EASTERN KENTUCKY UNIVERSITY

REPORT ON AUDIT OF INSTITUTION OF HIGHER EDUCATION IN ACCORDANCE WITH UNIFORM GUIDANCE

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Regents
Eastern Kentucky University and
The Secretary of Finance and Administration
Cabinet of the Commonwealth of Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Eastern Kentucky University (the "University"), a component of the Commonwealth of Kentucky, as of and for the years ended June 30, 2022 and 2021, 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 audits and the report of the 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 discretely presented component unit of the University, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Eastern Kentucky University Foundation, Inc., which represents the entire discretely presented component unit of the University. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Eastern Kentucky University Foundation, Inc., is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 the Eastern Kentucky Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

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 on pages 4 through 19, the Schedule of the University's Proportionate Share of the Net Pension Liability on page 95, the Schedule of the University's Pension Contributions on page 96 the Schedule of the University's Proportionate Share of the Net OPEB Liability on page 101, and the Schedule of the University's OPEB Contributions on page 102 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 22, 2022, 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 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.

Crowe LLP

Crowe LLP

Lexington, Kentucky
November 22, 2022

Introduction

Eastern Kentucky University ("EKU" or the "University") is a public institution of higher learning located in central Kentucky and serving primarily the eastern region of the Commonwealth. Many EKU students are the first in their families to attend college.

EKU is wrapping up the most comprehensive revitalization in its history, with several new residence halls, academic facilities and other buildings opening in recent years or in the near future on the main campus. The University, which also boasts regional campuses in Corbin and Manchester, offers a diverse range of degree programs at the associate, baccalaureate, master's and doctoral levels. The University's prominent programs include Aviation, Criminal Justice, Education, Environmental Health Science, Forensic Science, Game Design, Homeland Security, Nursing, Occupational Therapy and PGA Golf Management. The nationally prominent Honors Program consistently leads the nation in the number of student presenters at the National Collegiate Honors Council. The institution offers four doctoral programs: Educational Leadership and Policy Studies, Nursing Practice, Occupational Therapy and Clinical Psychology.

Nearly 90 percent of EKU graduates are Kentucky residents, and 75 percent of the University's degree holders are employed in Kentucky after graduation, giving EKU the title of "Kentucky's University." In Fall 2021, the University welcomed approximately 14,000 students, with a growing number attracted to EKU Online programs, often ranked among the nation's most affordable. The University's four-year graduation rate has more than doubled in the last eight years, and recent freshman classes are the best-prepared academically in the institution's history.

The University has consistently ranked in the top tier of Regional Universities in the South as published by *U.S. News & World Report* for the past ten years. In addition, *Forbes Magazine* rated Eastern among "America's Best Colleges" for 11 consecutive years. EKU is home to almost 1,200 military-affiliated students and their dependents and has been ranked no lower than 17th nationally eight of the past nine years in the annual "Best for Vets" survey by Military Times *EDGE* magazine.

EKU has also received the Minority Access Diversity Institution Award for seven consecutive years and was the only regional university in Kentucky to receive the 2017 Higher Education Excellence in Diversity (HEED) Award from *Insight into Diversity* magazine. The University also earned national distinction among the "Great Colleges to Work For" five of the last 11 years, according to the annual report on the academic workplace by the *Chronicle of Higher Education.*

The University has generated record amounts of private support in recent years and is well ahead of pace as the Make No Little Plans campaign winds down. EKU has been recognized for five consecutive years for Contributions to the Public Good from *Washington Monthly* magazine and was ranked second by the magazine among public universities in Kentucky in its 2017 "Best Bang for the Buck" survey.

The audited financial statements for the fiscal year 2022 for Eastern Kentucky University, and the statements for the Eastern Kentucky University Foundation, Inc. (the "Foundation"), an affiliated organization and component unit of the University, are included in this report. This section, Management's Discussion and Analysis ("MD&A"), is intended to provide an overview of the University's financial position at June 30, 2022, with selected comparative information for the years ended June 30, 2021 and 2020. The MD&A should be read in conjunction with the accompanying financial statements and notes.

(Continued)

Financial Highlights

At June 30, 2022, Eastern Kentucky University's financial position increased as reflected in the Statement of Net Position.

- Total assets decreased by $34.8 million to $615.7 million at June 30, 2022, compared to a restated $650.5 million at June 30, 2021. The major factors affecting this include a decrease in cash and cash equivalents of $18.5 million, a decrease in investments of $4.2 million, and a decrease in capital assets net of depreciation of $12.8 million.

- Deferred outflows increased by $66.8 million to $92.9 million at June 30, 2022, compared to $26.1 million at June 30, 2021. The increase is attributed to an increase in deferred outflows related to pensions.

- Overall liabilities increased by $48.9 million to $453.8 million at June 30, 2022, compared to $404.9 million at June 30, 2021. This increase is primarily the result of a $65 million increase in Net Pension and OPEB Liability.

- Deferred inflows decreased by $48.4 million to $143.4 million at June 30, 2022, compared to $191.8 million at June 30, 2021. The decrease is attributed to a decrease in KERS/KTRS pensions.

- Total net position at June 30, 2022 increased $31.5 million to $111.4 million, compared to a restated $79.8 million at June 30, 2021. The greatest factor affecting this increase was a decrease in Net Pension & OPEB Expense.

Using the Annual Report

This annual report consists of a series of financial statements that have been 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*. The financial statements consist of Statements of Net Position as of June 30, 2022 and 2021, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows for the fiscal years then ended. These statements reflect both the financial position of the University as of the end of the 2022 and 2021 fiscal years, as well as the results of operating and nonoperating activities and cash flows. Also included are the financial statements for the Foundation, which are presented in this report in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14*.

Reporting Entity

The University is a component unit of the Commonwealth of Kentucky (the "Commonwealth").

Statement of Net Position

The Statement of Net Position provides a snapshot of the financial position of the University at the end of the fiscal year. In this statement, assets and liabilities are segregated into their current and noncurrent components with net position reported as capital, restricted, or unrestricted. Unrestricted net position is further designated for specific purposes as noted in this discussion and in the notes to the financial statements.

(Continued)

Assets – Total assets at June 30, 2022, decreased to $615.6 million compared to restated $650.5 million at June 30, 2021.

Cash and Cash Equivalents – Total cash and cash equivalents at June 30, 2022, totaled $71.2 million; $18.5 million less than the June 30, 2021, level of $89.7 million. This decrease is attributable to a decrease of both non-restricted cash and cash equivalents of $12 million and restricted cash of $6.5 million.

Investments – The Foundation holds and manages investments owned by the University. At June 30, 2022, the market value of investments held by the Foundation on behalf of the University was $21.3 million compared to $25.5 million at June 30, 2021, a decrease of $4.2 million.

Capital Assets – The historical cost, less accumulated depreciation, of the University's capitalized assets was $492.5 million as of June 30, 2022, a net decrease after depreciation of $12.8 from the restated $505.3 million balance at June 30, 2021. Depreciation expense for the fiscal year totaled $23.8 million. This total of capital assets included RTU Assets net of accumulated amortization of $1.2 million and restated $1.7 million for 2022 and 2021, respectively.

Other Asset Categories – The balances in the various other asset categories at June 30, 2022, compared to June 30, 2021 included accounts receivable (net of allowance) which increased in total by $1.3 million; loans to students, which decreased in total by $679 thousand; inventories, which increased by $115 thousand; and prepaid interest, which decreased in total by $118 thousand.

Deferred Outflows –The deferred outflows for the year ended June 30, 2022, totaled $92.9 million and represent the unamortized deferred refunding balance of bonds, as well as the contributions to the KTRS and KERS pension and KTRS and KERS OPEB. This is an increase of $66.8 million over the June 30, 2021 balance of $26.1 million. This increase is primarily attributable to an increase in KTRS pension contributions.

Liabilities – Total liabilities at June 30, 2022, were $453.8 million compared to restated $404.9 million at June 30, 2021. This increase of $48.9 million is primarily attributable to an increase in Net Pension and OPEB Liability from fiscal year 2022 of $65.1 million.

Bonds Payable and Finance Lease Obligations – In total, bonds payable and finance lease obligations decreased by $8.2 million as of June 30, 2022, compared to the restated number at June 30, 2021. At June 30, 2022, the total bonds payable and finance lease obligations were $117.5 million versus $125.7 million at June 30, 2021. This decrease is attributable to the principal payments made on the bonds.

Other Liability Categories – At June 30, 2022, the balances in various other liability categories decreased by $8.1 million to $51.3 million compared to $59.4 million at June 30, 2021. The majority of the balances in this category are comprised of accounts payable, interest payable, payroll/benefits liabilities, external contracts and grants, and unearned revenues associated with tuition and fees billed in June 2022, for summer school classes, as well as unearned revenues associated with the Case Dining Hall agreement.

Deferred Inflows –The deferred inflows for the year ended June 30, 2022, totaled $143.4 million and represent the KTRS and KERS pension, KTRS and KERS OPEB, as well as a Service Concession for Housing projects constructed as part of the P3 initiative on campus. This decrease of $48.4 million is primarily attributed to KTRS and KERS pension, compared to the June 30, 2021 deferred inflows balance of $191.8 million.

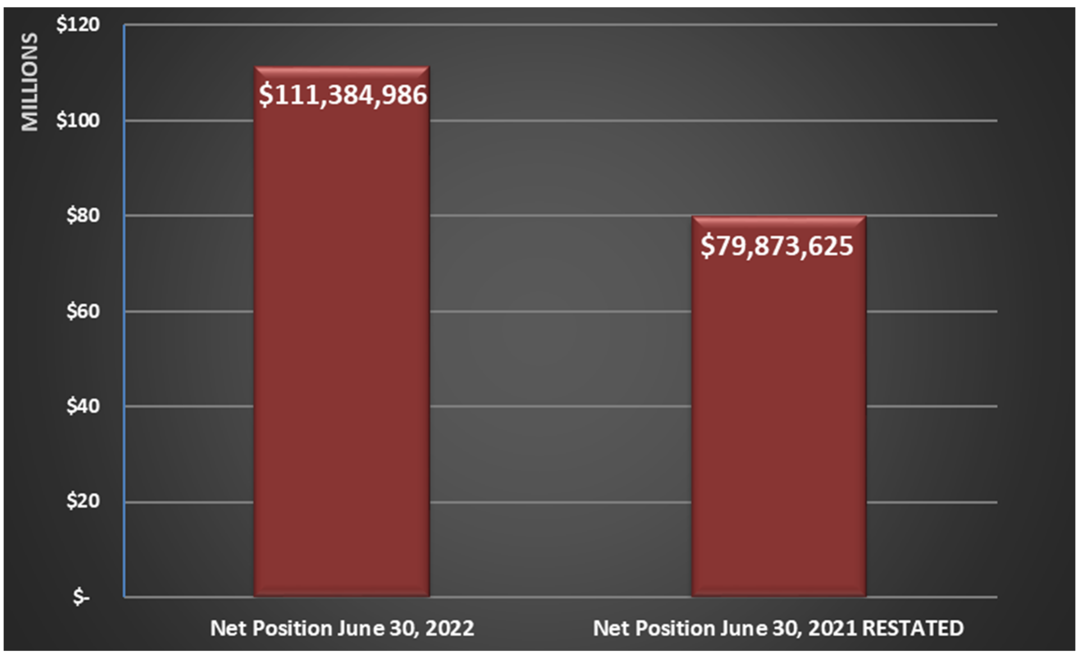
Net Position – Total Net Position at June 30, 2022, was $111.3 million; an increase of $31.5 million from June 30, 2021.

Net Investment in Capital Assets – Net position invested in capital assets decreased by $1.9 million as of June 30, 2022 to $286 million compared to the restated June 30, 2021, level of $287.9 million.

Restricted Net Position – In total, restricted net position decreased by $9.9 million to $38.3 million at June 30, 2022, compared to $48.2 million at June 30, 2021. The net decrease is primarily attributable to the decrease in restricted expendable for capital projects of $5 million, as well as a decrease in restricted expendable for scholarships of $6.4 million.

Unrestricted Net Position – Unrestricted net position increased by $43.3 million to $(212.9) million at June 30, 2022, compared to the restated June 30, 2021 unrestricted net position of $(256.2) million. This increase is primarily attributable to the KTRS and KERS pension expense adjustments.

The chart below illustrates the net position for the years ended June 30, 2022 and 2021:



Unrestricted Net Position

A portion of net position is considered unrestricted. The unrestricted net position may be designated for certain uses, but does not have formal governmental, donor, or other restrictions. The balances for unrestricted net position (in thousands) at June 30 are shown below with the respective designations indicated.

	2022	2021 (Restated)	2020
Inventories	$ 426	$ 311	$ 326
Outstanding encumbrances	895	1,630	799
Departmental commitments	4,079	4,147	3,570
Designated projects and contingency reserves	43,900	50,117	32,764
Health care self-insurance reserve	3,000	3,000	3,000
Auxiliary working capital	2,082	699	5,469
University capital projects	1,000	1,000	1,000
KTRS pension	(94,163)	(125,563)	(171,759)
KERS pension	(124,902)	(136,624)	(187,284)
KTRS OPEB	(22,614)	(24,889)	(26,610)
KERS OPEB	(26,642)	(30,112)	(35,096)
Total unrestricted net position	$ (212,939)	$ (256,284)	$ (373,821)

The following are the major components reflected in the Statements of Net Position (in thousands):

	2022	2021 (Restated)	2020
ASSETS			
Current assets	$ 90,737	$ 101,495	$ 82,312
Capital assets – net	492,461	505,302	513,650
Other noncurrent assets	32,474	43,703	40,430
Total assets	$ 615,672	$ 650,500	$ 636,392
DEFERRED OUTFLOWS			
Unamortized deferred refunding balance	$ 76	$ 125	$ 205
KTRS/KERS pensions	74,647	18,588	29,469
KTRS/KERS OPEB	18,144	7,347	6,938
Total deferred outflows	$ 92,867	$ 26,060	$ 36,612
LIABILITIES			
Current liabilities	$ 39,131	$ 46,169	$ 38,648
Noncurrent liabilities	414,668	358,762	436,228
Total liabilities	$ 453,799	$ 404,931	$ 474,876
DEFERRED INFLOWS			
Service concession - housing	$ 59,256	$ 61,627	$ 63,997
Other deferred inflows	7,970	6,870	7,130
KTRS/KERS pensions	48,437	96,004	145,960
KTRS/KERS OPEB	27,692	27,255	22,889
Total deferred inflows	$ 143,355	$ 191,756	$ 239,976

(Continued)

	2022	2021 (Restated)	2020
NET POSITION			
Net investment in capital assets	$ 286,049	$ 287,949	$ 282,242
Restricted – expendable	25,942	35,876	37,399
Restricted – nonexpendable	12,333	12,333	12,333
Unrestricted	(212,939)	(256,284)	(373,822)
Total net position	$ 111,385	$ 79,874	$ (41,848)

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position reflect the operating, nonoperating, and capital revenues and expenses of the University. The increase in total net position is a result of these activities.

