measured as of July 1, 2024 were based upon the following plan participants as of January 1, 2023:

Disabled members	
Count of members	120
Average age at valuation date	56.5
Average duration since disability (in years)	9.7
Average monthly income net benefit	\$817.00
Active (healthy) members	
Count of members	19,223
Average age at valuation date	43.8
Average years of service	9.0

The LTD liabilities measured as of June 30, 2025 were based upon the following plan participants as of January 1, 2025:

Disabled members	
Count of members	107
Average age at valuation date	56.4
Average duration since disability (in years)	9.2
Average monthly income net benefit	\$975.00
Active (healthy) members	
Count of members	20,727
Average age at valuation date	44.0
Average years of service	9.1

The contribution requirements of the University are established and may be amended by the president of the University. The University contributes to the LTD trust based on the actuarially determined contribution. For the fiscal year ended June 30, 2025, the University's contribution was approximately \$3.7 million.

The University's employer net LTD liability of \$4.0 million was measured as of July 1, 2024, for the fiscal year ended June 30, 2025. The University's Plan net LTD asset of \$20.9 million was measured as of June 30, 2025 for the fiscal year ended June 30, 2025. The total LTD liability used to calculate the net LTD liability (asset) was determined by an actuarial valuation as of the measurement date. The University's employer net LTD is recorded as other noncurrent liabilities in the Statement of Net Position.

The total LTD liabilities measured as of July 1, 2024 and June 30, 2025 were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate and investment rate of return	6.5% based on the University's funding policy and the expected long-term return on the separate trust assets that will be used to finance the payment of Plan benefits. The University has stated that its funding policy is to contribute an amount to a segregated and protected trust. The amount will be such that the assets available will always be sufficient to cover the expected benefit payments.
Elimination period	Six months.
Termination (mortality and recovery from disability)	2012 Society of Actuaries group LTD table.
Mortality (only for life insurance)	Canadian Institute of Actuaries 1988-94 LTD Table.
Withdrawal rates	For Plan reporting: Faculty from 0.05 to 0.15 from age 20 to 50; staff from 0.06 to 0.18 from age 20 to 50.
Retirement rates	For employer reporting: Faculty from 0.00 to 1.00 from age 50 to 85; staff from 0.03 to 1.00 from age 50 to 85.  For Plan reporting: Faculty from 0.04 to 1.00 from age 50 to 85; staff from 0.06 to 1.00 from age 50 to 85.
Mortality rates for actives	For July 1, 2024, PUB-2010 Public Plans, with mortality improvement projected generationally using Mortality Projection-2021 for the employer. For June 30, 2025 PUB-2016 Public Plans, with mortality improvement projected generationally using Mortality Projection-2021 for the Plan.

Incidence of disability	For employer reporting: Gender and age related disability incidence rates based on 1987 Commissioner's group LTD table.  For Plan reporting: Unisex rates varying from 0.15 per thousand to 4.8 per thousand from age 20 to 74.
Duration of payment	Payments are assumed to be made until the later of: i) age 65; ii) five years after date of disability; or iii) 12 months after the valuation date.
LTD income benefit	
Disability benefit	Actual net benefit currently being paid (if currently disabled).
Social Security offset	Assume 90% of the members who have been disabled for less than 24 months and currently not entitled to a Social Security offset will immediately receive an offset.
Future salary increase for active members	Three percent per year.
Change in assumptions and benefit terms	For July 1, 2023, active factors used to estimate Social Security offset for future disabled participants were updated to better anticipate future experience under the Plan.

The actuarial assumptions used as of July 1, 2024 were based on an actuarial experience study for the period January 1, 2013 to December 31, 2014.

The actuarial assumptions used as of June 30, 2025 were based on an actuarial experience study for the period January 1, 2019 to December 31, 2024.

The components of the employer's net LTD liability of the University measured at July 1, 2024 for fiscal year 2025 are as follows (in thousands):

Total LTD liability	\$ 37,461
Less: Plan fiduciary net position	<u>(33,508)</u>
Total net LTD liability	<u>\$ 3,953</u>
Plan fiduciary net position as a percentage of the total LTD liability	89.4%

The components of the Plan's net LTD liability (asset) of the University measured at June 30, 2025 for fiscal year 2025 are as follows (in thousands):

Total LTD liability	\$ 18,979
Less: Plan fiduciary net position	<u>(39,884)</u>
Total net LTD asset	<u>\$ (20,905)</u>
Plan fiduciary net position as a percentage of the total LTD liability	210.1%

LTD trust investment policy guidelines are established by the LTD Employee Benefits Amended and Restated Trust Agreement. Investment objectives and targeted asset allocations are reviewed and approved by the University treasurer. Investment objectives and asset allocations are developed to establish and maintain sound financial management practices for the investment and management of LTD funds. There were no significant investment policy changes during the fiscal year ended June 30, 2025.

The fair value of deposits and investments, by Statement of Fiduciary Net Position classification, at June 30, 2025 are as follows (in thousands):

Statement of Fiduciary Net Position classification

Cash and cash equivalents	\$ 2,320
Investments	37,519
Total deposits and investments	<u>\$ 39,839</u>

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. See note 2 for a description of the framework used to measure fair value.

The University categorizes its fair value measurements within the fair value hierarchy. Certain investments are measured at 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 Statement of Fiduciary Net Position.

The LTD Plan has the following valuation measurements, by type, at June 30, 2025 (in thousands):

	Total value	Fair Value Measurement Using		
		Quoted prices in active markets for identical assets (Level 1)	Total measured at fair value	Amortized or historical cost
Cash and cash equivalents	\$ 2,320	\$ —	\$ —	\$ 2,320
Diversifying strategies	1,861	1,861	1,861	—
Global equity - international	8,074	8,074	8,074	—
Global equity - U.S.	18,679	18,679	18,679	—
Global fixed income - public fixed income	8,905	8,905	8,905	—
Total deposits and investments	<u>\$ 39,839</u>	<u>\$ 37,519</u>	<u>\$ 37,519</u>	<u>\$ 2,320</u>

The LTD trust investments are exposed to various risks. 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 Statement of Fiduciary Net Position.

The trustee of the LTD trust diversifies the investments to minimize the risk of losses due to credit risk, interest rate risk, currency risk and other risks, as appropriate, based on market conditions. At June 30, 2025, the LTD trust had no underlying investments in any one issuer which represented more than five percent of total investments, other than U.S. Treasury and agency obligations, as a way to limit concentration of credit risks. See note 2 for a description of credit, interest rate, foreign currency and concentration of credit risks.

The following reflects the approved asset allocation for the employer and Plan as of June 30, 2025:

<u>Asset Category</u>	<u>Target Allocation</u>
Global equity	70%
Global fixed income	30%

The annual money-weighted rate of return on the LTD Plan investments, net of LTD Plan investment expense was 12.3% for the year ended June 30, 2025. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term expected rate of return on LTD Plan investments was determined by combining market-implied equilibrium returns with the trustee's subjective views using a Black-Litterman technique.

The following reflects the expected rates of return for the employer, presented as arithmetic means, by asset allocation as of July 1, 2024:

Asset Category	Long-term Expected Real Rate of Return
Diversifying strategies	3.0%
Global equity	4.7%
Global fixed income	2.2%

The following reflects the expected rates of return for the Plan, presented as arithmetic means, by asset allocation as of June 30, 2025:

Asset Category	Long-term Expected Real Rate of Return
Diversifying strategies	3.0%
Global equity	4.3%
Global fixed income	2.4%

The discount rate used to measure the total LTD liability for the employer and Plan was 6.5% for the year ended June 30, 2025, which was unchanged from the July 1, 2024 measurement date. The projection of cash flows used to determine the discount rate assumed that University contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, LTD Plan fiduciary net position was projected to be available to make all projected LTD payments for current active and inactive employees. Therefore, the long-term expected rate of return on LTD Plan investments was applied to all periods of projected benefit payments to determine the total LTD liability.

