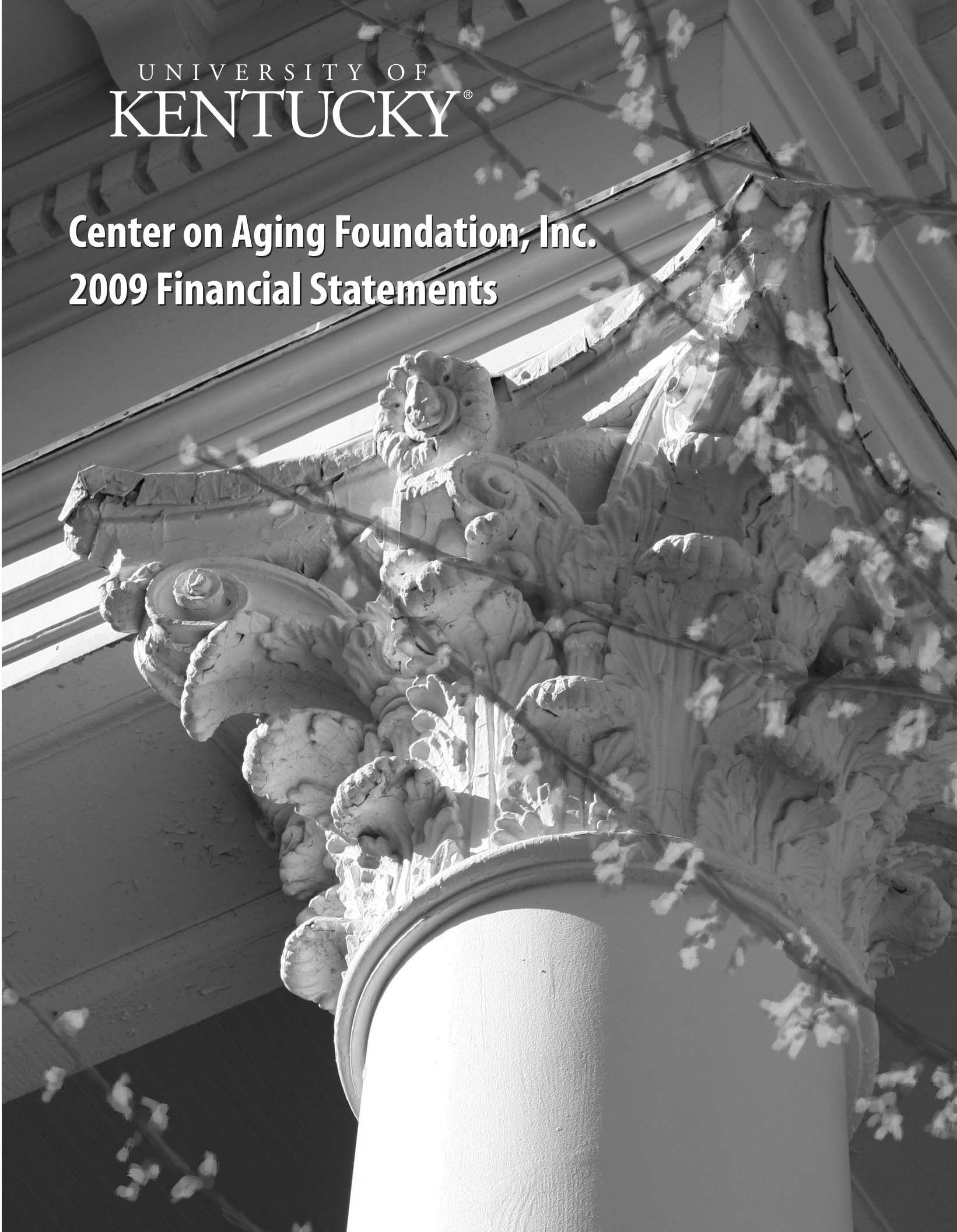


UNIVERSITY OF  
**KENTUCKY**<sup>®</sup>

**Center on Aging Foundation, Inc.  
2009 Financial Statements**



University of Kentucky  
Center on Aging Foundation, Inc.  
A Component Unit of the University of Kentucky

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## Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors  
University of Kentucky  
Center on Aging Foundation, Inc.  
Lexington, Kentucky

We have audited the accompanying basic financial statements of the University of Kentucky Center on Aging Foundation, Inc. (Foundation), a not-for-profit corporation affiliated with and a component unit of the University of Kentucky, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the supplementary information and express no opinion on it.