Operating Results – As indicated in the Statement of Revenues, Expenses, and Changes in Net Position, there was a net loss of $100.7 million from operations for the fiscal year ended June 30, 2022, prior to consideration of state appropriations and other net nonoperating revenues. This is compared to a restated loss of $15.8 million from operations for the fiscal year ended June 30, 2021.

Operating Revenues

Below is a summary of operating revenues for fiscal year 2022 as compared to fiscal years 2021 and 2020:

	Year ended June 30, (in thousands)		
	2022	2021 (Restated)	2020
Tuition and fees	$ 148,360	$ 145,643	$ 150,873
Scholarships and discounts	(66,186)	(64,867)	(63,607)
Net tuition and fees	82,174	80,776	87,266
Grants and contracts	34,442	29,762	38,838
Other revenues	13,460	10,491	16,140
Total education and general fund	130,076	121,029	142,244
Auxiliaries	27,996	22,566	21,158
Scholarships and discounts	(5,018)	(3,647)	(6,516)
Net auxiliaries	22,978	18,919	14,642
Total operating revenues	$ 153,054	$ 139,948	$ 156,886

Tuition and Fees – Income from student tuition and fee assessments, shown net of the tuition discount, was $82.2 million for the fiscal year ended June 30, 2022, compared to $80.8 million for the fiscal year ended June 30, 2021. The increase of $1.4 million in net tuition and fees reflects principally an increase in gross tuition and fee revenue during the year ended June 30, 2022.

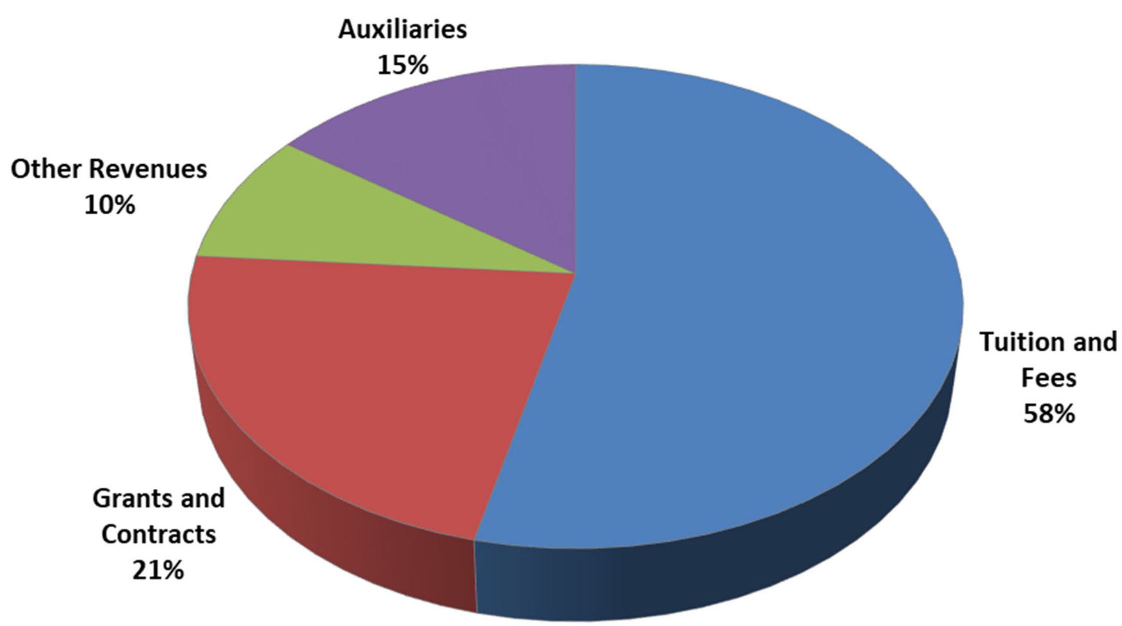
(Continued)

Grants and Contracts – For the fiscal year ended June 30, 2022, there was $34.4 million recognized revenue from all grants and contracts compared to a restated $29.8 million for the year ended June 30, 2021; an increase of $4.6 million. Revenues recognized from external grants and contracts can vary significantly from one fiscal year to the next given variations in new awards, awards ending their grant cycle, and amounts recognized for activities occurring in a given year.

Auxiliaries – Auxiliary enterprises consist of University functions provided for the academic and physical well-being of students. While these functions are not directly related to providing educational services, they are important for student convenience and support. Like tuition and fees, housing revenues are reported net of scholarships and financial aid that directly offset these costs to students. In the Statements of Revenues, Expenses, and Changes in Net Position, $23 million is reported for net auxiliary revenues for the year ended June 30, 2022, compared to a restated $18.9 million for the year ended June 30, 2021. The restated number, as well as the revenue for 2022 includes the revenue for departments recently transitioned to auxiliaries at the University. The majority of auxiliary revenues for both fiscal years is attributable to student residence hall fees.

Other Operating Revenues – Revenues in the various categories that make up other operating revenues can vary widely from year to year when unexpected revenues come into the University. For the fiscal year ended June 30, 2022, total other operating revenues were $13.5 million compared to a restated $10.5 million for June 30, 2021, an increase of $3.0 million.

Source of Operating Revenues – Fiscal Year 2022



Operating Expenses

Educational and General – Educational and general expenses are those expenditures associated with both academic instruction and support of the educational mission of the University. These include expenditures related to both operational activities and those activities where funding is restricted for specific purposes, such as external contracts and grants. Educational and general expenditures include instructional costs, expenditures related to public service, academic support services such as libraries, student services including health services and student activities, administrative costs for the University, the maintenance and operation of the University's physical facilities, financial and scholarship expenses not directly related to tuition or housing, and debt service expenditures. For the fiscal year ended June 30, 2022, educational and general expenditures totaled $283.3 million compared to $242.3 million for the fiscal year ended June 30, 2021; an increase of $41 million.

Auxiliaries – As indicated above, auxiliary enterprises are essential student service activities that do not directly impact educational and general operations. The total auxiliary expenditures for the year ended June 30, 2022, were $19.4 million, compared to a restated $17.0 million for the year ended June 30, 2021.

Below is a summary of operating expenditures for fiscal year 2022, compared to fiscal years 2021 and 2020:

	Year ended June 30, (in thousands)		
	2022	2021 (Restated)	2020
Instruction, academic support and libraries	$ 108,171	$ 101,292	$ 102,137
Research and public service	21,129	23,810	33,570
Student services	20,868	17,565	17,604
Institutional support and operations and maintenance of plant	72,927	50,511	54,566
Student financial aid	35,021	23,581	23,629
Depreciation	23,800	23,655	22,891
Other operation expenses	1,341	1,862	2,350
Total educational and general expenses	283,257	242,276	256,747
Auxiliaries	19,377	17,016	18,171
Pension expense adjustments	(43,122)	(96,856)	(61,879)
OPEB expense adjustments	(5,745)	(6,705)	(3,080)
Total operating expenses	$ 253,767	$ 155,731	$ 209,959

Instruction, Academic Support, and Libraries – The total expenditures of these three areas, which directly relate to teaching, academic, and faculty support, increased $6.9 million to $108.2 million for the year ended June 30, 2022, compared to $101.3 million for the year ended June 30, 2021.

Research and Public Service – Expenditures in these categories are primarily related to external contracts and grants activity. These activities can vary significantly from year to year due to both timing of awards and project completions. For the fiscal year ended June 30, 2022, total expenditures related to research and public service was $21.1 million, compared to $23.8 million for the fiscal year ended June 30, 2021; a decrease of $2.7 million.

Student Services – Expenditures for student services for fiscal year 2022 were $20.9 million compared to $17.6 million in fiscal year 2021, an increase of 3.3 million. The student services function includes expenditures for many activities contributing to student development outside the instructional setting.

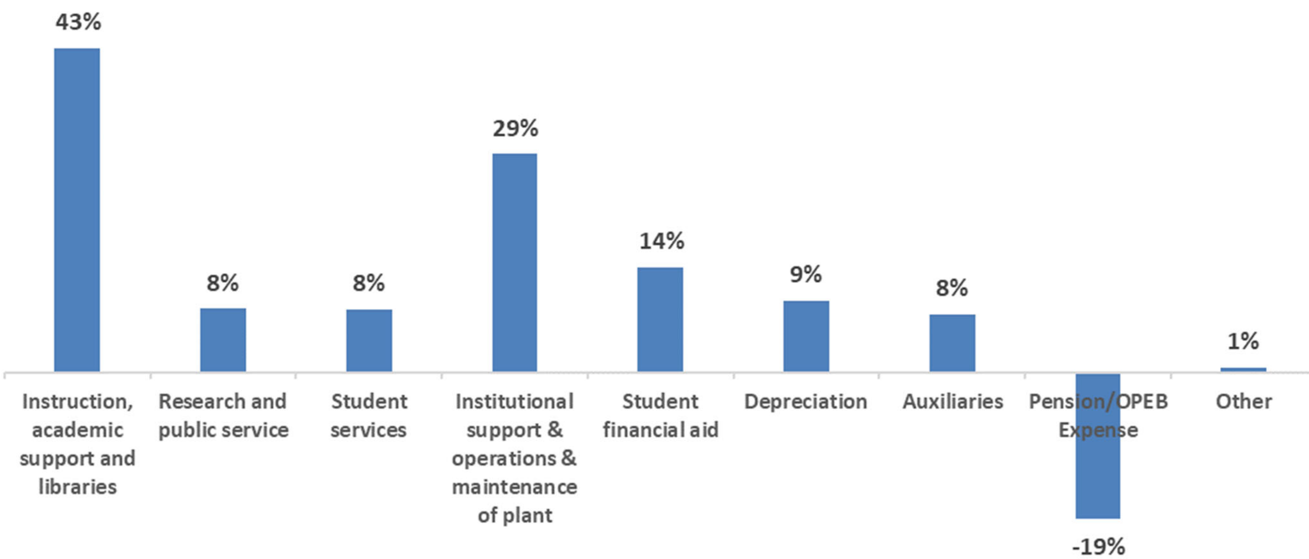
Institutional Support and Operations and Maintenance of Plant – These functions provide physical and administrative support for the University and include administrative offices, physical plant operations, noncapital maintenance expenses, utility expenses, technology support, legal, property and liability insurance, and other similar operational support costs. For the fiscal year ended June 30, 2022, the expenditures for these areas totaled $72.9 million compared to a restated $50.5 million for the year ended June 30, 2021; an increase of $22.4 million. This increase is primarily attributable to required contributions to the Kentucky Employees Retirement System.

Student Financial Aid – Tuition and fees, as well as certain auxiliary revenues, are shown net of financial aid from all sources directly awarded to fund those respective areas. As a result, the financial aid expense shown on the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal years highlighted is relatively low in relationship to the total amounts expended for financial aid both from governmental sources and institutional sources. For fiscal year 2022, the total financial aid expenditure was $106.2 million compared to $92.1 million for fiscal year 2021, an increase of $14.1 million as shown in the table on the following page.

Pension Expense Adjustments – Upon adoption of GASB Statement No. 68 Accounting and Financial Reporting for Pensions, the University reports Pension Expense on the Statement of Revenues, Expenses, and Changes in Net Position. For the fiscal year ending June 30, 2022, the University recorded $(43.1) million of Pension Expense Adjustments. This is a $53.8 million increase from the fiscal year ending June 30, 2021 Pension Expense Adjustments of $(96.9) million. These expense adjustments do not include actual contributions to the plan.

OPEB Expense Adjustments – Upon adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the University reports OPEB Expense on the Statement of Revenues, Expenses, and Changes in Net Position. For the fiscal year ending June 30, 2022, the University recorded $(5.7) million of OPEB Expense Adjustments. For the fiscal year ending June 30, 2021, the University recorded $(6.7) million of OPEB Expense Adjustments. These expense adjustments do not include actual contributions to the plan.

Major Areas of Operating Expense – Fiscal Year 2022



Student financial aid expense reported on the Statement of Revenues, Expenses, and Changes in Net Position reflect the residual financial aid paid directly to the students. The student financial aid expense for the year ended June 30, 2022, was $35 million, an increase of $11.4 million compared to $23.6 million for the year ended June 30, 2021. Approximately $11 million of this increase was attributable to the increase in distribution of CARES emergency student funding.

The information below shows the gross dollars associated with financial aid support:

	Year ended June 30, (in thousands)		
	2022	2021 (Restated)	2020
Tuition and fee discount	$ 66,186	$ 64,867	$ 63,607
Auxiliary enterprises discount	5,018	3,647	6,516
Student financial aid expense	35,021	23,581	23,629
Total student financial aid expense	$ 106,225	$ 92,095	$ 93,752

(Continued)

Non-Operating Revenues/Expenses

State Appropriations – Funding from state appropriations for operations and debt service for the fiscal year ended June 30, 2022 was $74.4 million. This was an increase of $10.5 million from the prior year ended June 30, 2021 amount of $63.9 million.