The components of the employer net LTD liability of the University at June 30, 2025 are as follows (in thousands):

	Increase (decrease)		
	Total LTD liability (asset)	Plan fiduciary net position	Net LTD liability (asset)
Balance recognized at 7/1/2024 (based on 7/1/2023 measurement date)	\$ 35,025	\$ 27,314	\$ 7,711
Change recognized for the fiscal year:			
Service cost	4,281	—	4,281
Interest on the total LTD liability	2,503	—	2,503
Differences between expected and actual experience	(2,713)	—	(2,713)
Benefit payments	(1,635)	(1,635)	—
Contributions from the employer	—	4,154	(4,154)
Net investment income	—	3,744	(3,744)
Administrative expense	—	(69)	69
Net changes	<u>2,436</u>	<u>6,194</u>	<u>(3,758)</u>
Balance recognized at 6/30/2025 (based on 7/1/2024 measurement date)	<u>\$ 37,461</u>	<u>\$ 33,508</u>	<u>\$ 3,953</u>

The following presents the employer's 2025 net LTD liability of the University, as well as what the University's net LTD liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.5%) or one-percentage-point higher (7.5%) than the current discount rate (in thousands):

	1% Decrease (5.5%)	Current Rate (6.5%)	1% Increase (7.5%)
Total LTD liability	\$ 39,627	\$ 37,461	\$ 35,491
Plan fiduciary net position	<u>(33,508)</u>	<u>(33,508)</u>	<u>(33,508)</u>
Total net LTD liability	<u>\$ 6,119</u>	<u>\$ 3,953</u>	<u>\$ 1,983</u>

The following presents the Plan's 2025 net LTD liability (asset) of the University, as well as what the University's net LTD liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.5%) or one-percentage-point higher (7.5%) than the current discount rate (in thousands):

	1% Decrease (5.5%)	Current Rate (6.5%)	1% Increase (7.5%)
Total LTD liability	\$ 19,967	\$ 18,979	\$ 18,076
Plan fiduciary net position	<u>(39,884)</u>	<u>(39,884)</u>	<u>(39,884)</u>
Total net LTD liability (asset)	<u>\$ (19,917)</u>	<u>\$ (20,905)</u>	<u>\$ (21,808)</u>

For the year ended June 30, 2025, the University recorded LTD expense of \$4.4 million. The University reported deferred outflows of resources and deferred inflows of resources, in thousands, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 283	\$ (9,837)
Net difference between expected and actual earnings on LTD Plan investment	—	(932)
Assumption changes	7,885	(50)
Contributions made subsequent to the measurement date of the net LTD liability	3,668	—
Total	<u>\$ 11,836</u>	<u>\$ (10,819)</u>

At June 30, 2025, the University reported \$3.7 million as deferred outflows of resources related to LTD resulting from University contributions subsequent to the measurement date and prior to year end that will be recognized as a reduction of the net LTD liability during the year ending June 30, 2026. Other amounts, in thousands, reported as deferred outflows of resources and deferred inflows of resources at June 30, 2025, related to OPEB will be recognized in LTD expense as follows:

2026	\$ (819)
2027	83
2028	(1,284)
2029	(700)
2030	68
Total thereafter	1
	<u>\$ (2,651)</u>

## 20. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, or 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 insurance fund), (2) Sovereign Immunity and the Commonwealth's Board of Claims, or (3) in the case of risks not covered by the insurance fund and Sovereign Immunity, commercial insurance, participation in insurance risk retention groups or self-insurance.

The insurance fund covers losses to property from fire, wind, earthquake, flood and most other causes of loss between \$10 thousand and \$5.0 million per occurrence. Losses in excess of \$5.0 million are insured by commercial carriers up to \$1.00 billion per occurrence with buildings and contents insured at replacement cost. As a state agency, the University is vested with Sovereign Immunity and is subject to the provisions of the Board of Claims, under which the University's liability for certain negligence claims is limited to \$250 thousand for any one person or \$400 thousand 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 fiscal years 2024 to 2025. Settlements have not exceeded insurance coverage during the past three years.

The University and its agents are insured against medical malpractice by a combination of Sovereign Immunity, self-insurance, commercial liability insurance and an excess coverage fund established by the Commonwealth. An actuarial valuation is performed to determine the self-insurance funding requirements and the fund liability, which has been discounted using an interest rate of five percent. The malpractice liability

as of June 30, 2025 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be recorded if it is probable that a loss has occurred and the amount of loss can be reasonably estimated. The liability includes an estimate for claims that have been incurred but not reported as of June 30, 2025.

The University also self-insures certain employee benefits, including health insurance, workers' compensation and unemployment claims to the extent not covered by insurance. The University has recorded an estimate for asserted claims at June 30, 2025.

## **21. CONTINGENCIES**

The University is a defendant in various lawsuits. The nature of the educational and health care industries is such that, from time to time, claims will be presented on account of alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational and health care services at a large institution. However, University officials are of the opinion, based on advice of in-house legal counsel, that the effect of the ultimate outcome of all litigation will not be material to the future operations or financial position of the University.

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. 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 materially affect the amounts reported in the accompanying Statement of Net Position.

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be allowable for eligible purposes. Single audits and audits by the granting department or agency may result in request 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.

The University has a noncontributory defined benefit pension plan and a defined benefit postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation for these Plans is the actuarial present value of all benefits attributed to service rendered prior to the valuation date. It is reasonably possible that events could occur that would change the estimated amount of these liabilities materially in the near term.

## **22. RESEARCH CHALLENGE TRUST FUND**

The Research Challenge Trust Fund (RCTF) was created by the Kentucky General Assembly with the passage of the Postsecondary Education Improvement Act of 1997 (House Bill 1). The objectives of the RCTF, as stated in House Bill 1, include support of efforts by the University to attain status as a top-20 public research university. The RCTF Endowment Match Program provides state funds on a dollar-for-dollar minimum match basis. This program, also known as "Bucks for Brains," supports endowed chairs, professorships and graduate fellowships, and the research and graduate mission of the University.

With the passage of the 2022-2024 Budget of the Commonwealth, the 2022 General Assembly authorized \$30.0 million in General Fund supported bonds in 2022-2023 for the RCTF to support the Endowment Match Program at Kentucky Public Universities. In accordance with KRS 164.7917, these funds were allocated two-thirds to the University of Kentucky (\$20.0 million) and one-third to the University of Louisville (\$10.0 million). The RCTF funds support initiatives in the fields of science, technology, engineering, mathematics, and health (STEM+H). UK used the RCTF funds at a 2:1 donor contribution to RCTF match ratio.

The status of the RCTF endowed funds as of June 30, 2025 is summarized below (in thousands):

	Kentucky General Assembly Funding	University of Kentucky Share of Funding	State Funds Received to Date	Matching Pledges Receivable
1998 Biennium	\$ 100,000	\$ 66,667	\$ 66,667	\$ —
2000 Biennium	100,000	68,857	68,857	—
2002 Biennium	100,000	66,667	66,667	—
2008 Biennium: Capital Projects	21,927	21,927	21,927	—
2008 Biennium: RCTF	28,073	11,406	11,406	—
2022 Biennium	30,000	20,000	13,414	18,665
Total	<u>\$ 380,000</u>	<u>\$ 255,524</u>	<u>\$ 248,938</u>	<u>\$ 18,665</u>

As of June 30, 2025, the matching pledges receivable for the 2022 Biennium is \$18.7M.

The University expects to fully realize all outstanding matches; however, it might be obligated to return any state funds and accrued interest income related to pledges not received within five years of the initial pledge dates if unable to replace the unpaid pledges and other eligible gifts.

The payment schedule of outstanding pledges as of June 30, 2025 is shown below (in thousands):

	2022 Biennium
2026	\$ 5,074
2027	4,615
2028	6,182
2029	2,794
Total	<u>\$ 18,665</u>

### 23. CANCER RESEARCH MATCH

The Kentucky General Assembly created the Cancer Research Institutions Matching Fund, which is funded by a one-cent surtax levied on every 20 cigarettes sold in Kentucky. Tax revenues are made available equally to the University of Kentucky and the University of Louisville when matched dollar-for-dollar by private sources.