*BKD, LLP*

October 1, 2009

# Management's Discussion and Analysis

The University of Kentucky Center on Aging Foundation's (the Foundation) Management Discussion and Analysis (MD&A) of its financial condition provides an overview of the financial performance of the Foundation for the years ended June 30, 2009 and 2008. Management has prepared this discussion, which provides summary financial information, along with the financial statements and related footnotes. MD&A should be read in conjunction with the accompanying financial statements.

## Financial Highlights

- Assets and net assets of the Foundation remained stable during this fiscal year.
- The Foundation's Board of Directors voted to transfer net fundraising proceeds of \$50,000 to the University of Kentucky's endowment fund to support research at the Center on Aging.

## Using the Annual Report

This financial report consists of three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

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

The Statement of Net Assets includes all assets and liabilities. It is prepared on the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Gifts and investment income are classified as operating revenues because fundraising activities represent the Foundation's primary operating purpose.

Another important factor to consider when evaluating financial viability is the Foundation's ability to meet financial obligations as they become due. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital, financing and investing activities.

## Reporting Entity

The University of Kentucky Center on Aging Foundation, Inc. is a not-for-profit Kentucky corporation formed to support the educational, research and clinical activities of multi-disciplinary gerontology programs of the University of Kentucky (the University), and to foster the development of education, research and service in the field of aging across the many disciplines within the total University community. The Foundation is considered to be an affiliate and component unit of the University because all Board members are related to the University as faculty or staff and/or are appointed by the President of the University, and certain officers of the Foundation are officers of the University.

## Condensed Financial Information

### Statements of Net Assets

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>			
Current assets	\$ 59,882	\$ 58,694	\$ 40,742
Total assets	<u>59,882</u>	<u>58,694</u>	<u>40,742</u>
<b>LIABILITIES</b>			
Current liabilities	113	10	440
Total liabilities	<u>113</u>	<u>10</u>	<u>440</u>
<b>NET ASSETS</b>			
Restricted			
Expendable	59,769	58,684	40,302
Total net assets	<u>\$ 59,769</u>	<u>\$ 58,684</u>	<u>\$ 40,302</u>

**Assets.** As of June 30, 2009, the Foundation's total assets, consisting of cash and cash equivalents, amounted to \$60,000, an increase of \$1,000 over the prior year.

**Net Assets.** Net assets at June 30, 2009 totaled \$60,000, nearly 100.0% of total assets, all of which were restricted net assets.

Total net assets increased by \$1,000 during the year ended June 30, 2009. All of this increase was caused by operating revenues in excess of operating expenses.

**2008 Versus 2007.** Total assets and total net assets both increased by \$18,000 when comparing fiscal 2008 with fiscal 2007. This increase was primarily due to operating revenues in excess of operating expenses.

**Statements of Revenues, Expenses and Changes in Net Assets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b>			
Operating revenue	\$ 127,707	\$ 106,014	\$ 121,503
Total operating revenues	<u>127,707</u>	<u>106,014</u>	<u>121,503</u>
<b>OPERATING EXPENSES</b>			
Educational and general	76,622	87,632	189,477
Grants to the University of Kentucky	50,000	-	18,773
Total operating expenses	<u>126,622</u>	<u>87,632</u>	<u>208,250</u>
<b>OPERATING INCOME (LOSS)</b>	1,085	18,382	(86,747)
<b>Net assets, beginning of year</b>	58,684	40,302	127,049
<b>Net assets, end of year</b>	<u>\$ 59,769</u>	<u>\$ 58,684</u>	<u>\$ 40,302</u>

**2009.** The Foundation's most significant operating revenue was private gifts of \$98,000 while sales related to fundraising activities totaled \$29,000.

Operating expenses totaled \$127,000, of which 60.5% was used for educational and general expenses mainly for institutional support. An increase of \$39,000 was primarily due to a \$50,000 transfer to the University of Kentucky's endowment fund to support research at the Center on Aging, offset by a decrease of \$11,000 in research expenses because the Foundation's research program was being discontinued. The board has shifted its focus from research to fundraising in support to the University's research program.

**2008 Versus 2007.** Total operating expenses decreased \$121,000 including a decrease of \$102,000 in education and general expenses due to the depletion of gift fundst.