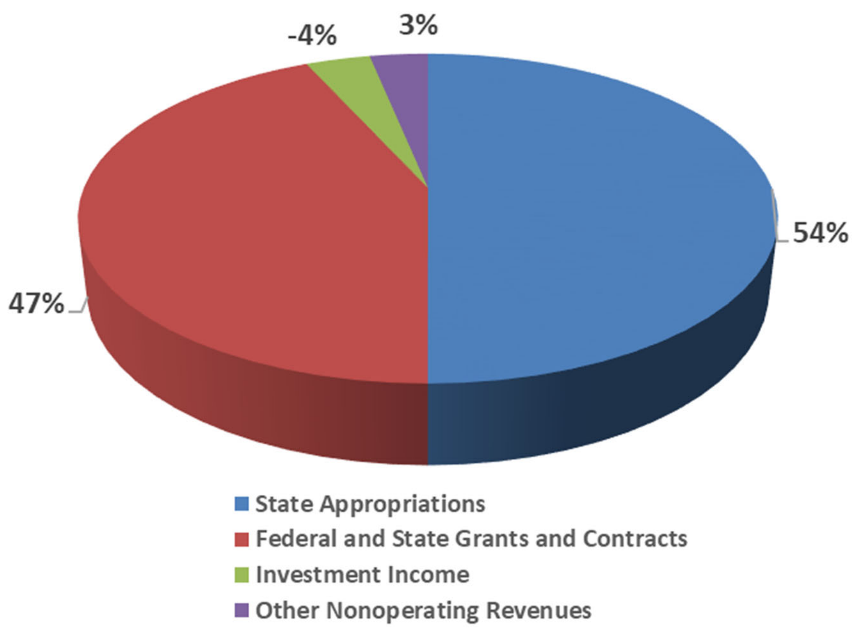
Investment Income – Total investment income for the fiscal years ended June 30, 2022 and 2021, was $(5.3) million and $5.2 million, respectively; a decrease of $10.5 million.

Federal and State Grants and Contracts – Total federal and state grant revenue for the fiscal year ended June 30, 2022, was $64.3 million, compared to the $61.2 million from fiscal year 2021. This was an increase from prior year revenue of $3.1 million. This increase was due primarily to HEERF funding received from the federal government to address the pandemic.

Other Non-Operating Revenues – Other non-operating revenues totaled $4.8 million for the year ended June 30, 2022, a decrease of $2.8 million compared to $7.6 million from the prior year ended June 30, 2021.

Other Non-Operating Expenses – Other non-operating expenses totaled $611 thousand for the year ended June 30, 2022, an increase of $359 thousand compared to $252 thousand from the prior year ended June 30, 2021.

Major Sources of Non-Operating Revenues – Fiscal Year 2022



Capital Support – For the year ended June 30, 2022, the University did not receive any funds from the Commonwealth for new capital projects, compared to fiscal year 2021 when the University received funds from the Commonwealth totaling $3.3 million for new capital projects.

The following are the major components reflected in the Statements of Revenues, Expenses, and Changes in Net Position (in thousands):

	Year ended June 30, (in thousands)		
	2022	2021 (Restated)	2020
Operating revenues	$ 153,054	$ 139,948	$ 156,886
Operating expenses	253,767	155,731	209,959
Operating loss	(100,713)	(15,783)	(53,073)
Nonoperating revenues – net	132,224	134,236	119,405
Gain (loss) before capital appropriations	31,511	118,453	66,332
Capital appropriations	-	3,269	1,165
Change in net position	31,511	121,722	67,497
Net position – beginning of year	79,874	(41,848)	(109,345)
Net position – end of year	$ 111,385	$ 79,874	$ (41,848)

Statements of Cash Flows

The Statements of Cash Flows provides information related to cash sources and uses during the fiscal year. The Statement focuses on three areas: cash generated and utilized from operations; noncapital and capital financing activities; and investing activities. Additionally, there is a reconciliation section in the Statement whereby the net cash used in operations is reconciled to the loss from operations reflected in the Statements of Revenues, Expenses, and Changes in Net Position.

The following is summary information (in thousands) from the Statements of Cash Flows:

	Year ended June 30, (in thousands)		
	2022	2021 (Restated)	2020
Cash provided by (used in)			
Operating activities	$ (128,449)	$ (94,491)	$ (100,226)
Noncapital financing activities	140,318	129,837	119,278
Capital and related financing activities	(29,209)	(16,766)	(35,834)
Investing activities	(1,159)	41	2,035
Net change in cash and cash equivalents	(18,499)	18,621	(14,747)
Cash and cash equivalents – beginning of year	89,719	71,098	85,845
Cash and cash equivalents – end of year	$ 71,220	$ 89,719	$ 71,098

(Continued)

Capital Asset and Debt Administration

During fiscal years 2022 and 2021, the following projects were completed by the University:

	Year ended June 30, (in thousands) 2022	2021
Combs Boiler/Heat Exchange	$ 385	$ -
Ramsey Heat Plant Boiler Replacement	678	-
Alumni Coliseum Chiller Replacement	393	-
Tom Samuels Track Lighting Replacement	378	-
Football Stadium Lighting Replacement	573	-
Football Field Turf Replacement	414	-
Coates Building Chiller Replacement	247	-
Clay Hall Cooling Tower Replacement	79	-
Intramural Complex Turf Replacement	399	-
Burrier Building Boiler Replacement	110	-
Combs Penthouse Roof Replacement	161	-
Baseball Field Turf Replacement	916	-
Model Gym Roof Replacement	149	-
Walters Hall Boiler/Stack Replacement	75	-
Weaver Gym HVAC Replacement	79	-
Campbell Building Heat Exchanger	45	-
RCF 1825 Softball Renov Phase II Build – concessions/restrooms	-	1,152
RCF 1847 Commonwealth 13th Floor Renovation	-	82
RCF 2572 Wallace Entries Brick Repair/Replacement	-	846
RCF 2500 Tom Samuel Track resurfacing	-	893
RCF 2500 Tom Samuel Trace fence	-	64
Solar Farm	-	175
Perkins HVAC Water Heater	-	41
F&W Ctr Boiler Replacement	-	37
Solar Farm Fence	-	30
Total	$ 5,081	$ 3,320

(Continued)

The following projects were still in process at June 30, 2022 (in thousands):

	Total Expenditures Through June 30, 2022	Estimated Cost to Complete at June 30, 2022
RCF 1711 Bypass Pedway	$ 821	$ 1,192
RCF 1987 Begley Bldg. Sewer Lift Station	45	191
RCF 2846 Central KY Regional Airport Modular Bldg	138	12
RCF 2723 Telford Hall Electrical Upgrade	68	409
RCF 2798 Powell Plaza Rejuvenation	229	1,331
DM 2758 Coates Roof Replacement & Carpet	-	55
Sand Volleyball Court	6	36
Heat Plant Boiler Control Upgrade	53	47
Whitlock Auditorium Stage Drape Replacement	2	98
Heat Plant Boiler 5 Installation	193	812
Steamline 1000ft Replacement	2	148
Powell Renovation – Multicultural Area	9	91
Keen Johnson Electrical Gear Replacement	19	797
Wallace Bldg Renovation	150	350
Arlington Pro Shop HVAC Replacement	84	9
Arlington Mansion HVAC Replacement	7	36
Giles Gallery Renovation	79	1,427
Rowlette Roof Replacement	191	508
Powell Building Roof Replacement	3	1,097
Begley Structural Study	68	93
Clay Hall Shower Pan Replacement	36	175
Coates Roof Replacement/Carpet Repair	4	55
One Room School House HVAC	22	7
Sullivan Boiler/DA Tanks Replacement	-	78
Clay Hall Boiler/DA Tanks Replacement	-	95
Burrier Stone Wall Patio	69	515
University Building Window Replacement	-	46
Total	$ 2,298	$ 9,710

Long-term debt at June 30, 2022, was $110.3 million compared to $117.2 million at June 30, 2021. The $6.9 million decrease is the result of the decrease to bonds payable for payments of principal owed on bonds in fiscal year 2022, as well as an increase of the RTU Lease Liability and a new finance lease recorded and restated for both 2022 and 2021.

Economic and Other Factors Impacting Future Periods

The following is a brief discussion of economic and other factors that could have an impact on the University in the future:

- The University continues to navigate the COVID-19 global pandemic. Until such time that this pandemic ends, the University will continue to follow the guidance and enact the public health guidelines issued by the Governor, the Centers for Disease Control (CDC), and local health agencies.

(Continued)

- Funds received via the Higher Education Emergency Relief Fund (HEERF) have been very beneficial to the University and are being utilized to replace lost revenue resulting from the COVID-19 pandemic. This federal assistance has thus far significantly negated any negative financial impact to the University. However, beyond fiscal year 2023, the potential for future receipt of HEERF funds is unlikely.

- The level of state-appropriated funds received by the University will continue to be a major factor in the future of the University. Presently, state-appropriated funds represent about 30 percent of the University's education and general budget.

- In addition to the state appropriation, the balance of the University's education and general budget must come from other sources, primarily student tuition revenue. The Council on Postsecondary Education determines a ceiling on annual tuition increases at state universities, which may limit the ability of the University to generate additional tuition revenues. Improving student access and opportunity to obtain a college education for our students remains vitally important to Eastern. Accordingly, with every tuition increase, there must be a corresponding focus and analysis of financial aid available to our students.

- The various campus facility improvements that have been completed over the last several years are enhancing student success and transforming the living and learning experiences for our students. The last remaining significant new construction project is the pedway across the bypass, which is scheduled to be completed in fall 2023. The bypass pedway rounds out the major projects in the Center for Student Life initiative.

- The Performance Based Funding model has been implemented in Kentucky. The University's entire state appropriation is incorporated into the performance-funding model, with receipt of any/all state funds contingent upon performance. The budgetary and financial challenges presented by placing the University's entire state appropriation into this model are significant.

- The University's Strategic Plan, *Make No Little Plans: A Vision for 2020* has been extended for two years through 2022. The University has launched the development of a new, updated comprehensive strategic plan to that will guide the strategic directions of the University through 2030.

- Given the ongoing and often conflicting pressures for revenue generation, the goal of maximizing affordability for our students, and the goal of continually strengthening our core educational mission, the University must continue to seek additional revenue from other sources. Other sources include unrestricted annual gifts, the Eastern Kentucky University Foundation, and funds generated through University research and entrepreneurial activities. The University remains committed to continuing to seek more and better ways to operate as efficiently as possible and continually reduce expenses.

- The Commonwealth's economic health is inextricably linked with the national and international economy. With the ongoing COVID-19 pandemic, current U.S. economic growth is expected to slow in 2022, and the U.S. Bureau of Labor Statistics expects slower GDP growth to become the "new normal." However, the Commonwealth ended the fiscal year with a general fund surplus of over $945 million – and a 12.5% increase in general fund receipts to $14.7 billion.

(Continued)

- Finally, in addition to these economic factors currently impacting the University, the Commonwealth's current pension obligations with the Kentucky Retirement Systems (KRS) continue to weigh heavily and add uncertainty for the Commonwealth. House Bill 8, passed during the 2021 Regular Legislative Session, established a structured plan for subsidizing a portion of the University's share of its actuarial pension liability as determined by June 30, 2019, actuarial valuation. However, the University's total pension liability can still fluctuate with changes to future assumptions and methodologies established by the KRS, and the assumed rates of return utilized in the KRS actuarial calculations.

Requests for Information

This financial report is designed to provide a general overview of Eastern Kentucky University's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Senior Vice President for Finance & Administration, Eastern Kentucky University, Coates CPO 35A, 521 Lancaster Avenue, Richmond, KY 40475.

EASTERN KENTUCKY UNIVERSITY
STATEMENTS OF NET POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	$ 61,513,670	$ 73,554,595
Accounts receivable – net of allowance of $3,623,295 and $2,496,324 for 2022 and 2021	26,829,401	25,474,796
Loans to students – net of allowance of $1,174 and $4,177 for 2022 and 2021	308,618	377,114
Inventories	426,166	311,281
Prepaid expenses	1,659,121	1,776,992
Total current assets	90,736,976	101,494,778
Noncurrent Assets		
Restricted cash and cash equivalents	9,706,654	16,164,459
Investments	21,330,594	25,490,606
Loans to students – net of allowance of $5,784 and $22,683 for 2022 and 2021	1,437,140	2,048,037
Capital assets – net of accumulated depreciation of $355,622,393 and $332,569,795 for 2022 and 2021	470,764,467	485,680,767
RTU Asset, net of accumulated amortization of $498,651 for 2022 and $614,629 for 2021	1,223,061	1,667,209
Capital assets not being depreciated	20,473,674	17,954,160
Total noncurrent assets	524,935,590	549,005,238
Total Assets	615,672,566	650,500,016
Deferred Outflows		
Unamortized deferred refunding loss balance	75,861	124,861
KTRS/KERS pension	74,646,698	18,588,302
KTRS/KERS OPEB	18,144,196	7,347,482
Total deferred outflows	92,866,755	26,060,64
Total Assets and Deferred Outflows	$ 708,539,321	$ 676,560,661

(Continued)