A summary of the receipts and expenses related to the fund as of June 30, 2025 is as follows (in thousands):

Funds from private sources approved for match	\$ 10,639
Cigarette excise tax funds distributed	1,217
Total cancer research matching fund revenues	<u>\$ 11,856</u>
Cancer research matching fund expenses	<u>\$ 9,916</u>

## 24. NATURAL CLASSIFICATION

The University's operating expenses by natural classification for the year ended June 30, 2025 is as follows (in thousands):

Salaries and wages	\$ 3,027,870
Employee benefits	774,139
Supplies and services	2,398,832
Depreciation and amortization	321,244
Student scholarships and financial aid	57,436
Purchased utilities	67,880
Other, various	243,896
Total	<u>\$ 6,891,297</u>

## 25. CURRENT ECONOMIC UNCERTAINTIES

Recent changes in federal funding priorities and policies, as well as continued inflation, are expected to impact the economy and federally funded programs for universities. Management and staff are monitoring and responding to these conditions, but the full effect on the University's financial position cannot be reasonably determined at this time.

## 26. MEMBER SUBSTITUTION

On April 26, 2024, the Board approved the acquisition of St. Claire Medical Center, Inc. The acquisition, effective July 1, 2024, resulted in the University assuming all assets and liabilities of St. Claire Medical Center, Inc. and its subsidiary corporation, St. Claire Real Properties, Inc. The transition was facilitated through a newly created wholly owned subsidiary corporation, Claire Blue Health LLC, whose sole member is BBC. The primary reason for the combination is to increase the availability and quality of healthcare services while providing high-quality, efficient and cost-effective healthcare services for the benefit of the communities in which the CBH operates. The consideration provided in connection with the combination was the assumption of \$91.4 million in liabilities of CBH. BBC acquired \$207.4 million in assets and \$116.0 million in net position from the acquisition of CBH.

## 27. SUBSEQUENT EVENTS

On April 25, 2025, the University Board of Trustees approved the establishment of a new organization, Champions Blue, LLC, to manage and coordinate the University's educational mission concerning intercollegiate athletics. Beginning August 12, 2025, Champions Blue, LLC, will be a non-profit subsidiary of BBC. The University is still evaluating the impact of this change to the fiscal year 2026 financial statements.

On July 3, 2025, the U.S. Congress enacted the *One Big Beautiful Bill Act* (OBBBA), a comprehensive budget reconciliation law introducing significant changes to federal healthcare programs, tax policy, and energy-related incentives. The legislation includes substantial reductions in Medicaid funding, modifications to provider tax structures, and new eligibility and cost-sharing requirements for Medicaid beneficiaries. Additionally, the act eliminates Graduate Plus Loans beginning July 1, 2026 and places additional restrictions on Pell Grants. The OBBBA has no impact on the results of operations and financial condition as of and for the year ended June 30, 2025. The University is currently evaluating what impact the OBBBA may have on the financial results, cash flows, and financial position for future periods.

## 28. COMBINED CONDENSED STATEMENTS

The University of Kentucky and its blended component units' condensed statements as of and for the year ended June 30, 2025 are summarized as follows (in thousands):

UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
COMBINED CONDENSED STATEMENT OF NET POSITION AS OF JUNE 30, 2025  
(in thousands)

	UK	UKRF	UKGERF	UKHF	UKMEF	CKMS	UKAA	KMSF	UKREF	BBC	Eliminations	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>												
<b>Current Assets</b>												
Cash and cash equivalents	\$ 1,620,201	\$ 165,824	\$ —	\$ —	\$ 263	\$ 1,150	\$ 1,467	\$ 30,917	\$ 903	\$ 189,519	\$ —	\$ 2,010,244
Notes, loans, leases and accounts receivable, net	944,829	78,218	—	—	—	—	364	40,371	—	247,754	(106,445)	1,205,091
Investments	—	—	—	—	—	—	—	24,682	—	372	—	25,054
Inventories and other assets	111,673	2,560	—	8	—	1	168	323	484	46,362	—	161,579
Total current assets	2,676,703	246,602	—	8	263	1,151	1,999	96,293	1,387	484,007	(106,445)	3,401,968
<b>Noncurrent Assets</b>												
Restricted cash and cash equivalents	336,956	—	—	—	—	—	—	—	—	4	—	336,960
Endowment investments	2,193,404	22,054	11,638	1,928	2,473	—	—	—	—	—	(45)	2,231,452
Other long-term investments	580,183	3,270	—	—	—	—	30,439	60,297	—	495,141	(2,831)	1,166,499
Notes, loans, leases and accounts receivable, net	763,080	—	—	—	—	—	49	2,145	—	—	—	765,274
Other noncurrent assets	7,494	123	—	—	—	—	—	—	—	14,470	—	22,087
Capital assets, net	4,332,734	11,173	—	—	—	—	68	90,070	—	675,272	—	5,109,317
Lease assets, net	95,177	—	—	—	—	7	—	—	—	29,590	(49,366)	75,408
Subscription assets, net	25,870	59	—	—	—	—	—	—	—	6,226	—	32,155
Total noncurrent assets	8,334,898	36,679	11,638	1,928	2,473	7	30,556	152,512	—	1,220,703	(52,242)	9,739,152
Total assets	11,011,601	283,281	11,638	1,936	2,736	1,158	32,555	248,805	1,387	1,704,710	(158,687)	13,141,120
<b>Deferred Outflows of Resources</b>												
	23,437	—	—	—	—	—	—	—	—	6,754	—	30,191
Total assets and deferred outflows of resources	11,035,038	283,281	11,638	1,936	2,736	1,158	32,555	248,805	1,387	1,711,464	(158,687)	13,171,311
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>												
<b>Current Liabilities</b>												
Accounts payable and accrued liabilities	507,173	15,576	—	—	1	1,151	362	156,964	—	190,725	(154,718)	717,234
Unearned revenue	78,917	44,895	—	—	—	—	31	1,770	—	766	—	126,379
Long-term liabilities - current portion	135,816	1,038	—	—	—	2	—	5,927	—	20,109	(10,959)	151,933
Total current liabilities	721,906	61,509	—	—	1	1,153	393	164,661	—	211,600	(165,677)	995,546
<b>Noncurrent Liabilities</b>												
Unearned revenue	141,051	2,140	—	—	—	—	31	—	—	—	—	143,222
Long-term liabilities	1,503,913	4,732	—	—	—	5	—	61,966	—	296,194	(39,443)	1,827,367
Net pension liability	—	—	—	—	—	—	—	—	—	2,668	—	2,668
Net OPEB retiree health liabilities	10,067	—	—	—	—	—	—	—	—	—	—	10,067
Net OPEB long-term disability liabilities	3,953	—	—	—	—	—	—	—	—	—	—	3,953
Total noncurrent liabilities	1,658,984	6,872	—	—	—	5	31	61,966	—	298,862	(39,443)	1,987,277
Total liabilities	2,380,890	68,381	—	—	1	1,158	424	226,627	—	510,462	(205,120)	2,982,823
<b>Deferred Inflows of Resources</b>												
	493,961	—	—	—	—	—	—	—	—	5,731	—	499,692
Total liabilities and deferred inflows of resources	2,874,851	68,381	—	—	1	1,158	424	226,627	—	516,193	(205,120)	3,482,515
<b>NET POSITION</b>												
<b>Net investment in capital assets</b>												
<b>Restricted</b>												
Nonexpendable	804,832	826	4,931	618	680	—	30	—	—	—	(30)	811,887
Expendable	1,537,187	5,855	6,707	1,318	2,055	—	15	—	—	4	(15)	1,553,126
Total restricted	2,342,019	6,681	11,638	1,936	2,735	—	45	—	—	4	(45)	2,365,013
<b>Unrestricted</b>												
	3,328,266	202,181	—	—	—	—	32,018	—	1,387	772,300	46,478	4,382,630
Total net position	\$ 8,160,187	\$ 214,900	\$ 11,638	\$ 1,936	\$ 2,735	\$ —	\$ 32,131	\$ 22,178	\$ 1,387	\$ 1,195,271	\$ 46,433	\$ 9,688,796