**Statements of Cash Flows**

Another way to assess the financial health of an organization is to look at the Statement of Cash Flows. The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and cash payments made by the Foundation during the period. The Statement of Cash Flows also helps financial statement readers assess the Foundation's

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>CASH PROVIDED (USED) BY:</b>			
Operating activities	\$ 6,141	\$ 12,999	\$ (86,410)
Net increase(decrease) in cash and cash equivalents	6,141	12,999	(86,410)
<b>Cash and cash equivalents, beginning of year</b>	53,741	40,742	127,152
<b>Cash and cash equivalents, end of year</b>	<u>\$ 59,882</u>	<u>\$ 53,741</u>	<u>\$ 40,742</u>

The largest cash receipt in the operating activities group relates to private gifts of \$103,000. Cash payments for operating activities of \$77,000 were made to vendors and contractors.

**2008 Versus 2007.** Net cash increased \$13,000 in as of June 30, 2008 compared to a decrease of \$86,000 as of June 30, 2007, primarily due to less payments to vendors and contractors.

### **Capital Asset and Debt Administration**

**Capital Assets.** Capital assets purchased by the Foundation are granted to the University of Kentucky at the time of acquisition.

**Debt.** The Foundation had no debt at or during the year ended June 30, 2009.

### **Factors Impacting Future Periods**

Due to current economic conditions, donations to the Foundation could be negatively impacted, thus affecting future financial results of the Foundation.

UNIVERSITY OF KENTUCKY CENTER ON AGING FOUNDATION, INC.  
A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY  
STATEMENTS OF NET ASSETS  
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 59,882	\$ 53,741
Accounts receivable, net	-	4,953
Total current assets	<u>59,882</u>	<u>58,694</u>
Total assets	<u>59,882</u>	<u>58,694</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	<u>113</u>	<u>10</u>
Total current liabilities	<u>113</u>	<u>10</u>
Total liabilities	<u>113</u>	<u>10</u>
<b>NET ASSETS</b>		
Restricted expendable	59,769	58,684
Total net assets	<u>\$ 59,769</u>	<u>\$ 58,684</u>

See notes to financial statements



**UNIVERSITY OF KENTUCKY CENTER ON AGING FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Gifts	\$ 98,277	\$ 82,359
Investment income (loss)	750	1,895
Sales related to fundraising activities	28,680	21,760
Total operating revenues	<u>127,707</u>	<u>106,014</u>
<b>OPERATING EXPENSES</b>		
Educational and general:		
Research	274	13,365
Institutional support	76,348	74,267
Total educational and general	<u>76,622</u>	<u>87,632</u>
Grants to (from) the University of Kentucky for noncapital purposes	50,000	-
Total operating expenses	<u>126,622</u>	<u>87,632</u>
Net income (loss) from operations	1,085	18,382
<b>NET ASSETS, beginning of year</b>	<u>58,684</u>	<u>40,302</u>
<b>NET ASSETS, end of year</b>	<u>\$ 59,769</u>	<u>\$ 58,684</u>

See notes to financial statements

**UNIVERSITY OF KENTUCKY CENTER ON AGING FOUNDATION, INC.**  
**A COMPONENT UNIT OF THE UNIVERSITY OF KENTUCKY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Private gifts	\$ 103,230	\$ 77,406
Payments to vendors and contractors	(76,519)	(77,641)
Salaries, wages and benefits reimbursements to the University of Kentucky	-	(10,421)
Grants (to) from the University of Kentucky for noncapital purposes	(50,000)	-
Other receipts (payments)	29,430	23,655
Net cash provided (used) by operating activities	<u>6,141</u>	<u>12,999</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	6,141	12,999
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>53,741</u>	<u>40,742</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 59,882</u></u>	<u><u>\$ 53,741</u></u>
<b>Reconciliation of net income (loss) from operations to net cash provided (used) by operating activities:</b>		
Net income (loss) from operations	\$ 1,085	\$ 18,382
Adjustments to reconcile net income (loss) from operations to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
Accounts receivable, net	4,953	(4,953)
Accounts payable and accrued liabilities	103	(430)
	<u>6,141</u>	<u>12,999</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 6,141</u></u>	<u><u>\$ 12,999</u></u>

See notes to financial statements

## NOTES TO FINANCIAL STATEMENTS

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

#### Reporting Entity

The University of Kentucky Center on Aging Foundation, Inc. (the Foundation) is a not-for-profit Kentucky corporation formed to support the educational, research and clinical activities of multi-disciplinary gerontology programs of the University of Kentucky (the University), and to foster the development of education, research and service in the field of aging across the many disciplines within the total University community. The Foundation is considered to be an affiliate and component unit of the University because all Board members are related to the University as faculty or staff and/or are appointed by the President of the University, and certain officers of the Foundation are officers of 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 Governmental Accounting Standards Board (GASB). GASB establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
  - Nonexpendable* – Net assets subject to externally imposed stipulations that they be maintained permanently by the Foundation.
  - Expendable* – Net assets whose use by the Foundation is subject to externally imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.
- Unrestricted: Net assets whose use by the Foundation is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

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

Pursuant to GASB Statement No. 20, the Foundation has elected to apply the provisions for all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

#### 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.

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

Income Taxes. The Foundation has been granted exemption from federal income taxation pursuant to the provisions of Internal Revenue Code section 501(c)(3).