EASTERN KENTUCKY UNIVERSITY
STATEMENTS OF NET POSITION
June 30, 2022 and 2021

	2022	2021
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$ 7,883,416	$ 9,130,912
Accrued interest	201,615	499,938
Accrued salaries and benefits	5,336,147	6,651,347
Accrued compensated absences	2,944,803	3,083,038
Payroll withholding payable	768,299	812,409
Contingent liability	1,000,000	1,000,000
Refundable deposits	99,135	158,328
Assets held for others	292,980	315,249
Unearned revenue	13,440,885	15,991,542
Bonds payable	6,548,082	7,758,530
Lease payable, current	63,774	59,801
RTU Current Lease Liability	551,820	707,872
Total current liabilities	39,130,956	46,168,966
Noncurrent Liabilities		
Unearned revenue	19,303,225	21,716,130
Bonds payable, noncurrent portion	84,078,331	90,533,057
Leases payable, noncurrent portion	25,621,969	25,685,743
RTU Lease Liability	681,787	962,610
Net pension liability	245,274,773	184,770,905
Net OPEB liability	39,708,201	35,093,429
Total noncurrent liabilities	414,668,286	358,761,874
Total liabilities	453,799,242	404,930,840
Deferred Inflows		
Service concession – housing	59,256,256	61,626,505
Other deferred inflows	7,969,791	6,870,007
KTRS/KERS pension	48,436,687	96,004,338
KTRS/KERS OPEB	27,692,359	27,255,346
Total deferred inflows	143,355,093	191,756,196
Net Position		
Net investment in capital assets	286,049,125	287,949,412
Restricted		
Expendable for capital projects	18,709,040	23,758,427
Expendable for loans to students	283,511	1,405,054
Expendable for scholarships	907,274	7,335,251
Expendable for institutional support	6,042,574	3,377,114
Unexpendable for permanent endowment	12,332,772	12,332,772
Unrestricted	(212,939,310)	(256,284,405)
Total net position	111,384,986	79,873,625
Total Liabilities, Deferred Inflows and Net Position	$ 708,539,321	$ 676,560,661

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,932,518	$ 17,126,683
Pledges receivable – net	217,459	403,032
Cash surrender value of life insurance	168,752	169,363
Other current assets	3,720	3,720
Total current assets	13,322,449	17,702,798
Noncurrent assets		
Investments	82,304,709	89,717,313
Pledges receivable – net	437,949	425,081
Property and equipment – net	660,777	674,901
Other noncurrent assets	61,747	55,747
Total noncurrent assets	83,465,182	90,873,042
Total Assets	$ 96,787,631	$ 108,575,840
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 52,209	$ 42,692
Due to University	320,026	97,303
Total current liabilities	372,235	139,995
Noncurrent liabilities		
Deferred gift liabilities	277,087	324,942
Assets held for others	21,330,594	25,490,606
Total noncurrent liabilities	21,607,681	25,815,548
Total Liabilities	21,979,916	25,955,543
Net assets		
Without donor restrictions		
Board designated endowment	9,590,040	10,865,344
Undesignated	1,461,456	2,304,435
Total net assets without donor restrictions	11,051,496	13,169,779
With donor restrictions		
Purpose restrictions	28,722,065	35,728,965
Perpetual in nature	35,034,154	33,721,553
Total net assets with donor restrictions	63,756,219	69,450,518
Total net assets	74,807,715	82,620,297
Total Liabilities and Net Assets	$ 96,787,631	$ 108,575,840

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Tuition and fees – net	$ 82,173,743	$ 80,776,221
Federal grants and contracts	21,685,285	18,401,996
State grants and contracts	7,329,052	8,269,097
Nongovernmental grants, contracts, and gifts	5,427,627	3,090,810
Sales and services of educational activities	6,809,818	6,198,181
Auxiliary enterprises – housing	17,040,885	13,541,028
Auxiliary enterprises – other	5,937,156	5,377,874
Other operating revenues	6,650,384	4,292,977
Total operating revenues	153,053,950	139,948,184
OPERATING EXPENSES		
Educational and general		
Instruction	86,764,609	79,325,338
Research	750,529	664,361
Public service	20,378,074	23,145,752
Libraries	4,630,468	3,118,843
Academic support	16,775,528	18,847,374
Student services	20,867,972	17,565,002
Institutional support	47,439,202	26,640,076
Operations and maintenance of plant	25,488,182	23,871,176
Depreciation	18,962,035	17,898,263
Student financial aid	35,021,236	23,581,098
Auxiliary enterprises		
Housing and other auxiliaries	19,377,097	17,016,486
Depreciation	4,838,058	5,757,017
Pension expense adjustments	(43,122,179)	(96,856,095)
OPEB expense adjustments	(5,744,929)	(6,704,902)
Other operating expenses	1,341,314	1,861,664
Total operating expenses	253,767,196	155,731,453
Operating loss	(100,713,246)	(15,783,269)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	74,444,100	63,902,300
Federal and state grants and contracts	64,332,265	61,246,895
Investment income	(5,302,338)	5,233,243
Interest expense	(5,421,399)	(3,464,195)
Other nonoperating revenues	4,783,153	7,569,795
Other nonoperating expenses	(611,174)	(251,677)
Net nonoperating revenues	132,224,607	134,236,361
Gain before capital appropriations	31,511,361	118,453,092
Capital appropriations	-	3,268,619
Change in net position	31,511,361	121,721,711
Net position – beginning of year	79,873,625	(41,848,086)
Net position – end of year	$ 111,384,986	$ 79,873,625

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	$ 328,438	$ 5,645,324	$ 5,973,762	$ 3,426,781	$ 2,796,409	$ 6,223,190
Income from investments – net of Investment expenses of $232,427 and $217,010 for 2022 and 2021, respectively	543,910	1,669,033	2,212,943	255,297	1,896,645	2,151,942
Net realized and unrealized gains On investments	(1,946,935)	(8,577,455)	(10,524,390)	1,790,681	12,322,391	14,113,072
Other income, net	30,353	65,306	95,659	100,069	(11,659)	88,410
	(1,044,234)	(1,197,792)	(2,242,026)	5,572,828	17,003,786	22,576,614
Net assets released from restrictions	4,496,507	(4,496,507)	-	3,989,722	(3,989,722)	-
Total revenues, gains, and other support	3,452,273	(5,694,299)	(2,242,026)	9,562,550	13,014,064	22,576,614
EXPENSES						
Support for the University	5,383,695	-	5,383,695	3,009,098	-	3,009,098
Management and general	186,861	-	186,861	183,435	-	183,435
Total expenses	5,570,556	-	5,570,556	3,192,533	-	3,192,533
Change in net assets	(2,118,283)	(5,694,299)	(7,812,582)	6,370,017	13,014,064	19,384,081
Net assets – beginning of year	13,169,779	69,450,518	82,620,297	6,799,762	56,436,454	63,236,216
Net assets – end of year	$ 11,051,496	$ 63,756,219	$ 74,807,715	$ 13,169,779	$ 69,450,518	$ 82,620,297

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

	2022	2021
OPERATING ACTIVITIES		
Tuition and fees	$ 84,114,589	$ 76,932,706
Grants, contracts, and gifts	32,930,336	40,693,393
Payments to suppliers	(73,929,468)	(60,682,465)
Payments for utilities	(8,927,488)	(7,428,705)
Payments to employees	(114,540,382)	(111,620,095)
Payments for benefits	(48,064,116)	(34,483,834)
Payments to students	(30,343,180)	(22,781,360)
Loans issued to students and employees	(100)	(22,921)
Collections of loans to students and employees	679,493	890,430
Auxiliary enterprise charges		
Residence halls	16,382,844	10,468,357
Other	5,937,156	3,163,341
Sales and services of educational activities	6,809,818	6,198,181
Other receipts	501,846	4,181,984
Net cash used in operating activities	(128,448,652)	(94,490,988)
NONCAPITAL FINANCING ACTIVITIES		
State appropriations	74,444,100	63,902,300
Other nonoperating revenues	65,874,051	65,934,820
Net cash provided by noncapital financing activities	140,318,151	129,837,120
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(14,152,541)	(4,509,426)
Principal paid on bonds payable and finance leases	(8,073,250)	(8,440,000)
Interest paid on bonds payable and finance leases	(6,982,942)	(7,085,371)
Proceeds on issuance of bonds payable	-	-
Capital appropriations	-	3,268,618
Net cash used in capital and related financing activities	(29,208,733)	(16,766,179)
INVESTING ACTIVITIES		
Investment income (loss)	(1,159,496)	41,063
Net cash used in investing activities	(1,159,496)	41,063
Increase (decrease) in cash and cash equivalents	(18,498,730)	18,621,016
Cash and cash equivalents – beginning of year	89,719,054	71,098,038
Cash and cash equivalents – end of year	$ 71,220,324	$ 89,719,054

(Continued)

EASTERN KENTUCKY UNIVERSITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

	2022	2021
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (100,713,246)	$ (15,797,961)
Depreciation expense	23,800,093	22,984,386
Contributed capital assets	-	-
Changes in operating assets and liabilities		
Accounts receivable – net	(1,354,605)	1,090,962
Loans to students – net	679,393	867,510
Inventories	(114,884)	14,677
Prepaid expenses	117,870	(602,810)
Accounts payable	(4,546,404)	(2,475,859)
Accrued liabilities	(1,497,544)	1,384,560
Contingent liability	-	1,000,000
Refundable deposits	(59,193)	87,941
Assets held for others	(22,269)	5,729
Unearned revenue	(4,963,561)	510,874
Deferred outflows – KTRS/KERS Pension	(56,058,396)	10,880,896
Deferred outflows – KTRS/KERS OPEB	(10,796,714)	(409,240)
Deferred inflows – KTRS/KERS Pension	(47,567,651)	(49,955,457)
Deferred inflows – KTRS/KERS OPEB	437,013	4,365,657
Net pension liability	60,503,868	(57,781,534)
Net OPEB liability	4,614,772	(10,661,319)
Net cash flows used in operating activities	$ (128,448,652)	$ (94,490,988)
Supplemental cash flows information		
Capital asset acquisitions in accounts payable	$ 5,793,900	$ 6,017,429
Repayment of debt by bond trustee	12,294,423	-

See accompanying notes to financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Eastern Kentucky University (the "University") is a regional, coeducational, public institution of higher education offering general and liberal arts programs, pre-professional and professional training in education and various other fields at both the undergraduate and graduate levels. Located in Richmond, Kentucky, the University has a distinguished record of over eleven decades of educational service to the Commonwealth of Kentucky (the "Commonwealth").

Reporting Entity – The University is a component unit of the Commonwealth and is included in the basic financial statements of the Commonwealth. The University's financial statements, as defined by Statement No. 14 and amended by Statement No. 61 of the Governmental Accounting Standards Board ("GASB"), include the financial operations and financial position of Eastern Kentucky University Foundation, Inc. (the "Foundation"), which is a corporation formed for educational, charitable and public purposes in accordance with the provisions of KRS 273.010 and a discretely presented component unit of the University. Specifically, it was founded to cooperate with the University and with the Board of Regents of the University (the "Board") in the promotion of the educational, civic, and charitable purpose of the University and Board in any lawful manner deemed appropriate by the Board. This purpose includes the encouragement of scholarship and research, the promotion of the prestige, expansion, and development of the University, including the development of its physical plant, its faculty and the assistance of its students and alumni. Certain officers of the Foundation are also officers of the University. The Foundation is included in the University's financial statements as a component unit as it is organized exclusively to benefit the University by generating funding and performing the University's development activities. The separate financial statements of the Foundation can be obtained by written request to the Eastern Kentucky University Foundation, Jones 324 Coates CPO 19A, 521 Lancaster Avenue, Richmond, Kentucky 40475.

Basis of Accounting and Presentation – The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in the preparation of the financial statements. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Investment income and interest expense from government-mandated nonexchange transactions that are not program specific (such as state appropriations) are included in nonoperating revenues and expenses.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in Net Position during the reporting period. Actual results could differ from those estimates.

Cash Equivalents – The University considers all liquid investments with original maturities of three months or less to be cash equivalents. Funds held by the Commonwealth are considered cash equivalents and are carried at cost, which approximates market value.

Restricted Cash and Cash Equivalents – Restricted cash is restricted for the purchase of capital assets.

(Continued)

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Investment Income – Investments in equity and debt securities are carried at fair value determined using quoted market prices. Investments in nonnegotiable certificates of deposit, money market accounts, and repurchase agreements are carried at cost, which approximates market value. Amounts due for debt service in the upcoming year represent short-term investments; all other investments are classified as long-term.

The University's investments held with the Foundation are governed by the Foundation's investment policies that determine permissible investments by category. The holdings include U.S. and foreign equity securities as well as alternative investments.

Investment income consists of interest and dividend income, realized gains and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable – Accounts receivable consist primarily of tuition and fee charges to students, charges for auxiliary enterprise services provided to students, faculty and staff and receivables from federal, state and private agencies for grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. Estimated uncollectible amounts are determined by considering a number of factors, including the length of time accounts receivable are past due, previous loss history and the condition of the general economy and the industry as a whole.

Loans to Students – The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts.

Inventories – Inventories are stated at the lower of cost or market determined on the first-in, first-out method.

Capital Assets – Capital assets are recorded at cost at the date of acquisition. Gifts are recorded at acquisition value at the date of donation. The University's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expenses are incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the assets; generally, 40 years for buildings, 15–20 years for land improvements, 25 years for infrastructure, 10 years for library books, and 3–15 years for equipment.

Costs incurred during the construction of capital assets are recorded as construction in progress and are not depreciated until placed into service. Total interest incurred for the years ended June 30, 2022 and 2021 was $6,495,735 and $5,967,010, of which $0 and $2,561,595 was capitalized.

Compensated Absences – University employees begin to accumulate annual vacation allocations from the beginning date of employment; however, accrued vacation is not granted until three months of employment have been completed. The maximum accumulation of vacation leave is limited to the number of days that can be accumulated in one year, based on the length of service. Employees are paid their accumulated vacation upon termination, subject to certain limitations.

(Continued)

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

University policy permits most employees to accumulate vacation that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized when vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay in effect and related benefit costs at the Statement of Net Position date.

Unearned Revenue – Unearned revenue represents student fees, advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements, and construction costs for a building provided by the University's dining partner.

Pensions and Other Postemployment Benefits (OPEB) – For purposes of measuring the net pension and OPEB liabilities, deferred outflows and inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Kentucky Teachers' Retirement system (KTRS) and the Kentucky Employees Retirement System (KERS) and additions to /deductions from KTRS' and KERS' fiduciary net position have been determined on the same basis as they are reported by KTRS and KERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources – Deferred outflows represent the consumption of resources that are applicable to a future reporting period, but do not require any further exchange of goods or services. Deferred outflows of resources in the University's financial statements consist of the unamortized deferred refunding loss balance and pension and OPEB related unamortized balances. Deferred inflows consist of the KTRS and KERS pension and OPEB related unamortized balances as well as amounts related to service concession arrangements.