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**COMBINED CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2025**  
(in thousands)

	UK	UKRF	UKGERF	UKHF	UKMEF	CKMS	UKAA	KMSF	UKREF	BBC	Eliminations	Total
<b>OPERATING REVENUES</b>												
Student tuition and fees, net	\$ 395,183	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 395,183
Federal grants and contracts	5,868	295,890	—	—	—	—	—	—	—	2,071	(481)	303,348
State and local grants and contracts	131,510	37,068	—	—	—	—	—	—	—	—	—	168,578
Nongovernmental grants and contracts	357,750	37,695	—	—	—	—	—	—	—	120	(356,581)	38,984
Recoveries of facilities and administrative costs	229	97,429	—	—	—	—	—	—	—	—	—	97,658
Sales and services	65,759	11,915	—	—	—	568	1,073	—	—	—	(1,918)	77,397
Federal appropriations	17,007	—	—	—	—	—	—	—	—	—	—	17,007
County appropriations	41,234	—	—	—	—	—	—	—	—	—	—	41,234
Professional clinical service fees	—	—	—	—	—	—	—	355,460	—	—	(136)	355,324
Hospital services	3,554,949	—	—	—	—	—	—	—	—	1,383,867	(3,586)	4,935,230
Auxiliary enterprises:												
Housing and dining, net	36,652	—	—	—	—	—	—	—	—	—	(23)	36,629
Athletics	146,298	—	—	—	—	—	—	—	—	—	(525)	145,773
Other auxiliaries	57,412	—	—	—	—	—	—	—	—	—	(34)	57,378
Other operating revenues	1,192	—	—	—	—	—	—	44,667	—	—	(15,406)	30,453
Total operating revenues	<u>4,811,043</u>	<u>479,997</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>568</u>	<u>1,073</u>	<u>400,127</u>	<u>—</u>	<u>1,386,058</u>	<u>(378,690)</u>	<u>6,700,176</u>
<b>OPERATING EXPENSES</b>												
Educational and general:												
Instruction	378,546	12,526	—	—	58	—	—	—	—	—	(304)	390,826
Research	136,517	277,114	37	—	—	—	—	—	—	—	(389)	413,279
Public service	154,481	139,671	—	—	—	—	—	—	—	—	(478)	293,674
Libraries	27,019	—	—	—	—	—	—	—	—	—	—	27,019
Academic support	138,699	3,956	—	—	—	—	—	—	—	—	(568)	142,087
Student services	60,500	7	—	2	—	—	—	—	—	—	(8)	60,501
Institutional support	51,309	743	—	—	—	566	4,799	—	15	—	(6,582)	50,850
Operations and maintenance of plant	128,320	88	—	—	—	—	—	—	—	—	(257)	128,151
Student financial aid	9,137	8,529	—	40	—	—	—	—	—	—	—	17,706
Depreciation and amortization	99,536	1,245	—	—	—	2	7	—	—	—	(640)	100,150
Total educational and general	<u>1,184,064</u>	<u>443,879</u>	<u>37</u>	<u>42</u>	<u>58</u>	<u>568</u>	<u>4,806</u>	<u>—</u>	<u>15</u>	<u>—</u>	<u>(9,226)</u>	<u>1,624,243</u>
Clinical operations (including depreciation and amortization of \$9,481)	612,505	—	—	—	—	—	—	399,720	—	—	(364,005)	648,220
Hospital and clinics (including depreciation and amortization of \$173,858)	3,037,079	—	—	—	—	—	—	—	—	1,313,773	(15,887)	4,334,965
Auxiliary enterprises:												
Housing and dining (including depreciation and amortization of \$10,769)	34,226	—	—	—	—	—	—	—	—	—	(503)	33,723
Athletics (including depreciation and amortization of \$17,307)	198,423	—	—	—	—	—	—	—	—	—	(401)	198,022
Other auxiliaries (including depreciation and amortization of \$9,679)	50,941	—	—	—	—	—	—	—	—	—	(336)	50,605
Other operating expenses	1,519	—	—	—	—	—	—	—	—	—	—	1,519
Total operating expenses	<u>5,118,757</u>	<u>443,879</u>	<u>37</u>	<u>42</u>	<u>58</u>	<u>568</u>	<u>4,806</u>	<u>399,720</u>	<u>15</u>	<u>1,313,773</u>	<u>(390,358)</u>	<u>6,891,297</u>
Net income (loss) from operations	<u>(307,714)</u>	<u>36,118</u>	<u>(37)</u>	<u>(42)</u>	<u>(58)</u>	<u>—</u>	<u>(3,733)</u>	<u>407</u>	<u>(15)</u>	<u>72,285</u>	<u>11,668</u>	<u>(191,121)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>												
State appropriations	358,566	—	—	—	—	—	—	—	—	—	—	358,566
Gifts and non-exchange grants	180,863	539	44	1	—	—	2,372	—	—	457	(3,658)	180,618
Investment income	327,054	11,628	1,070	168	241	—	4,543	2,319	—	46,838	(5,164)	388,697
Interest on capital, lease and subscription asset-related debt	(49,546)	(2)	—	—	—	—	—	(2,844)	—	(10,913)	1,509	(61,796)
Grants to (from) the University for noncapital purposes	27,465	(26,582)	(467)	(16)	(23)	—	—	—	—	(377)	—	—
Other nonoperating revenues and expenses, net	1,878	1,978	—	—	—	—	201	—	—	2,720	—	6,777
Net nonoperating revenues (expenses)	<u>846,280</u>	<u>(12,439)</u>	<u>647</u>	<u>153</u>	<u>218</u>	<u>—</u>	<u>7,116</u>	<u>(525)</u>	<u>—</u>	<u>38,725</u>	<u>(7,313)</u>	<u>872,862</u>
Net income (loss) before other revenues, expenses, gains, or losses and special item	<u>538,566</u>	<u>23,679</u>	<u>610</u>	<u>111</u>	<u>160</u>	<u>—</u>	<u>3,383</u>	<u>(118)</u>	<u>(15)</u>	<u>111,010</u>	<u>4,355</u>	<u>681,741</u>
Capital grants and gifts	244,261	6,703	—	—	—	—	—	—	—	—	—	250,964
Additions to permanent endowments	24,336	—	—	—	—	—	—	—	—	—	(65)	24,271
Grants to (from) the University for capital purposes	16,144	(16,144)	—	—	—	—	—	—	—	—	—	—
Other, net	21,680	30	—	—	—	—	—	—	—	(1,984)	—	19,726
Special item - acquisition of Claire Blue Health	—	—	—	—	—	—	—	—	—	116,006	—	116,006
Total other revenues (expenses)	<u>306,421</u>	<u>(9,411)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>114,022</u>	<u>(65)</u>	<u>410,967</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>844,987</u>	<u>14,268</u>	<u>610</u>	<u>111</u>	<u>160</u>	<u>—</u>	<u>3,383</u>	<u>(118)</u>	<u>(15)</u>	<u>225,032</u>	<u>4,290</u>	<u>1,092,708</u>
<b>NET POSITION, beginning of year</b>	<u>7,315,200</u>	<u>200,632</u>	<u>11,028</u>	<u>1,825</u>	<u>2,575</u>	<u>—</u>	<u>28,748</u>	<u>22,296</u>	<u>1,402</u>	<u>970,239</u>	<u>42,143</u>	<u>8,596,088</u>
<b>NET POSITION, end of year</b>	<u>\$ 8,160,187</u>	<u>\$ 214,900</u>	<u>\$ 11,638</u>	<u>\$ 1,936</u>	<u>\$ 2,735</u>	<u>\$ —</u>	<u>\$ 32,131</u>	<u>\$ 22,178</u>	<u>\$ 1,387</u>	<u>\$ 1,195,271</u>	<u>\$ 46,433</u>	<u>\$ 9,688,796</u>

UNIVERSITY OF KENTUCKY  
A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY  
COMBINED CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2025  
(in thousands)