Restricted Asset Spending Policy. The Foundation's policy is that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination 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 Foundation defines operating activities, as reported on the Statement of Revenues, Expenses and Changes in Net Assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Gifts and investment income are also classified as operating revenues because fundraising activities represent the Foundation's primary purpose.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## 2. DEPOSITS AND INVESTMENTS

The fair value of deposits and investments, by type, at June 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Cash on deposit with the University of Kentucky	<u>\$ 59,882</u>	<u>\$ 53,741</u>

**Deposit and investment policies.** The Foundation follows the deposit and investment policies established by the University's Board of Trustees. Such policies are developed to establish and maintain sound financial management practices for the investment and management of the Foundation's funds.

For purposes of investment management, the Foundation's deposits and investments can be grouped into one significant category: Cash on deposit with the University, which the University invests in deposits and repurchase agreements with local banks and the Commonwealth of Kentucky.

Cash on deposit with the University is managed based on the University's Overnight and Short-Term Investment Policy approved by the Investment Committee of the University's Board of Trustees.

**Deposit and investment risks.** The Foundation's deposits and investments are exposed to various risks, including credit, interest rate and foreign currency risk, as discussed in more detail below:

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the Foundation to experience a loss of principal. Cash on deposit with the University is governed by policy that minimizes risk in several ways. Deposits are governed by state law which requires full collateralization. Credit risk on repurchase agreements with local banks is mitigated by requiring the issuing financial institution's pledge of specific U.S. treasury or agency securities, held in the name of the University by the Federal Reserve Bank. Credit risk on repurchase agreements with the Commonwealth of Kentucky (the Commonwealth) is mitigated by the Commonwealth's requirement that providers of overnight repurchase agreements collateralize these investments at 102% of face value with U.S. treasury or agency securities, pledged in the name of the Commonwealth.

**Custodial Credit Risk.** Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. Cash on deposit with the University is invested in deposits and repurchase agreements with local banks, which are held in the University's name, and deposits and repurchase agreements with the Commonwealth, which are held in the Commonwealth's name. The University maintains records evidencing the Foundation's ownership interest in such balances.

**Concentrations of Credit Risk.** Foundation investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer. Cash on deposit with the University is not limited as to the maximum amount that may be invested in one issuer. However, all such investments in excess of Federal Depository 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.

At June 30, 2009, the Foundation had no underlying investments in any one issuer that represent more than 5% of total investments.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Cash on deposit with the University has limited exposure to interest rate risk due to the short term nature of the investment. The University requires that all deposits and repurchase agreements be available for use on the next business day.

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Foundation is not exposed to foreign currency risk.

### **3. RISK MANAGEMENT**

The Foundation is exposed to various risks of loss related to torts and errors and omissions. These risks are covered by extension of coverage by the University's participation in an insurance risk retention group and self-insurance. Claims against directors and officers for wrongful acts (errors and omissions) are insured through a risk retention group. There have been no significant reductions in insurance coverage from 2008 to 2009. Settlements have not exceeded insurance coverage during the past three years.

### **4. SUPPORT GENERATED FOR THE UNIVERSITY OF KENTUCKY**

One of the primary functions of the Foundation is to raise funds to support the gerontology programs of the University. During the fiscal years ended June 30, 2009 and 2008, fundraising efforts by the Foundation resulted in donations to the University totaling approximately \$325,000 and \$188,000, respectively. As of June 30, 2009, the market value of endowments established through these efforts is \$6,899,000.

### **5. TRANSACTIONS WITH THE UNIVERSITY OF KENTUCKY**

All salaries, wages and benefits reimbursement represent charges for University employees.

### **6. CURRENT ECONOMICS CONDITION**

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in donations. These conditions may potentially cause a decline in donations to the Foundation based on variables such as the draw of the annual speaker or a need for donors to be more conservative in giving. Since the Foundation is funded by donations received at the annual dinner, such conditions could significantly impact the Foundation's primary source of revenue. The financial statements have been prepared using values and information currently available to the Foundation.

## BOARD OF DIRECTORS

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The University of Kentucky is an Equal Opportunity University.  
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