Net Position – Under the provisions of GASB Statement No. 63, resources of the University are classified for accounting and reporting purposes into the following net position categories:

Net investment in Capital Assets: Represents the University's investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to the acquisition, construction, or improvement of those assets.

Restricted – Expendable: Represents resources the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted – Unexpendable: Represents resources the University is legally or contractually obligated to retain in perpetuity.

Unrestricted: The unrestricted component of net position represents assets, deferred outflows, liabilities and deferred inflows 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. Substantially all unrestricted resources are designated for academic and research programs and initiatives, capital projects and operating reserves.

(Continued)

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Nonoperating Revenues and Expenses – Operating activities as reported on the Statements of Revenues, Expenses and Changes in Net Position are those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Primarily all of the University's expenses are from exchange transactions. Certain revenue streams are recorded as nonoperating revenues, as required by GASB standards, including state appropriations, federal Pell grant revenue, gifts and investment income. In addition, interest expense is shown as a nonoperating expense.

Release of Restricted Resources – When an expense or outlay is incurred for which both restricted and unrestricted resources are available, the University's policy is to allow each departmental unit the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources in the particular circumstances.

Scholarship Discounts and Allowances – Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statements of Revenues, Expenses, and Changes in Net Position. 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 and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating 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. The scholarship allowances on tuition and fees and on housing for the years ended June 30, 2022 and 2021 were $66,185,944 and $64,866,610 and $2,718,342 and $2,578,411, respectively. Payments made directly to students are presented as student financial aid expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

Adoption of New Accounting Pronouncements – During fiscal year 2022, the University adopted the following accounting pronouncements:

- *Statement 87*, *Leases.* This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions of this guidance include additional disclosures surrounding the amount, timing and uncertainty of cash flows arising from leases. The University retrospectively adopted this standard during the year ended June 30, 2022.

- *Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period.* This statement states interest incurred during the construction period to be expensed rather than capitalized as an asset. This standard is to be applied prospectively. The University has implemented this standard with no material impact to its financial statements.

(Continued)

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements - As of June 30, 2022, the GASB has issued the following statements not yet implemented by the University.

- GASB Statement No. 91, *Conduit Debt Obligations*, effective for periods beginning after December 15, 2021.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* effective for periods beginning after June 15, 2022.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for periods beginning after June 15, 2022.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, effective for periods beginning after December 15, 2021.
- GASB Statement No. 99, *Omnibus 2022*, effective for periods beginning after June 15, 2022.
- GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, effective for periods beginning after June 15, 2023.
- GASB Statement No. 101, *Compensated Absences*, effective for periods beginning after December 15, 2023.

The University's management has not yet determined the effect these statements will have on the University's financial statements.

Income Taxes – As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code, as amended, and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

Business Disruption - In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 has impacted economic activity and financial markets globally and has resulted in a decrease in various auxiliary revenues that the University is dependent upon due to closing the campus in March 2020. The continued spread of the disease represents a risk that operations could be disrupted in the near future. The extent to which COVID-19 impacts the University will depend on future developments, which are still highly uncertain and cannot be predicted. As a result of the COVID-19 pandemic, the University has received federal COVID relief funding through the Higher Education Emergency Relief Fund (HEERF) and Governor's Emergency Education Relief (GEER) Fund totaling $65,359,150, of which $26,070,665 and $19,078,466, respectively, was expended and recognized as revenue during the years ended June 30, 2022 and 2021. The remaining $11,732,267 is expected to be expended and recognized as revenue when allowable expenses are incurred during fiscal year 2023.

(Continued)

NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENT RETURN

The Commonwealth treasurer requires that all state funds be insured by the Federal Deposit Insurance Corporation ("FDIC"), collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations. The University's deposits with the Commonwealth treasurer are pooled with funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Commonwealth treasurer may determine, in the state's name.

The University requires that balances on deposits with financial institutions to be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, in the University's name.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. As a means of limiting its exposure to losses from custodial credit risk, the University's deposits and investments are held by the Commonwealth treasurer, collateralized by securities in the University's name, and insured by the FDIC or in the University's name.

Deposits as of June 30, 2022 and 2021 consisted of:

	2022	2021
Depository accounts		
Local bank deposits – collateral held as a pledge in the University's name	$ 43,824,017	$ 47,203,191
Cash on hand	21,030	17,348
State investment pool – uninsured and uncollateralized	27,375,277	42,498,515
Total deposits	$ 71,220,324	$ 89,719,054

Deposits at June 30, 2022 and 2021 as presented on the Statement of Net Position include:

	2022	2021
Cash and cash equivalents	$ 61,513,670	$ 73,554,595
Restricted cash and cash equivalents	9,706,654	16,164,459
Total deposits	$ 71,220,324	$ 89,719,054

Investments at June 30, 2022 and 2021 consisted of:

	2022	2021
Restricted assets held by the Foundation	$ 21,330,594	$ 25,490,606
Total investments	$ 21,330,594	$ 25,490,606

Investments in U.S. government securities and the collateral for repurchase agreements are registered in the name of Eastern Kentucky University or held in the University's name by its agents and trustees. The University may legally invest in direct obligations of, and other obligations guaranteed as to principal, the U.S. Treasury and U.S. agencies, and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in equity securities.

(Continued)

NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)

University investments held by the Eastern Kentucky University Foundation, Inc. are comprised of the Regional University Excellence Trust Fund and Programs of Distinction endowments (see Note 9). Assets held by the Foundation are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

The assets in the Foundation investment pool at June 30, 2022 and 2021 are invested as follows:

	2022	2021
Percentage of pool invested in:		
Cash equivalents – trustee	5%	6%
Registered investment companies equity funds	68	72
Registered investment companies fixed income funds	26	21
Alternative investments	1	1
Total	100%	100%

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. Refer to Note 15 C. for a description of those investments.

The fair value of financial instruments as of June 30, 2022 and 2021 is as follows:

	Fair Value Measurements at June 30, Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2022				
Eastern Kentucky University Foundation, Inc. Investment fund at net asset value per share	$ 21,330,594	$ -	$ -	$ -
Total investments	$ 21,330,594	$ -	$ -	$ -
2021				
Eastern Kentucky University Foundation, Inc. Investment fund at net asset value per share	$ 25,490,606	$ -	$ -	$ -
Total investments	$ 25,490,606	$ -	$ -	$ -

(Continued)

NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENT RETURN (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal policy to specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings provide information about the investment's credit risk. The University does not have a formal policy that would limit its investment choices. However, investments are required to be in compliance with Commonwealth statute.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The University does not have a formal policy for concentration of credit risk.

Investment Income – Investment income for the years ended June 30, 2022 and 2021 was $(5,302,338) and $5,233,243, respectively, consisting primarily of unrealized gains and loss of investments.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable are recorded net of estimated uncollectible amounts and consist of the following at June 30, 2022 and 2021:

	2022	2021
Student tuition and fees	$ 8,868,216	$ 12,255,995
Auxiliary enterprises	3,482,394	2,823,696
Federal, state and private grants and contracts	13,769,891	9,582,002
Other state agencies	28,198	28,198
Other	4,307,959	3,281,229
Total	30,456,658	27,971,120
Less allowance for uncollectible accounts	(3,627,257)	(2,496,324)
Accounts receivable – net	$ 26,829,401	$ 25,474,796

NOTE 4 – CAPITAL ASSETS

In Fiscal Year 2022 the University adopted GASB Statement No. 87, Leases. Statement No. 87 required the University to classify certain leases as finance leases that may have been shown as operating leases in the past. As a result, the University recognized $270,997 and $2,281,839 of Right to Use (RTU) assets in fiscal years 2022 and 2021 respectively. These assets are amortized over the shorter of: the useful life of the asset or the lease term. The associated amortization of the RTU assets at 2022 and 2021 were $715,145 and $614,629, respectively. These amounts are summarized in the schedules below.

(Continued)

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022, is as follows:

	Balance - June 30, 2021	Additions	Reductions	Transfers	Balance – June 30, 2022
Capital assets not being depreciated					
Land	$ 8,186,328	$ 2,407,300	$ -	$ -	$ 10,593,628
Historical treasures and works of art	2,011,296	-	-	-	2,011,296
Livestock for educational purposes	264,448	13,500	-	-	277,948
Construction in progress	7,492,088	3,563,495	-	(3,464,781)	7,590,802
Total capital assets not being depreciated	17,954,160	5,984,295	-	(3,464,781)	20,473,674
Other capital assets					
Land improvements	63,189,182	1,496,545	-	1,183,007	65,868,734
Buildings	666,583,509	81,710	-	2,281,774	668,946,993
Leasehold improvements	125,577	-	-	-	125,577
Equipment	37,142,768	1,616,801	(216,494)	-	38,543,075
RTU Asset	2,281,839	270,997	(32,350)	-	2,520,486
Library books	51,209,527	1,508,810	-	-	52,718,337
Total other capital assets	820,532,402	4,974,863	(248,844)	3,464,781	828,723,202
Less accumulated depreciation for					
Land improvements	(43,581,435)	(2,958,034)	-	-	(46,539,469)
Buildings	(218,527,590)	(16,370,359)	-	-	(234,897,949)
Leasehold improvements	(116,954)	(8,624)	-	-	(125,578)
Equipment	(26,314,136)	(2,353,188)	-	-	(28,667,324)
RTU Asset	(614,629)	(715,145)	216,494	-	(1,113,280)
Library books	(44,029,681)	(1,394,743)	32,350	-	(45,392,074)
Total accumulated depreciation	(333,184,425)	(23,800,093)	248,844	-	(356,735,674)
Other capital assets – net	487,347,977	(18,825,230)	-	3,464,781	471,987,528
Total capital assets – net	$ 505,302,137	$ (12,840,935)	$ -	$ -	$ 492,461,202

NOTE 4 – CAPITAL ASSETS (Continued)

Restated Capital assets activity for the year ended June 30, 2021, is as follows:

	Balance - June 30, 2020	Additions	Reductions	Transfers	Balance – June 30, 2021
Capital assets not being depreciated					
Land	$ 8,186,328	$ -	$ -	$ -	$ 8,186,328
Historical treasures and works of art	2,011,296	-	-	-	2,011,296
Livestock for educational purposes	277,238	-	(12,790)	-	264,448
Construction in progress	3,804,595	7,040,369	(62,146)	(3,290,730)	7,492,088
Total capital assets not being depreciated	14,279,457	7,040,369	(74,936)	(3,290,730)	17,954,160
Other capital assets					
Land improvements	62,295,898	-	-	893,284	63,189,182
Buildings	664,156,064	29,999	-	2,397,446	666,583,509
Leasehold improvements	125,577	-	-	-	125,577
Equipment	33,115,006	4,502,223	(474,461)	-	36,827,684
RTU Asset	-	2,281,839	-	-	2,281,839
Library books	49,705,206	1,544,654	(40,333)	-	51,209,527
Total other capital assets	809,397,751	8,358,715	(514,794)	3,290,730	820,532,402
Less accumulated depreciation for					
Land improvements	(40,726,977)	(2,854,458)	-	-	(43,581,435)
Buildings	(202,025,848)	(16,501,742)	-	-	(218,527,590)
Leasehold improvements	(104,396)	(12,558)	-	-	(116,954)
Equipment	(24,462,115)	(2,309,818)	457,797	-	(26,257,871)
RTU Asset	-	(614,629)	-	-	(614,629)
Library books	(42,707,939)	(1,362,075)	40,333	-	(44,029,681)
Total accumulated depreciation	(310,027,275)	(23,655,280)	498,130	-	(333,184,425)
Other capital assets – net	499,370,476	(15,296,565)	(16,664)	3,290,730	487,347,977
Total capital assets – net	$ 513,649,933	$ (8,256,196)	$ (91,600)	$ -	$ 505,302,137

NOTE 5 – UNEARNED REVENUE

Unearned revenue as of June 30, 2022 and 2021 is as follows:

	2022	2021
Unearned summer school revenue and activity fees	$ 5,486,452	$ 8,018,302
Unearned grants and contracts revenue, current	7,954,433	7,973,240
Unearned grants and contracts revenue, noncurrent	19,303,225	21,716,129
Total	$ 32,744,110	$ 37,707,671

(Continued)

NOTE 6 – BONDS PAYABLE AND FINANCE LEASE OBLIGATIONS

Long-term liabilities as of June 30, 2022, and long-term activity for the year ended June 30, 2022 are summarized as follows:

	Balance - July 1, 2021	Additions	Reductions	Refunding	Balance - June 30, 2022	Balance Due Within One Year
Revenue bonds payable	$ 84,020,000	$ -	$ (4,175,000)	$ (12,405,000)	$ 67,440,000	$ 3,310,000
General receipts refunding bonds	10,235,000	12,405,000	(3,020,000)	-	19,620,000	2,730,000
Finance lease obligations	25,745,544	-	(59,801)	-	25,685,743	63,774
RTU lease liability	1,670,482	270,997	(707,872)	-	1,233,607	551,820
Unamortized bond premium	4,036,587	110,577	(580,751)	-	3,566,413	508,082
	$ 125,707,613	$ 12,786,574	$ (8,543,424)	$ (12,405,000)	$ 117,545,763	$ 7,163,676

Restated Long-term liabilities as of June 30, 2021, and restated long-term activity for the year ended June 30, 2021 are summarized as follows:

	Balance - July 1, 2020	Additions	Reductions	Refunding	Balance - June 30, 2021	Within One Year
Revenue bonds payable	$ 88,015,000	$ -	$ (3,995,000)	$ -	$ 84,020,000	$ 4,175,000
General receipts refunding bonds	14,680,000	-	(4,445,000)	-	10,235,000	3,020,000
Finance lease obligations	25,500,000	315,084	(69,540)	-	25,745,544	59,801
RTU lease liability	-	2,281,838	(611,356)	-	1,670,482	707,872
Unamortized bond premium	4,703,216	-	(666,629)	-	4,036,587	563,530
	$ 132,898,216	$ 2,596,922	$ (9,787,525)	$ -	$ 125,707,613	$ 8,526,203

General Receipts Revenue Bonds – On December 8, 2011, the University sold $21,480,000 of Eastern Kentucky University General Receipt Bonds, Series 2011A, at a net interest cost of 3.74%. The proceeds of this bond issue provided funding for a new residence hall. The bonds mature in varying amounts through October 1, 2031. During fiscal years 2022 and 2021, $1,015,000 and $985,000 of principal and $138,811 and $513,550, respectively, of interest were paid on the bonds. Total outstanding principal at June 30, 2022 and 2021 was $0 and $13,420,000 and, respectively. These bonds were refunded during fiscal year 2021. See Series 2021A paragraph in this footnote.