	UK	UKRF	UKGERF	UKHF	UKMEF	CKMS	UKAA	KMSF	UKREF	BBC	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>												
Student tuition and fees	\$ 399,250	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 399,250
Grants and contracts	493,480	363,862	—	—	—	—	—	—	—	2,191	(357,062)	502,471
Recoveries of facilities and administrative costs	318	95,170	—	—	—	—	—	—	—	—	—	95,488
Sales and services	74,352	—	—	—	—	2,076	1,120	(31)	—	(2,633)	(1,729)	73,155
Federal appropriations	18,255	—	—	—	—	—	—	—	—	—	—	18,255
County appropriations	39,660	—	—	—	—	—	—	—	—	—	—	39,660
Payments to vendors and contractors	(2,112,924)	(145,105)	(37)	(51)	(28)	(198)	(2,530)	(380,266)	(15)	(517,389)	368,714	(2,789,829)
Payments on short-term leases	(3,899)	—	—	—	—	—	—	—	—	—	—	(3,899)
Student financial aid	(17,693)	—	—	—	—	—	—	—	—	—	—	(17,693)
Salaries, wages and benefits	(2,803,402)	(295,612)	—	—	(30)	(2,160)	(2,133)	(42)	—	(730,466)	—	(3,833,845)
Professional clinical service fees	(735)	—	—	—	—	—	—	351,579	—	—	12,395	363,239
Hospital services	3,856,478	—	—	—	—	—	—	—	—	1,324,991	1,159	5,182,628
Auxiliary enterprises receipts	226,666	—	—	—	—	—	—	—	—	—	(582)	226,084
Loans issued to students	(324,160)	—	—	—	—	—	—	—	—	—	—	(324,160)
Collection of loans to students	325,238	—	—	—	—	—	—	—	—	—	—	325,238
Self-insurance receipts	91,107	—	—	—	—	—	—	7,019	—	—	—	98,126
Self-insurance payments	(96,422)	—	—	—	—	—	—	—	—	—	—	(96,422)
Other receipts (payments)	(132,612)	10,714	—	—	—	—	—	44,667	—	123,682	(16,828)	29,623
Net cash provided (used) by operating activities	32,957	29,029	(37)	(51)	(58)	(282)	(3,543)	22,926	(15)	200,376	6,067	287,369
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>												
State appropriations	358,566	—	—	—	—	—	—	—	—	—	—	358,566
Gifts and grants received for other than capital purposes:												
Gifts received for endowment purposes	24,336	—	—	—	—	—	—	—	—	—	(65)	24,271
Gifts received for other purposes	183,715	539	44	4	—	—	2,372	—	—	457	(3,658)	183,473
Agency and loan program receipts	10,225	—	—	—	—	—	—	—	—	—	—	10,225
Agency and loan program payments	(9,993)	—	—	—	—	—	—	—	—	—	—	(9,993)
Grants (to) from the University for noncapital purposes	27,464	(26,581)	(467)	(16)	(23)	—	—	—	—	(377)	—	—
Other financing receipts (payments)	1,687	1,965	—	—	—	—	243	—	—	1,995	—	5,890
Net cash provided (used) by noncapital financing activities	596,000	(24,077)	(423)	(12)	(23)	—	2,615	—	—	2,075	(3,723)	572,432
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>												
Capital grants and gifts	200,026	6,703	—	—	—	—	—	—	—	—	—	206,729
Purchases of capital assets	(595,237)	(147)	—	—	—	—	(71)	(12,976)	—	(144,500)	—	(752,931)
Proceeds from capital debt	394	—	—	—	—	—	—	10,673	—	—	—	11,067
Proceeds from sales of capital assets	1,343	—	—	—	—	—	—	—	—	100	—	1,443
Principal paid on capital debt	(78,125)	(89)	—	—	—	—	—	(6,163)	—	(10,737)	1,047	(94,067)
Interest paid on capital debt	(45,455)	—	—	—	—	—	—	(2,844)	—	(9,995)	—	(58,294)
Principal payments received on leases receivable	229	—	—	—	—	—	—	—	—	566	—	795
Interest payments received on leases receivable	160	—	—	—	—	—	—	—	—	98	—	258
Principal paid on leases payable	(21,480)	(56)	—	—	—	(2)	—	—	—	(8,435)	—	(29,973)
Interest paid on leases payable	(1,656)	(3)	—	—	—	(1)	—	—	—	(886)	—	(2,546)
Principal paid on subscriptions payable	(12,063)	(120)	—	—	—	—	—	—	—	(4,450)	—	(16,633)
Interest paid on subscriptions payable	(376)	(1)	—	—	—	—	—	—	—	(179)	—	(556)
Grants (to) from the University for capital purposes	16,156	(16,156)	—	—	—	—	—	—	—	—	—	—
Other financing receipts (payments)	20,483	(504)	—	—	—	—	—	17	—	—	897	20,893
Net cash provided (used) by capital and related financing activities	(515,601)	(10,373)	—	—	—	(3)	(71)	(11,293)	—	(178,418)	1,944	(713,815)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
Proceeds from sales and maturities of investments	886,091	10,325	4,501	728	966	—	2,854	—	—	71,357	—	976,822
Interest and dividends on investments	152,173	9,297	169	33	46	—	534	820	—	12,219	(4,288)	171,003
Purchases of investments	(960,610)	(9,393)	(4,210)	(698)	(894)	—	(2,554)	(16,250)	—	(71,858)	—	(1,066,467)
Cash acquired from acquisition of Claire Blue Health	—	—	—	—	—	—	—	—	—	44,461	—	44,461
Net cash provided (used) by investing activities	77,654	10,229	460	63	118	—	834	(15,430)	—	56,179	(4,288)	125,819
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	191,010	4,808	—	—	37	(285)	(165)	(3,797)	(15)	80,212	—	271,805
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	1,766,147	161,016	—	—	226	1,435	1,632	34,714	918	109,311	—	2,075,399
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 1,957,157	\$ 165,824	\$ —	\$ —	\$ 263	\$ 1,150	\$ 1,467	\$ 30,917	\$ 903	\$ 189,523	\$ —	\$ 2,347,204

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF FIDUCIARY NET POSITION (in thousands)**  
**JUNE 30, 2025**

	<u>Pension Plan</u>	<u>OPEB Plan</u>	<u>LTD Plan</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 982	\$ 9,590	\$ 2,320	\$ 12,892
Accrued interest receivable	130	—	45	175
Investments	<u>55,606</u>	<u>271,829</u>	<u>37,519</u>	<u>364,954</u>
Total assets	<u>56,718</u>	<u>281,419</u>	<u>39,884</u>	<u>378,021</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>NET POSITION</b>				
Net position restricted for postemployment benefits	<u>\$ 56,718</u>	<u>\$ 281,419</u>	<u>\$ 39,884</u>	<u>\$ 378,021</u>

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (in thousands)**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Pension Plan</u>	<u>OPEB Plan</u>	<u>LTD Plan</u>	<u>Total</u>
<b>Revenues</b>				
Investment income:				
Interest and dividend income	\$ 1,525	\$ 3,950	\$ 1,346	\$ 6,821
Net appreciation in fair value of investments	<u>2,100</u>	<u>21,842</u>	<u>2,893</u>	<u>26,835</u>
Net investment gain	<u>3,625</u>	<u>25,792</u>	<u>4,239</u>	<u>33,656</u>
Contributions:				
University	1,251	9,771	3,668	14,690
Beneficiaries	—	5,215	—	5,215
Total contributions	<u>1,251</u>	<u>14,986</u>	<u>3,668</u>	<u>19,905</u>
Total gains	<u>4,876</u>	<u>40,778</u>	<u>7,907</u>	<u>53,561</u>
<b>Expenses</b>				
Administrative expenses	317	2,548	66	2,931
Payments to retirees and beneficiaries	<u>4,331</u>	<u>14,977</u>	<u>1,465</u>	<u>20,773</u>
Total expenses	<u>4,648</u>	<u>17,525</u>	<u>1,531</u>	<u>23,704</u>
<b>INCREASE IN NET POSITION</b>	228	23,253	6,376	29,857
<b>NET POSITION restricted for the postemployment benefits, beginning of year</b>	<u>56,490</u>	<u>258,166</u>	<u>33,508</u>	<u>348,164</u>
<b>NET POSITION restricted for the postemployment benefits, end of year</b>	<u>\$ 56,718</u>	<u>\$ 281,419</u>	<u>\$ 39,884</u>	<u>\$ 378,021</u>