On July 3, 2012, the University sold $27,700,000 of Eastern Kentucky University General Receipts Refunding Bonds, 2012 Series A bonds, at an effective interest rate of 3.49% to advance refund Consolidated Education Revenue Bonds Series V (June 1, 2004, which refinanced outstanding Housing Revenue Series bonds and provided additional funding for the replacement of the campus underground electrical system) of $8,790,000 and a master lease (September 25, 2008 for an energy savings performance contract) of $21,863,227. The 2012 Series A bond agreement includes certain covenants and guidelines related to the University's indebtedness.

NOTE 6 – BONDS PAYABLE AND FINANCE LEASE OBLIGATIONS (Continued)

The net proceeds of $31,350,000 (including the Original Issuer's Premium) of the 2012 Series A Bonds were used (after payment of underwriting fees, insurance, and other issuance costs) to purchase U.S. government securities. Those securities were deposited to an irrevocable trust with an escrow agent to provide for all future debt service payments on those Series V bonds and the energy savings lease. As a result, the Series V bonds and energy savings lease are considered to be defeased and the liabilities for these obligations have been removed from the statement of net position. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,407,906. This difference, reported under GASB 65 (see Note 1) as a deferred outflow, is being charged to operations through the year 2024 using the effective-interest method. The University completed the advance refunding to reduce its total debt service payments over the next 12 years. The resulting savings on a present value basis is approximately $2.35 million.

During fiscal years 2022 and 2021, $1,895,000 and $3,175,000 of principal and $172,250 and $331,000 of interest were paid on the bonds. The outstanding principal at June 30, 2022 and 2021 is $1,550,000 and $3,445,000, respectively.

On April 7, 2015, the University sold $14,280,000 of Eastern Kentucky University General Receipt Bonds, Series 2015A, at a net interest cost of 3.26%. The proceeds of this bond issue provided funding for various athletic projects. The bonds mature in varying amounts through April 1, 2035. During fiscal years 2022 and 2021, $615,000 and $590,000 of principal and $408,994 and $432,594 of interest were paid on the bonds. Total outstanding principal at June 30, 2022 and 2021 was $10,405,000 and $11,020,000, respectively.

On March 2, 2016, the University sold $5,825,000 of Eastern Kentucky University General Receipt Bonds, Series 2016A, at a net interest cost of 2.15% to refund a portion of the 2007 Series A Bonds (August 2, 2007, which refinanced outstanding Housing Revenue Series bonds).

During fiscal years 2022 and 2021, $610,000 and $775,000 of principal and $60,238 and $75,738, respectively, of interest were paid on the bonds. Total outstanding principal at June 30, 2022 and 2021 was $1,970,000 and $2,580,000, respectively.

On April 5, 2017, the University sold $46,140,000 of Eastern Kentucky University General Receipt Bonds, Series 2017A, at an adjusted true interest cost of 3.43%. The bonds mature in varying amounts through April 1, 2037. During fiscal years 2022 and 2021, $1,760,000 and $1,675,000 of principal and $1,602,406 and $1,686,156, respectively, of interest were paid on the bonds. Total outstanding principal at June 30, 2022 and 2021 was $38,090,000 and $39,850,000, respectively.

On January 23, 2018, the University sold $21,860,000 of Eastern Kentucky University General Receipt Bonds, Series 2018A, at an adjusted true interest cost of 3.03%. The bonds mature in varying amounts through October 1, 2037. During fiscal years 2022 and 2021, $785,000 and $745,000 of principal and $789,538 and $827,788 of interest were paid on the bonds. Total outstanding principal at June 30, 2022 and 2021 was $18,945,000 and $19,730,000, respectively.

The proceeds of the Eastern Kentucky University General Receipt Bonds, Series 2017A and Series 2018A, provide funding for the project listed in the Budget Act *Construct Student Life Facilities*. The project includes (i) the construction of a new student recreation facility with a fitness center and other amenities, (ii) the construction of a pedway over the Robert Martin Bypass connecting north and south campus, and (iii) renovations of the Powell Student Union building.

(Continued)

NOTE 6 – BONDS PAYABLE AND FINANCE LEASE OBLIGATIONS (Continued)

On August 27, 2019, the University sold $5,265,000 of Eastern Kentucky University General Receipt Bonds, Series 2019A, at a net interest cost of 1.782% to refund the 2009 Series A Bonds

The refunding resulted in a gross savings between the reacquisition price and the net carrying amount of the old debt. The University completed the refunding to reduce its total debt service payments over the next 9 years. The resulting savings on a present value basis is approximately $588,141. As of June 30, 2020, the 2009 Series A Bonds had been fully redeemed.

During fiscal years 2022 and 2021, $515,000 and $495,000 of principal and $183,200 and $207,950 of interest, respectively, were paid on these new bonds. Total outstanding principal at June 30, 2022 and 2021 was $3,695,000 and $4,210,000, respectively.

On December 10, 2020, the University agreed to the sale of $12,405,000 of Eastern Kentucky University General Receipt Bonds, Series 2021A to refund the 2011 Series A Bonds. The bonds closed on July 6, 2021.

The refunding resulted in an advanced payment of the present value interest savings to the University in the amount of $1,629,508. As of June 30, 2022, the 2011 Series A Bonds had been fully redeemed.

During fiscal years 2022 and 2021, $0 and $0 of principal and $344,740 and $0 of interest, respectively, were paid on these new bonds. Total outstanding principal at June 30, 2022 was $12,405,000.

Finance Lease Obligations – With the implementation of GASB 87 for the fiscal years 2022 and 2021 (restatement), the University recognized additional lease liability in the amount of $1,233,607 for 2022 and $1,670,482 for 2021. Associated interest costs were $11,037 and $ 5,886, for fiscal years 2022 and 2021 respectively. The lease liabilities recorded will pay out over the shorter of the useful life of the asset recorded or the lease agreement. The principal and interest is presented in aggregate in the schedule below.

During fiscal year 2016, the University modified the previous Grand Campus lease as part of a value-added benefit for the public private partnership residence hall project. The lease is extended to a total of 31.5 years with lease payments totaling $115,580,549 over that period, with the University taking ownership at the end of the term. Grand Campus is an approximately 16-acre property adjacent to campus that holds 2 separate student housing dormitories containing a total of 512 bedrooms. The dormitories also have separate bathrooms, common areas, swimming pool, clubhouse, and parking lot among other amenities.

In addition to Grand Campus, the University recognized an additional finance lease in FY21 for the lease of lockers for mail purposes. The amount paid for this lease in 2022, as well as the restated amount paid for this in 2021 is included in the principal and interest amounts below.

During fiscal years 2022 and 2021, $59,801 and $69,539 of principal and $2,973,407 and $2,924,116, respectively, of interest were paid on the finance leases.

(Continued)

NOTE 6 – BONDS PAYABLE AND FINANCE LEASE OBLIGATIONS (Continued)

The principal maturities and interest repayment requirements on bonds and finance leases are as follows:

	Principal	Interest	Total
Years ending June 30,			
2023	$ 6,611,856	$ 6,411,220	$ 13,023,076
2024	6,822,353	6,200,303	13,022,656
2025	6,202,223	5,976,386	12,178,609
2026	6,365,500	5,783,660	12,149,160
2027	6,600,909	5,575,113	12,176,022
2028-2032	31,335,345	25,064,693	56,400,038
2033-2037	28,435,757	18,892,040	47,327,797
2038-2042	8,977,434	13,737,726	22,715,160
2043-2047	14,034,968	9,306,906	23,341,874
2048	925,811	306,154	1,231,965
	$ 116,312,156	$ 97,254,201	$ 213,566,357

Assets under finance leases at original cost totaled $25,500,000 with accumulated depreciation of $5,046,875 and $4,409,375 at June 30, 2022 and 2021, respectively. This includes only Grand Campus Properties and equipment.

On August 2, 2022, the University sold $50,530,000 of Eastern Kentucky University General Receipt Bonds, 2022 Series A, at an adjusted true interest cost of 4.10%. The bonds mature in varying amounts through April 1, 2052. The bonds were issued as a new borrowing for housing renovations.

NOTE 7 – SERVICE CONCESSION ARRANGEMENT

On February 8, 2016, the University entered into an agreement with a third party that qualifies for treatment as a service concession arrangement as defined in GASB 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Under the terms of the agreement, the University leases land to the third party and the third party constructed student housing, whereby the University is the owner of the constructed building with no obligation for construction costs. Once construction of the building was complete and ready for use, the University leased it back to the third party and entered into a manage and maintain agreement for cost and revenue sharing. Due to the age and condition of the current housing stock, the University entered the agreement with the expectation of attracting more students and to retain current students. The buildings were completed in July 2017 and recorded as a capital asset with a book value of $71,107,507, and a useful life of 40 years. As of June 30, 2022, and 2021, the buildings had a net book value of $62,367,209 and $64,144,896 and the service concession had a carrying balance of $59,256,255 and $61,626,505, respectively.

(Continued)

NOTE 8 – DESIGNATIONS OF UNRESTRICTED NET POSITION

Unrestricted net position is designated for specific purposes by action of the Board or University management or may otherwise be limited by contractual agreements. Commitments for the use of unrestricted net position at June 30, 2022 and 2021 are as follows:

	2022	2021
Inventories	$ 426,166	$ 311,281
Outstanding encumbrances	895,072	1,630,386
Departmental commitments	4,079,269	4,146,720
Designated projects and contingency reserves	43,899,110	50,115,812
Health care self-insurance reserve	3,000,000	3,000,000
Auxiliary working capital	2,082,198	699,632
University capital projects	1,000,000	1,000,000
KTRS Pension	(94,162,678)	(125,562,515)
KERS Pension	(124,902,084)	(136,624,426)
KTRS OPEB	(22,614,801)	(24,889,437)
KERS OPEB	(26,641,562)	(30,111,856)
Total	$ (212,939,310)	$ (256,284,403)

NOTE 9 – ASSETS HELD BY OTHERS

The Regional University Excellence Trust Fund (“RUETF”) was created by the Kentucky General Assembly with the passage of the Postsecondary Education Improvement Act of 1997 (“House Bill 1”). The RUETF Endowment Match Program, also known as “Bucks for Brains”, provides state funds on a dollar-for-dollar match basis. Funds are endowed for the purposes of supporting endowed chairs and professorships. House Bill 1 also established two Eastern Kentucky University endowments for the support of nationally recognized Programs of Distinction (“PODs”) for the College of Justice and Safety and for potential future additional Programs of Distinction. The College of Justice and Safety POD was liquidated in 2010 to fund an addition to the Stratton Building.

The total fair market value of the Eastern Kentucky University RUETF and POD endowment as of June 30, 2022 and 2021 was $21,330,594 and $25,490,606, respectively.

The portion of the RUETF endowment representing the value of the funding received from the Kentucky General Assembly, plus unexpended earnings thereon, was $19,282,619 and $23,045,137 as of June 30, 2022 and 2021, respectively, and is included in restricted assets held by the Foundation (see Note 2).

The fair market value of the Eastern Kentucky University POD endowments as of June 30, 2022 and 2021 was $2,047,975 and $2,445,469, respectively, and is included in restricted assets held by the Foundation (see Note 2).

NOTE 10 – RELATED-PARTY TRANSACTIONS

The University and the Foundation are related parties. The University authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the University. In addition, the Foundation incurs expenses for salaries of certain University staff; however, the salaries are paid by the University.

	2022	2021
Funds disbursed by the University on behalf of the Foundation:		
For employee salaries and benefits	$ 637,915	$ 357,154
For other expenses	2,435,863	816,948
For scholarships	1,830,140	1,534,175
Funds held by the Foundation on behalf of or for the benefit of the University as of June 30	21,330,594	25,490,606
Funds due to the University by the Foundation	324,268	101,227

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

Plan Description – All full-time University faculty members and certain other staff occupying a position requiring certification or graduation from a four-year college or university as a condition of employment are covered by the Kentucky Teachers' Retirement System (KTRS), a cost sharing - multiple employer public employee retirement system. KTRS is a defined benefit plan providing for retirement, disability, death benefits and health insurance. Participants have a fully vested interest after the completion of 60 months of service, 12 of which are current service.

KTRS issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about the pension plan's fiduciary net position. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky, 40601, by calling (502) 573-3266, or visiting the website at https://trs.ky.gov/.