**UNIVERSITY OF KENTUCKY**  
**A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**1. UNIVERSITY OF KENTUCKY NET PENSION LIABILITY AND RELATED RATIOS**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (in thousands) AND RELATED RATIOS**

	2025	2024	2023
Total pension liability			
Interest cost	\$ 3,196	\$ 3,228	\$ 3,285
Difference between expected and actual experience	(2,119)	516	—
Changes of assumptions	(401)	—	—
Benefit payments	(4,331)	(4,391)	(4,318)
Net change in total pension liability	(3,655)	(647)	(1,033)
Total pension liability, beginning	63,041	63,688	—
Acquisition of Royal Blue Health	—	—	64,721
Total pension liability, ending	<u>59,386</u>	<u>63,041</u>	<u>63,688</u>
Plan fiduciary net position			
Contributions - employer	1,251	1,655	1,015
Net investment income	3,552	5,812	(13,255)
Benefit payments, including refunds of employee contributions	(4,331)	(4,391)	(4,318)
Administrative expense	(244)	(347)	(943)
Net change in plan fiduciary net position	228	2,729	(17,501)
Plan fiduciary net position, beginning	56,490	53,761	—
Acquisition of Royal Blue Health	—	—	71,262
Plan fiduciary net position, ending	<u>56,718</u>	<u>56,490</u>	<u>53,761</u>
Net pension liability, ending	<u>\$ 2,668</u>	<u>\$ 6,551</u>	<u>\$ 9,927</u>
Plan fiduciary net position as a percentage of total pension liability	95.5%	89.6%	84.4%
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	—	—	—

Notes to schedule:

The Schedule of Changes in the Net Pension Liability and Related Ratios is presented as of the measurement date of the December 31 prior to the end of the fiscal year listed above. Ten years of data for the Pension Plan is required and will be added as information becomes available.

Change of assumptions and benefit terms:

2024 and 2025: No assumption changes.

2023: The mortality table was updated to reflect the most recent publicly available, with mortality improvement projected generationally using scale Mortality Projection-2021.

## SCHEDULE OF PENSION INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expenses
2025	6.5%
2024	11.3%
2023	(19.2%)

## SCHEDULE OF PENSION CONTRIBUTIONS (in thousands)

	2025	2024	2023
Actuarially determined contribution	\$ 1,251	\$ 1,655	\$ —
Contribution in relation to actuarially determined contribution	(1,251)	(1,655)	—
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered employee payroll	N/A	N/A	N/A
Contribution as a percentage of covered employee payroll	—	—	—

### Notes to schedule:

Actuarially determined contributions rates are calculated as of December 31<sup>st</sup>, prior to the end of the fiscal year in which contributions are reported. Ten years of data for the Pension Plan is required and will be added as information becomes available.

### Methods and assumptions used to determine contribution rates:

Actuarial cost method	The actuarial cost method used was entry age normal level percentage of pay.
Amortization method	The amortization method was level dollar, closed (pursuant to ERISA minimum required contribution).
Remaining Amortization period	The remaining amortization period was 15 years for new gains/losses.
Asset valuation method	Three year smoothed market date.
Inflation	2.5%
Salary increases	N/A
Investment rate of return	The investment rate of return was 5.25%.
Retirement age	Age-specific rates starting at age 55 with 100% retirement at age 70.
Mortality	Pri-2012 employee and retiree tables, no collar. For surviving beneficiaries of deceased participants: Pri-2012 contingent survivor mortality table. All tables include generational projection based on SOA Scale Mortality Projection-2021.

**2. UNIVERSITY OF KENTUCKY OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN  
SCHEDULES OF CHANGES IN THE NET OPEB LIABILITY (ASSET) (in thousands) AND RELATED RATIOS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost	\$ 1,751	\$ 1,700	\$ 2,036	\$ 1,973	\$ 2,593	\$ 2,668	\$ 3,953	\$ 3,710	\$ 4,356
Interest cost	19,889	19,070	19,784	18,924	23,185	21,888	29,225	28,053	28,667
Change of benefit terms	—	—	—	—	—	—	(58,343)	—	—
Differences between expected and actual experience	(3,775)	(467)	(6,961)	(1,187)	(21,244)	757	1,921	(1,071)	12,087
Changes of assumptions	(19,903)	—	(14,963)	798	(51,723)	870	(63,511)	(3,559)	(40,408)
Benefit payments	(9,762)	(9,101)	(9,078)	(9,136)	(8,872)	(8,736)	(10,824)	(12,620)	(11,889)
Net change in total OPEB liability	(11,800)	11,202	(9,182)	11,372	(56,061)	17,447	(97,579)	14,513	(7,187)
Total OPEB liability, beginning	268,233	257,031	266,213	254,841	310,902	293,455	391,034	376,521	383,708
Total OPEB liability, ending	256,433	268,233	257,031	266,213	254,841	310,902	293,455	391,034	376,521
Plan fiduciary net position									
Contributions - employer	9,771	9,110	9,086	9,143	13,245	14,292	18,804	20,013	23,987
Contributions - beneficiaries	5,215	4,640	4,353	4,238	3,951	3,719	4,379	4,945	5,500
Net investment income (loss)	25,792	21,138	17,687	(14,090)	58,787	(839)	9,367	8,989	12,508
Benefit payments	(14,977)	(13,741)	(13,431)	(13,374)	(12,823)	(12,454)	(15,203)	(17,565)	(17,389)
Administrative expense	(2,548)	(2,342)	(2,066)	(2,152)	(1,814)	(1,611)	(1,376)	(783)	(674)
Net change in Plan fiduciary net position	23,253	18,805	15,629	(16,235)	61,346	3,107	15,971	15,599	23,932
Plan fiduciary net position, beginning	258,166	239,361	223,732	239,967	178,621	175,514	159,543	143,944	120,012
Plan fiduciary net position, ending	281,419	258,166	239,361	223,732	239,967	178,621	175,514	159,543	143,944
Net OPEB liability (asset), ending	<u>\$ (24,986)</u>	<u>\$ 10,067</u>	<u>\$ 17,670</u>	<u>\$ 42,481</u>	<u>\$ 14,874</u>	<u>\$ 132,281</u>	<u>\$ 117,941</u>	<u>\$ 231,491</u>	<u>\$ 232,577</u>
Plan fiduciary net position as a percentage of OPEB liability	109.7%	96.2%	93.1%	84.0%	94.2%	57.5%	59.8%	40.8%	38.2%
Covered employee payroll	\$ 519,529	\$ 574,460	\$ 533,743	\$ 545,798	\$ 544,901	\$ 563,859	\$ 459,655	\$ 480,320	\$ 494,158
Net OPEB liability (asset) as a percentage of covered employee payroll	(4.8)%	1.8%	3.3%	7.8%	2.7%	23.5%	25.7%	48.2%	47.1%

Notes to schedule:

The Schedules of Changes in Net OPEB Liability (Asset) and Related Ratios is presented as of the measurement date for the fiscal year. Ten years of data for the OPEB Plan is required and will be added as information becomes available.

Change of assumptions and benefit terms:

2025: The mortality table was updated to the PUB-2016 Amounts Weighted Mortality Table with mortality improvement projected generationally using scale Mortality Projection-2021; the health care trend rates have been updated to better anticipate future experience under the Plan. The withdrawal rates, retirement rates, disability rates, plan participation assumption and dependent coverage assumption have been updated to better anticipate future experience under the Plan based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2024.

2024: No assumption changes.

2023: The health care trend rates have been updated to better anticipate future experience under the Plan.

2022: The mortality table was updated to the PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2021.

2021: The mortality table was updated to the PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2020; the health care trend rates have been updated to better anticipate future experience under the Plan.

2020: The mortality table was updated to the PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2019; the health care trend rates have been updated to better anticipate future experience under the Plan.

2019: The mortality table was updated to the PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2018; the health care trend rates have been updated to better anticipate future experience under the plan. Effective January 1, 2019, post retirement medical benefits for Medicare eligible retirees was updated from a self-insured retiree Medicare Carveout program with a deductible that is tied to the Medicare Part B deductible to a fully-insured Medicare Advantage Plan.

2018: The mortality table was updated to the aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2017.

2017: The mortality table was updated to the aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2016; the health care trend rates have been updated to better anticipate future experience under the plan.

## SCHEDULE OF OPEB INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expenses
2025	9.7%
2024	9.0%
2023	7.9%
2022	(5.0%)
2021	27.8%
2020	(3.1%)
2019	5.5%
2018	6.5%
2017	10.3%

## SCHEDULE OF OPEB CONTRIBUTIONS (in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 3,213	\$ 3,779	\$ 5,710	\$ 3,597	\$ 12,958	\$ 11,917	\$ 20,600	\$ 20,000	\$ 24,454
Contribution in relation to actuarially determined contribution	(9,771)	(9,110)	(9,086)	(9,143)	(13,245)	(14,292)	(18,804)	(20,013)	(23,987)
Contribution deficiency (excess)	<u>\$ (6,558)</u>	<u>\$ (5,331)</u>	<u>\$ (3,376)</u>	<u>\$ (5,546)</u>	<u>\$ (287)</u>	<u>\$ (2,375)</u>	<u>\$ 1,796</u>	<u>\$ (13)</u>	<u>\$ 467</u>
Covered employee payroll	\$ 519,529	\$ 574,460	\$ 533,743	\$ 545,798	\$ 544,901	\$ 563,859	\$ 459,655	\$ 480,320	\$ 494,158
Contribution as a percentage of covered employee payroll	1.9%	1.6%	1.7%	1.7%	2.4%	2.5%	4.1%	4.2%	4.9%

### Notes to Schedule:

Funding policy contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. Ten years of data for the OPEB Plan is required and will be added as information becomes available.

### Methods and assumptions used to determine contribution rates:

Funding policy	<p>For 2025, 2024, 2023, 2022, 2021 and 2020, funding contribution determined as the sum of estimated administrative expenses plus 30-year amortization of the initial unfunded present value of projected benefits and subsequent asset gains/losses and liability gains/losses.</p> <p>For 2019 and 2018, funding contribution was determined as the minimum of the 15-year amortization of unfunded present value of benefits and contribution limit of \$20.6 million and \$20.0 million, respectively, not less than \$250 thousand.</p> <p>For 2017, funding contribution was determined as the GASB 45 Annual Required Contribution, which equals the sum of projected unit credit normal cost plus 30-year amortization of initial unfunded accrued liability and subsequent asset gains/losses and liability gains/losses.</p>
Amortization	<p>For 2025, 2024, 2023, 2022, 2021 and 2020, the amortization period was a 30 year closed period.</p> <p>For 2019 and 2018, the amortization period was a 15 year open period.</p> <p>For 2017, the amortization period was a 30 year closed period.</p>

Present value of benefits	Actuarial present value at the beginning of the fiscal year of the net post retirement benefits expected to be paid to all current plan participants calculated using a 7.5% interest rate.
Health care trend rates	<p>For 2025, post-65 medical 12.75% for 2025 and decreasing to an ultimate rate of 4.5% in 2032. Post-65 RX trend rate is 12.75% for 2025 and decreasing to an ultimate rate of 4.5% in 2032. Pre-65 rate is 7.48% decreasing to an ultimate rate of 4.5% in 2032.</p> <p>For 2024, post-65 medical 5.0% increasing to 12.75% for 2025 and decreasing to an ultimate rate of 4.5% in 2032. Post-65 RX trend rate is 5.0% increasing to 12.75% for 2025 and decreasing to an ultimate rate of 4.5% in 2032. Pre-65 rate is 7.8% decreasing to an ultimate rate of 4.5% in 2032.</p> <p>For 2023, post-65 medical 9.2% for 2023 and decreasing to an ultimate rate of 4.5% in 2030. Post-65 RX trend rate is 5.0% decreasing to an ultimate rate of 4.5% in 2032. Pre-65 rate is 6.2% decreasing to an ultimate rate of 4.5% in 2030.</p> <p>For 2022, post-65 medical 9.6% for 2022 and decreasing to an ultimate rate of 4.5% in 2030. Post-65 RX trend rate is 9.6% decreasing to an ultimate rate of 4.5% in 2030. Pre-65 rate is 6.4% decreasing to an ultimate rate of 4.5% in 2030.</p> <p>For 2021, post-65 medical 1.1% increasing to 312.2% for 2021 followed by 75.7% in 2022 and decreasing to an ultimate rate of 4.5% in 2031. Post-65 RX trend rate is 6.2% decreasing to an ultimate rate of 4.5% in 2031. Pre-65 rate is 6.3% decreasing to an ultimate rate of 4.5% in 2031.</p> <p>For 2020, post-65 medical 1.1% increasing to 312.2% in 2021 and decreasing to an ultimate rate of 4.5% in 2031. Post-65 RX trend rate is 6.4% decreasing to an ultimate rate of 4.5% in 2029. Pre-65 rate is 6.4% decreasing to an ultimate rate of 2.20% in 2029.</p> <p>For 2019, post-65 medical 5%, Post-65 RX 10.0%, decreasing 0.5% per year to an ultimate rate of 5%. Pre-65 7.94%, decreasing .31% - .39% per year to an ultimate rate of 2.20% in 2022.</p> <p>For 2018, post-65 medical 5%, Post-65 RX 10.5%, decreasing 0.5% per year to an ultimate rate of 5%. Pre-65 8.25%, decreasing .31% - .39% per year to an ultimate rate of 2.20% in 2022.</p> <p>For 2017, post-65 medical 5% and post-65 prescription 10%, decreasing .5% per year to an ultimate rate of 5%. Pre-65 6.75%, decreasing .12% - 3.49% per year to an ultimate rate of 2.20% in 2024.</p>
Salary scale	Three percent per year.
Retirement rates	Faculty from 0.00 to 1.00 from age 50 to 85; staff from 0.03 to 1.00 from age 50 to 85.
Discount rate and investment rate of return	7.5% based on the University's funding policy and the expected long-term return on the separate trust assets that will be used to finance the payment of plan benefits. The University has stated that its funding policy is to contribute an amount to a segregated and protected trust fund. The amount will be such that the assets available will always be sufficient to cover the expected benefit payments.
Mortality	<p>For 2025, 2024 and 2023 PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2021.</p> <p>For 2022, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2020.</p> <p>For 2021, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2019.</p> <p>For 2020, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2018.</p> <p>For 2019, aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality</p>

For 2018, aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2016.

For 2017, aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with fully generational projection from 2006 using scale Mortality Projection-2015.

Disability	Gender and age-related disability incidence rates based on 1987 GLTD (six month elimination period).
Plan participation	80% elect coverage.
Dependent coverage	80% of active employees are assumed to be married at their retirement. 60% of those married retirees are assumed to have spousal coverage in effect upon death. Female spouses of male retirees are assumed to be three years younger than their husbands. Male spouses of female retirees are assumed to be three years older than their wives.