Basis of Accounting*:* For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, pension and OPEB expense, information about the fiduciary net position of the Kentucky Teachers' Retirement System of the State of Kentucky (KTRS) and additions to/deductions from KTRS's fiduciary net position have been determined on the same basis as they are reported by KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Pension Plan Information

Pension Benefits Provided: The information below summarizes the major retirement benefit provisions of KTRS plan. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

	Tier 1 Participation Prior to July 1, 2008	**Tier 2** Participation on or After July 1, 2008
Covered Employees:	University faculty and professional staff that do not choose the Optional Retirement Plan (Deferred Contribution)	University faculty and professional staff that do not choose the Optional Retirement Plan (Deferred Contribution)
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service	
Final Compensation:	Average of the highest 5 annual salaries reduced 5% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is $440 multiplied by credited service.	Average of the highest 5 annual salaries reduced 6% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is $440 multiplied by credited service.
Benefit Factor:	Non-University members: 2.00% for service prior to 7/1/1983; 2.50% for service after 7/1/1983; 2.00% if participation after 7/1/2002 and less than 10 years; 2.50% if participation after 7/1/2002 and more than 10 years; 3.00% if retire after 7/1/2004 with more than 30 years. University members: 2.0% for each year of service.	Non-University members: 1.70% if less than 10 years; 2.00% if greater than 10 years, but no more than 20 years; 2.30% if greater than 20 years, but no more than 26 years; 2.50% if greater than 26 years, but no more than 30 years; 3.00% for service greater than 30 years. University members: 1.50% if less than 10 years; 1.70% if greater than 10 years, but less than 20 years; 1.85% if greater than 20 years, but less than 27 years; 2.00% if greater than 27 years.
Cost of Living Adjustment (COLA):	1.5% annually additional ad hoc increases must be authorized by the General Assembly.	
Unreduced Retirement Benefit:	Any age with 27 years of Kentucky service. Age 55 with 5 years of Kentucky service.	Any age with 27 years of Kentucky service. Age 60 with 5 years of Kentucky service. Age 55 with 10 years of Kentucky service.
Reduced Retirement Benefit:	Must be retired for service or disability to be eligible. Retired members are given a supplement based upon a contribution supplement table approved by the KTRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement.	

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Contributions - Benefit and contribution rates are established by state statute. Per Kentucky Revised Statutes 161.540, 161.550 and 161.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the KTRS Board. For the fiscal year ended June 30, 2022 and 2021, University employees were required to contribute 8.185% of their annual covered salary for retirement benefits. The University was contractually required to contribute 15.87% (14.06% allocated to pension, 1.78% allocated to medical insurance and 0.03% allocated to life insurance) of covered payroll for the fiscal years ended June 30, 2022 and 2021. The actuarially determined amount, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The University has met 100% of the contribution funding requirement for the fiscal years ended June 30, 2022 and 2021. Total current year contributions recognized by the Plan were $8,778,093 ($7,520,063 related to pension and $1,258,030 related to OPEB) for the year ended June 30, 2021. For the year ended June 30, 2020, total contributions recognized by the Plan were $8,835,669 ($7,535,411 related to pension and $1,300,258 related to OPEB). The OPEB contributions amount does not include the implicit subsidy. In addition, the Commonwealth of Kentucky contributes ad hoc annual cost of living adjustments provided by the General Assembly for KTRS retirees. This contribution totaled $7,450,917 and $7,667,694, respectively, for the years ended June 30, 2022 and 2021.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2022 and 2021, the University reported a liability for its proportionate share of the net pension liability that reflected a reduction for pension support provided to the University by the Commonwealth of Kentucky. The amount recognized by the University as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the University were as follows:

	2022	2021
University's proportionate share of the net pension liability	$ 86,071,894	$ 90,619,732
Commonwealth of Kentucky's proportionate share of the net pension liability associated with the University	90,868,704	95,303,278
	$ 176,940,598	$ 185,923,010

The net pension liability was measured as of June 30, 2021 and 2020. The University's proportion of the net pension liability was based on actual contributions to the pension plan during the measurement period. At June 30, 2022 and 2021, University's proportion was 0.69% and 0.61%, respectively, and the Commonwealth of Kentucky's proportion associated with the University was 0.63% and 0.64%, respectively.

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

For the year ended June 30, 2022 and 2021, the University was allocated pension expense of $ (31,399,837) and $(46,196,871) and revenue of $ 15,603,356 and $11,021,833, respectively. At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2022		
Net difference between projected and actual earnings on investments	$ (1,621,397)	$ 779,670
Change in assumptions	14,721,446	7,599,663
Differences between expected and actual experience	-	21,219,877
Changes in proportionate share of contributions	7,821,947	6,933,635
	20,921,996	36,532,845
Contributions subsequent to the measurement date	7,520,063	-
	$ 28,442,059	$ 36,532,845
2021		
Net difference between projected and actual earnings on investments	$ (1,080,156)	$ 2,968,045
Change in assumptions	2,362,011	26,084,018
Differences between expected and actual experience	836,917	-
Changes in proportionate share of contributions	4,689,055	20,233,960
	6,807,827	49,286,023
Contributions subsequent to the measurement date	7,535,411	-
	$ 14,343,238	$ 49,286,023

At June 30, 2022, the University reported $7,520,063 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the following fiscal year. Deferred outflows and deferred inflows of resources at June 30, 2022, related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	$ (11,949,742)
2024	464,495
2025	1,087,277
2026	(5,212,879)
	$ (15,610,849)

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Actuarial assumptions - The total pension liability in the June 30, 2021 and 2020 measurement was determined by using the following actuarial valuations, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2021 and 2020
Inflation	2.50%
Salary increases	3.50% - 7.30%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, Including inflation
Municipal bond index rate	2.13% and 2.19%
Single equivalent interest rate	7.10% and 7.50%
Post-Retirement Annual Benefit Inc.	1.50% annually

The rates of mortality for the period after service retirement are according to the Pub2010 (Teachers Benefited-Weighted) Mortality Table projected generationally with adjustments for each of the groups: service, retirees, contingent annuitants, disabled retiree, and active members.

The actuarial assumptions used in the June 30, 2021 and 2020 valuation were based on the results of an actuarial experience study for the period June 30, 2020.

The long-term expected return on plan was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	June 30, 2022	
Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	40%	4.45%
Non U.S. Equity	22	5.35
Fixed Income	15	(0.10)
Additional Categories*	7	1.95
Real Estate	7	4.00
Private Equity	7	6.90
Cash	2	(0.30)
Total	100%	

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

	June 30, 2021	
Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	40%	4.6%
Non U.S. Equity	22	5.6
Fixed Income	15	0.0
Additional Categories*	8	2.5
Real Estate	6	4.3
Private Equity	7	7.7
Cash	2	(0.50)
Total	100%	

*Includes hedge funds, high yield and non U.S. developed bonds and private credit strategies

Changes in Assumptions and Benefit Terms Since Prior Measurement Date – The total pension liability as of June 30, 2021 reflects the assumed municipal bond index rate decrease from 2.19 percent to 2.16 percent. The Single Equivalent Interest Rate (SEIR) decreased from 7.50 percent to 7.10 percent. The impact of this change in the discount rate is a change in assumption that is added to expected TPL to determine the final TPL at June 30, 2021.The total pension liability as of June 30, 2021 reflects the assumed municipal bond index rate decrease from 2.19% to 2.16%. The Single Equivalent Interest Rate (SEIR) decreased to 7.10 percent. The impact of this change in the discount rate is a change in assumption that is added to expected total pension liability to determine the final total pension liability at June 30, 2021.

Changes Since Measurement Date - There were no changes between the measurement date of the collective net pension liability and the University reporting date that are expected to have a significant effect on the University's proportionate share of the collective net pension liability.

Discount rate - The discount rate used to measure the TPL was 7.10 percent and 7.50 percent respectively at June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at the actuarially determined contribution rates for all fiscal years in the future. Based on those assumptions, at the June 30, 2021 measurement date, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate - The following tables present the net pension liability of the University as of June 30, 2022 and 2021, calculated using the discount rate, as well as what the University's net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the Collective Net Pension Liability *(in thousands)*	$ 116,523	$ 86,072	$ 61,029

	June 30, 2021		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the Collective Net Pension Liability *(in thousands)*	$ 115,423	$ 90,620	$ 69,976

Medical Insurance Plan

Plan Description - In addition to the OPEB benefits previously described, Kentucky Revised Statute 161.675 requires KTRS to provide post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits Provided - To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. KTRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the KTRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Contributions - In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three-quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. For the years ended June 30, 2022 and 2021, the University contributed $1,241,600 and $1,294,853 to the KTRS medical insurance plan.

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At June 30, 2022 and 2021, the University reported a liability of $15,947,000 and $18,073,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the University. The collective net OPEB liability was measured as of June 30, 2021 and 2020. The University's proportion of the net OPEB liability was based on actual contributions to the OPEB plan during the measurement period. At June 30, 2022 and 2021, the University's proportion was .74% and 0. 72% and the Commonwealth of Kentucky's proportion associated with the University was .33% and .32% respectively.

The amount recognized by the University as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the University were as follows:

	2022	2021
University's proportionate share of the net OPEB liability	$ 15,947,000	$ 18,073,000
State's proportionate share of the net OPEB liability associated with the University	7,171,000	7,967,000
Total	$ 23,118,000	$ 26,040,000

For the year ended June 30, 2022 and 2021, the University was allocated OPEB expense of ($2,274,745) and $(27,000) and revenue of $283,000 and $418,000 for support provided by the State. At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2022		
Difference between expected and actual experience	$ -	$ 9,483,000
Changes of assumptions	4,171,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,701,000
Changes in proportion and differences between University contributions and proportionate share of contributions	890,000	1,314,000
	5,061,000	12,498,000
University contributions subsequent to the measurement date	1,241,600	-
Total	$ 6,302,600	$ 12,498,000

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
2021		
Difference between expected and actual experience	$ -	$ 7,705,000
Changes of assumptions	1,096,000	-
Net difference between projected and actual earnings on OPEB plan investments	588,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	145,000	1,763,000
	1,829,000	
9,468,000		
University contributions subsequent to the measurement date	1,294,855	-
Total	$ 3,123,855	$ 9,468,000

Of the total amount reported as deferred outflows of resources related to OPEB, $1,241,600 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

Year ended June 30:	
2023	$ (2,005,000)
2024	(2,014,000)
2025	(1,750,000)
2026	(1,502,000)
2027	(289,000)
Thereafter	123,000
	$ (7,437,000)

Actuarial Assumptions - The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Investment rate of return	7.10% net of OPEB plan investment expense, including inflation.
Salary increases	3.50 – 7.20%, including inflation
Inflation rate	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Healthcare cost trend rate	Pre-65: 7.00% decreasing to ultimate trend rate of 4.50% by FY2031. Post-65: 5.00% decreasing to an ultimate trend rate of 4.50% by FY2024.
Medicare Part B premiums	4.40% decreasing to an ultimate rate of 4.50% by FY2034.
Municipal bond index rate	2.13% and 2.19%
Discount rate	7.10%
Single equivalent interest rate	7.10%, net of OPEB plan investment expense, including inflation.

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2021 and 2020 valuations were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation. The health care cost trend assumption was updated for the June 30, 2021 and 2020 valuations and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

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

	June 30, 2022		June 30, 2021	
	Target Allocation	30 Year Expected Real Rate of Return	Target Allocation	30 Year Expected Real Rate of Return
Global Equity	58.00%	5.10%	58.00%	5.40%
Fixed income	9.00	(0.10)	9.00	0.00
Real Estate	6.50	4.00	6.50	4.30
Private Equity	8.50	6.90	8.50	7.70
Additional Categories: High Yield	8.00	1.70		
Other Additional Categories*	9.00	2.20	17.00	2.50
Cash (LIBOR)	1.00	(0.30)	1.00	(0.50)
Total	100.00%		100.00%	

KTRS Medical Plan Changes in Assumptions Since Prior Measurement Date – For the fiscal year ended June 30, 2021, the healthcare cost trend rate for Pre-65 decreased from 7.25 percent for fiscal year 2021 to 7.10 percent for fiscal year 2022 and Post-65 decreased from 5.25 percent for fiscal year 2021 to 5.00 percent for fiscal year 2022. Medicare Part B premiums decreased to 4.40 percent for fiscal year 2022 from 6.49 percent for fiscal year 2021. The municipal bond index rate decreased from 2.19 percent to 2.13 percent. For the fiscal year ended June 30, 2021, the healthcare cost trend rate for Pre-65 decreased from 7.50 percent for fiscal year 2020 to 7.25 percent for fiscal year 2021 and Post-65 decreased from 5.50 percent for fiscal year 2020 to 5.25 percent for fiscal year 2021. Medicare Part B premiums increased to 6.49 percent for fiscal year 2021 from 2.63 percent for fiscal year 2020. The municipal bond index rate decreased from 3.50 percent to 2.19 percent.

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will contribute the Actuarially Determined Contribution (ADC) in accordance with the MIF's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate - The following table presents the University's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate, as well as what the University's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
University's net OPEB liability (MI) *(in thousands)*	$ 20,416	$ 15,947	$ 12,252

	June 30, 2021		
	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
University's net OPEB liability (MI) *(in thousands)*	$ 21,843	$ 18,073	$ 14,925

Sensitivity of the University's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the University's proportionate share of the collective net OPEB liability, as well as what the University's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	June 30, 2022		
	1% Decrease	Current Trend Rate	1% Increase
University's net OPEB liability *(in thousands)*	$ 11,586	$ 15,947	$ 21,375

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

	June 30, 2021		
	1% Decrease	Current Trend Rate	1% Increase
University's net OPEB liability *(in thousands)*	$ 14,324	$ 18,073	$ 22,691

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

Plan Description – Life Insurance Pla*n* – KTRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The KTRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the life insurance plan may be made by the KTRS Board of Trustees and the General Assembly.

Benefits Provided – KTRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. KTRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions **-** In order to fund the post-retirement life insurance benefit, 0.03 percent of the gross annual payroll of members is contributed by the state. In addition, KCTCS contributes 0.04 percent of each participants covered compensation. For the years ended June 30, 2022 and 2021, the University contributed $16,599 and $16,708 to the KTRS life insurance plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At June 30, 2022 and 2021, the University reported a liability of $219,000 and $548,000 for its proportionate share of the collective net OPEB liability, respectively. The collective net OPEB liability was measured as of June 30, 2020. The University's proportion of the net OPEB liability was based on actual contributions to the OPEB plan during the measurement period. At June 30, 2022 and 2021, the University's proportion was 1.67% and 1.58%.