**3. UNIVERSITY OF KENTUCKY LONG-TERM DISABILITY (LTD) PLAN  
SCHEDULES OF CHANGES IN THE NET LTD LIABILITY (ASSET) (in thousands) AND RELATED RATIOS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total LTD liability									
Service cost	\$ 4,410	\$ 4,281	\$ 2,675	\$ 2,597	\$ 2,309	\$ 2,242	\$ 2,241	\$ 2,104	\$ 1,606
Interest cost	2,675	2,503	1,929	1,821	1,790	1,775	1,750	1,555	1,569
Differences between expected and actual experience	(8,872)	(2,713)	(5,383)	(927)	(2,058)	(2,140)	(1,782)	1,017	138
Changes of assumptions	(15,230)	—	9,710	1	1	(3)	(123)	(8)	1,042
Benefit payments	(1,465)	(1,635)	(1,786)	(2,033)	(1,666)	(1,748)	(1,684)	(1,931)	(1,763)
Net change in total LTD liability	(18,482)	2,436	7,145	1,459	376	126	402	2,737	2,592
Total LTD liability, beginning	37,461	35,025	27,880	26,421	26,045	25,919	25,517	22,780	20,188
Total LTD liability, ending	18,979	37,461	35,025	27,880	26,421	26,045	25,919	25,517	22,780
Plan fiduciary net position									
Contributions - employer	3,668	4,154	2,315	1,825	1,894	1,789	2,063	2,002	2,020
Net investment income	4,239	3,744	3,034	(4,121)	5,994	145	1,548	1,264	1,956
Benefit payments	(1,465)	(1,635)	(1,786)	(2,033)	(1,666)	(1,748)	(1,684)	(1,931)	(1,763)
Administrative expense	(66)	(69)	(56)	(81)	(71)	(64)	(64)	(38)	(61)
Net change in plan fiduciary net position	6,376	6,194	3,507	(4,410)	6,151	122	1,863	1,297	2,152
Plan fiduciary net position, beginning	33,508	27,314	23,807	28,217	22,066	21,944	20,081	18,784	16,632
Plan fiduciary net position, ending	39,884	33,508	27,314	23,807	28,217	22,066	21,944	20,081	18,784
Net LTD liability (asset), ending	\$ (20,905)	\$ 3,953	\$ 7,711	\$ 4,073	\$ (1,796)	\$ 3,979	\$ 3,975	\$ 5,436	\$ 3,996
Plan fiduciary net position as a percentage of LTD liability	210.1%	89.4%	78.0%	85.4%	106.8%	84.7%	84.7%	78.7%	82.5%
Covered-employee payroll	\$1,640,727	\$1,497,145	\$1,362,150	\$1,224,432	\$1,153,833	\$1,097,046	\$1,095,104	\$ 977,928	\$ 940,951
Net LTD liability (asset) as a percentage of covered-employee payroll	(1.3)%	0.3%	0.6%	0.3%	(0.2)%	0.4%	0.4%	0.6%	0.4%

Notes to schedule:

The Schedules of Changes in the Net LTD Liability (Asset) and Related Ratios is presented as of the measurement date for the fiscal year. Ten years of data for the LTD Plan is required and will be added as information becomes available.

Change of assumptions and benefit terms:

2025: The mortality table was updated to the PUB-2016 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2021. The withdrawal rates, retirement rates and disability rates have been updated to better anticipate future experience under the Plan based on results of an actuarial experience study for the period January 1, 2019 to December 31, 2024.

2024: No assumption changes.

2023: Active factors used to estimate Social Security offset for future disabled participants have been updated to better anticipate future experience under the Plan.

2022: The mortality table was updated to PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2021.

2021: The mortality table was updated to PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2020.

2020: The mortality table was updated to PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2019.

2019: The mortality table was updated to the PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using scale Mortality Projection-2018.

2018: The mortality table was updated to the aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2017.

2017: The mortality table was updated to the aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2016; the discount rate was updated from 7.5% to 6.5%.

**SCHEDULE OF LTD INVESTMENT RETURNS**

Year	Annual money-weighted rate of return, net of investment expenses
2025	12.3%
2024	12.0%
2023	12.6%
2022	(15.4%)
2021	27.7%
2020	0.5%
2019	7.5%
2018	7.1%
2017	12.0%

**SCHEDULE OF LTD CONTRIBUTIONS (in thousands)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 3,668	\$ 4,153	\$ 2,316	\$ 1,828	\$ 1,935	\$ 1,786	\$ 2,060	\$ 2,000	\$ 1,984
Contribution in relation to actuarially determined contribution	(3,668)	(4,154)	(2,315)	(1,825)	(1,894)	(1,789)	(2,063)	(2,002)	(2,020)
Contribution deficiency (excess)	\$ —	\$ (1)	\$ 1	\$ 3	\$ 41	\$ (3)	\$ (3)	\$ (2)	\$ (36)
Covered employee payroll	\$1,640,727	\$1,497,145	\$1,362,150	\$1,224,432	\$1,153,833	\$1,097,046	\$1,095,104	\$ 977,928	\$ 940,951
Contribution as a percentage of covered employee payroll	0.2%	0.3%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%

Notes to schedule:

Funding policy contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. Ten years of data for the LTD Plan is required and will be added as information becomes available.

Methods and assumptions used to determine contribution rates:

Funding policy	<p>For 2025, 2024, 2023, 2022, 2021 and 2020, funding contribution is determined as the sum of estimated administrative expenses plus 15-year amortization of the initial unfunded present value of projected benefits and subsequent asset gain/losses and liability gains/losses.</p> <p>For 2019 and 2018, funding contribution was determined as the minimum of the ten year amortization of unfunded present value of benefits and contribution limit of \$2.1 million and \$2.0 million, respectively, not less than \$250 thousand.</p> <p>For 2017, funding contribution was determined as the GASB 45 Annual Required Contribution, which equals the sum of projected unit credit normal cost plus 30-year amortization of initial unfunded accrued liability and subsequent asset gains/losses and liability gains/losses.</p>
Amortization	<p>For 2025, 2024, 2023, 2022, 2021 and 2020, the amortization period was a 15 year closed period.</p> <p>For 2019 and 2018, the amortization period was a 10 year open period.</p> <p>For 2017, the amortization period was a 30 year closed period.</p>
Present value of benefits	Actuarial present value at the beginning of the fiscal year of the net post retirement benefits expected to be paid to all current plan participants calculated using an interest rate equal to the long-term expected return on plan assets (6.5% as of July 1, 2019).
Plan Assets	Market value of assets as of the beginning of the fiscal year.
Discount rate and investment rate of return	<p>For 2025, 2024, 2023, 2022, 2021, 2020, 2019 and 2018, 6.5% based on the University's funding policy and the expected long-term return on the separate trust assets that will be used to finance the payment of plan benefits. The University has stated that its funding policy is to contribute an amount to a segregated and protected trust. The amount will be such that the assets available will always be sufficient to cover the expected benefit payments.</p> <p>For 2017, 7.5% based on the University's annual required contribution funding policy and the expected long-term return on the separate trust assets that were used to finance the payment of plan benefits.</p>

Elimination period	Six months.
Termination (mortality and recovery from disability)	2012 Society of Actuaries group LTD table.
Mortality (only for life insurance)	Canadian Institute of Actuaries 1988-94 LTD Table.
Retirement rates	Faculty from 0.00 to 1.00 from age 50 to 85; staff from 0.03 to 1.00 from age 50 to 85.
Mortality rates for actives	<p>For 2025, 2024 and 2023 PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using Mortality Projection-2021.</p> <p>For 2022, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using Mortality Projection-2020.</p> <p>For 2021, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using Mortality Projection-2019.</p> <p>For 2020, PUB-2010 Amounts Weighted Mortality Table, with mortality improvement projected generationally using Mortality Projection-2018.</p> <p>For 2019, aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2017.</p> <p>For 2018, aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with a fully generational projection from 2006 using scale Mortality Projection-2016.</p> <p>For 2017, aggregate base rates for healthy lives from the Retirement Plans-2014 mortality study with fully generational projection from 2006 using scale Mortality Projection-2015.</p>
Incidence of disability	Gender and age-related disability incidence rates based on 1987 Commissioner's group LTD table.
Duration of payment	Payments are assumed to be made until the later of: i) age 65; ii) five years after date of disability; or iii) 12 months after the valuation date.
LTD income benefit	
Disability benefit	Actual net benefit currently being paid (if currently disabled).
Social Security offset	Assume 90% of the members who have been disabled for less than 24 months and currently not entitled to a Social Security offset will immediately receive an offset.
Future salary increase for active members	Three percent per year.

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