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

For the years ended June 30, 2022 and 2021, the University was allocated OPEB expense of $35,000 and $98,000. At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2022		
Difference between expected and actual experience	$ 10,000	$ 6,000
Changes of assumptions	-	83,000
Net difference between projected and actual earnings on OPEB plan investments	-	199,000
Changes in proportion and differences between University contributions and proportionate share of contributions	25,000	17,000
	35,000	305,000
University contributions subsequent to the measurement date	16,599	-
Total	$ 51,599	$ 305,000
2021		
Difference between expected and actual experience	$ 11,000	$ 9,000
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	77,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	-	20,000
	88,000	29,000
University contributions subsequent to the measurement date	16,708	-
Total	$ 104,708	$ 29,000

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, $16,599 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

Year ended June 30:	
2023	$ (48,000)
2024	(65,000)
2025	(70,000)
2026	(74,000)
2027	(13,000)
Thereafter	-
	$ (270,000)

Actuarial Assumptions – The total OPEB liability (TOL) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2020 and 2019
Measurement date	June 30, 2021 and 2020
Investment rate of return	7.10% net of OPEB plan investment expense, including inflation for 2021, and 7.50% for 2020.
Salary increases	3.50 – 7.20%, including inflation
Inflation rate	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Municipal bond index rate	2.13% and 2.19% for 2020
Discount rate	7.10%
Single equivalent interest rate	7.10%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2021 and 2020 valuations were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 and 2020 valuations and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

KTRS Life Plan Changes in Assumptions Since Prior Measurement Date -For the fiscal years ended June 30, 2022 and 2021, the municipal bond index rate decreased from 2.19 percent to 2.13 percent and from 3.50 percent to 2.19 percent, respectively.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

	June 30, 2022		June 30, 2021	
Asset Class*	Target Allocation	30 Year Expected Real Rate of Return	Target Allocation	30 Year Expected Real Rate of Return
U.S. Equity	40.00%	4.40%	40.00%	4.60%
International Equity	23.00	5.60	23.00	5.60
Fixed income	18.00	(0.10)	18.00	0.00
Real Estate	6.00	4.00	6.00	4.30
Private Equity	5.00	6.90	5.00	7.70
Other Additional Categories**	6.00	2.10	6.00	2.50
Cash (LIBOR)	2.00	(0.30)	2.00	(0.50)
Total	100.00%		100.00%	

**As the life insurance plan investment policy is subject to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return.*

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate - The following tables present the University's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate, as well as what the University's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
University's net OPEB (LI) liability *(in thousands)*	$ 501	$ 219	$ (14)

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

	June 30, 2021		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
University's net OPEB (LI) liability *(in thousands)*	$ 792	$ 548	$ 349

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

Kentucky Employees Retirement System

Plan Description - The University contributes to the Kentucky Employees' Retirement System (KERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees ("KRS Board") of KRS administers the KERS, County Employees Retirement System and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630.

KRS issues a publicly available financial report that includes audited financial statements and audited required supplementary information for KERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

Basis of Accounting: For purposes of measuring the net pension and OPEB liabilities, deferred outflow of resources and deferred inflow of resources related to pensions and OPEB, pension and OPEB expense, information about the fiduciary net position of KERS and additions to/deductions from KERS's fiduciary net position have been determined on the same basis as they are reported by KERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Pension Benefits Provided: The information below summarizes the major retirement benefit provisions of KERS-Non-Hazardous and Hazardous plans. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Non-Hazardous

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/13	Tier 3 Participation 1/1/2014
Benefit Formula	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor	1.97% or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA)	No COLA unless authorized by the Legislature. If authorized, the COLA is limited to 1.5%. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit	Any age with 27 years of service. Age 65 with 48 months of service. Money purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No month purchased calculations.	
Reduced Retirement Benefit	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit.

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Hazardous

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/13	Tier 3 Participation 1/1/2014
Benefit Formula	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation	Highest 3 fiscal years (must contain at least 24 months). Includes lump-sum compensation payments (before and at retirement).	3 highest salaries; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor	2.49%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 26 years = 2.25%. Greater than 25 years = 2.50%.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA)	No COLA unless authorized by the Legislature. If authorized, the COLA is limited to 1.5%. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit	Any age with 20 years of service. Age 55 with 60 months of service.	Any age with 25 years of service. Age 60 with 60 months of service.	Any age with 25 years of service. Age 60 with 60 months of service.
Reduced Retirement Benefit	Age 50 with 15 years of service.	Age 50 with 15 years of service.	No reduced retirement benefit.

OPEB Benefits Provided: The information below summarizes the major retirement benefit provisions of KERS-Non-Hazardous and Hazardous plans. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Insurance Tier 1: Participation began before 7/1/2003

Benefit Eligibility: Recipient of a retirement allowance

Benefit: The percentage of member premiums paid by the retirement system are dependent on the number of years of service. Benefits also include duty disability retirements, duty death in service, non-duty death in service and surviving spouse of a retiree.

Insurance Tier 2: Participation began on or after 7/1/2003, but before 9/1/2008

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Benefit Eligibility: Recipient of a retirement allowance with at least 120 months of service at retirement

Benefit: The system provides a monthly contribution subsidy of $10 (Non-hazardous) and $15 (Hazardous) for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Insurance Tier 3: Participation began on or after 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 180 months of service at retirement

Benefit: Tier 3 insurance benefits are identical to Tier 2, except Tier 3 members are required to have at least 180 months of service in order to be eligible.

Contributions: The University is required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

For the fiscal years ended June 30, 2022 and 2021, participating employers in the Nonhazardous plan contributed 49.47% (41.06% allocated to pension and 8.41% allocated to OPEB) as set by KRS, respectively, of each Nonhazardous employee's creditable compensation. For the fiscal years ended June 30, 2022 and 2021, participating employers in the Hazardous plan contributed 33.43% (33.43% allocated to pension and 0% allocated to OPEB) and 36% (allocated completely to pension) for 2021 as set by KRS, respectively, of each Hazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KRS are financed through employer contributions and investments earnings. The University met 100% of the contribution funding requirement for the fiscal years ended June 30, 2022 and 2021. Total current year contributions recognized by the Plan were $1,788,164 ($1,484,176 related to pension and $303,988 related to OPEB) and $2,603,842 ($2,237,685 related to pension and $366,156 related to OPEB) for the years ended June 30, 2022 and 2021. The OPEB contribution amounts do not include the implicit subsidy reported in the amount of $434,534 and $255,067 for years ended June 30, 2022 and 2021.

Members whose participation began before 9/1/2008:

Nonhazardous contributions equal 5% and Hazardous contributions equal 8% of all creditable compensation. Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Member entitled to a full refund of contributions with interest.

Members whose participation began on or after 9/1/2008:

Nonhazardous contributions equal to 6% and Hazardous contributions equal 9% of all creditable compensation, with 5% (Non-hazardous) and 8% (Hazardous) being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member is entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Members whose participation on or after 1/1/2014

Nonhazardous contributions equal to 6% and Hazardous contributions equal 9% of all creditable compensation, with 5% (Non-hazardous) and 8% (Hazardous) being credited to the member's account and 1% deposited to the KRS 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member is entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Pension Information

Total Pension Liability: The total pension liability (TPL) for KERS measured as of June 30, 2020 and 2019 was determined using the actuarial valuation as of June 30, 2019 and 2018. This valuation used the following actuarial methods and assumptions applied to all prior periods included in the measurement:

Valuation date	June 30, 2019 and 2018 (rolled forward)
Experience study	July 1, 2013 – June 30, 2018
Actuarial cost method	Entry age normal
Amortization period	Level percentage payroll, closed
Remaining amortization period	26 years
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.3%
Salary increase	3.3% to 19.55%, varies by service
Investment rate of return	5.25 percent for KERS Non-Hazardous, 6.25 percent for KERS Hazardous

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

Discount rate assumptions:

(a) **Discount Rate**: The discount rate used to measure the total pension liability was 5.25% (Non-hazardous) and 6.25% (Hazardous), which remained the same from prior year.

(b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

(c) **Long-Term Rate of Return**: The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

(d) **Municipal Bond Rate**: The discount rate determination does not use a municipal bond rate.

(e) **Periods of Projected Benefit Payments**: The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Non-hazardous

	June 30, 2022	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	16.25%	5.70%
Non-US Equity	16.25	6.35
Private Equity	7.00	9.70
Specialty Credit/High Yield	15.00	2.80
Core Bonds	20.50	0.00
Cash	5.00	(0.60)
Real Estate	10.00	5.40
Real Return	10.00	4.55
Total	100.00%	

Hazardous

	June 30, 2022	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.75%	5.70%
Non-US Equity	21.75	6.35
Private Equity	10.00	9.70
Specialty Credit/High Yield	15.00	2.80
Core Bonds	10.00	0.00
Cash	1.50	(0.60)
Real Estate	10.00	5.40
Real Return	10.00	4.55
Total	100.00%	

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Non-hazardous

	June 30, 2021	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	15.75%	4.50%
Non-US Equity	15.75	5.25
Private Equity	7.00	5.50
Specialty Credit/High Yield	15.00	3.90
Core Bonds	20.50	(0.25)
Cash	3.00	(0.75)
Real Estate	5.00	5.30
Opportunistic	3.00	2.25
Real Return	15.00	3.95
Total	100.00%	

Hazardous

	June 30, 2021	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	18.75%	4.50%
Non-US Equity	18.75	5.25
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	3.90
Core Bonds	13.50	(0.25)
Cash	1.00	(0.75)
Real Estate	5.00	5.30
Opportunistic	3.00	2.25
Real Return	15.00	3.95
Total	100.00%	

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 5.25% (Non-hazardous) and 6.25% (Hazardous) based on a blending of the factors described above.

(g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the University's allocated portion of the Non-hazardous net pension liability ("NPL") of the System, calculated using the discount rate, as well as what the University's allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
The University's net pension liability - Non-hazardous *(in thousands)*	$ 179,755	$ 156,043	$ 136,547

	June 30, 2021		
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
The University's net pension liability - Non-hazardous *(in thousands)*	$ 103,350	$ 90,233	$ 79,454

The following presents the University's allocated portion of the Hazardous net pension liability ("NPL") of the System, calculated using the discount rate, as well as what the University's allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
The University's net pension liability – Hazardous *(in thousands)*	$ 4,326	$ 3,159	$ 2,213

	June 30, 2021		
	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
The University's net pension liability – Hazardous *(in thousands)*	$ 5,013	$ 3,918	$ 3,026

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Employer's Portion of the Collective Net Pension Liability: The University's proportionate share of the Non-hazardous net pension liability, as indicated in the prior table, is $156,043,648, or approximately 0.64% as of June 30, 2022 and $$90,233,230, or approximately 0.64% as of June 30, 2021. The University's proportionate share of the Hazardous net pension liability, as indicated in the prior table, is $3,159,231, or approximately 0.70% as of June 30, 2021 and $3,917,943, or 0.70% as of June 30, 2020. The net pension liabilities were distributed based on 2021 and 2020 actual employer contributions to the plan.

Measurement Date: June 30, 2021 is the actuarial valuation date and measurement date upon which the total pension liability is based.

Changes in Assumptions and Benefit Terms: The KERS Board of Trustees adopted new actuarial assumptions based on an actuarial experience study for the period ending June 30, 2018. Key assumption changes include an increase to the salary increase assumptions for individual members and replacing the base retiree mortality tables with a KERS-specific mortality table developed using the actual mortality experience of non-disabled retirees in KERS. Mortality tables for disabled retirees and active members were updated with Public Retirement Mortality tables. In addition, termination rates and rates of disability incidence were increased. Retirement rates were decreased slightly for members with a participation date prior to July 1, 2003. For members with a participation date on or after July 1, 2003, retirement rates were set equal to 80% of the retirement rates applicable for the pre July 1, 2003 participants for ages below 65.

House Bill 1, which passed during the 2019 special legislative session, allows certain employers in the KERS nonhazardous plan to elect to cease participating in the system as of June 30, 2020. Since employer’s elections were unknown at the time of the actuarial valuation and the legislation was enacted after the June 30, 2019 measurement date, no adjustments were made to the Total Pension Liability to reflect this legislation. House Bill 265, which passed during the 2018 legislative session, allowed certain employers within the KERS non-hazardous system to contribute less than the actuarially determined contribution in the 2018/2019 fiscal year. Since this is not expected to be an ongoing contribution education, determining the KERS non-hazardous employers’ proportionate share based on the employers’ actual contributions would not be reflective of the employers’ long-term contribution effort. Instead, the proportionate share calculations for employers of the KERS non-hazardous system were based on the employers’ covered payroll provided for fiscal year ending June 30, 2019, which would result in the same proportionate share allocation if all participating employers contributed the same contribution rate.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Pension Expense: The University was allocated pension expense of $(11,726,804) and $(50,900,696) related to the KERS Non-Hazardous and $4,462 and $241,472 related to the KERS Hazardous for the years ended June 30, 2022 and 2021, respectively.

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

Non-hazardous

	Deferred Outflows of Resources	Deferred Inflows of Resources
2022		
Difference between expected and actual experience	$ 155,720	$ 809,806
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	33,358,429	7,174,355
Differences between expected and actual investment earning on plan investments	-	3,313,674
	33,514,149	11,297,835
Contributions subsequent to the measurement date	12,082,553	-
Total	$ 45,596,702	$ 11,297,835
2021		
Difference between expected and actual experience	$ 512,610	$ -
Change of assumptions	1,016,479	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	92,787	-
Differences between expected and actual investment earning on plan investments	-	46,647,910
	1,621,876	46,647,910
Contributions subsequent to the measurement date	1,787,679	-
Total	$ 3,409,555	$ 46,647,910

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $12,082,553 will be recognized as a reduction of net pension liability in the year ending June 30, 2022. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2023	$ 20,916,603
2024	2,974,276
2025	(760,716)
2026	(913,849)
	$ 22,216,314

Hazardous

	Deferred Outflows of Resources	Deferred Inflows of Resources
2022		
Difference between expected and actual experience	$ 138,933	$ 801
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	34,520	12,212
Differences between expected and actual investment earning on plan investments	-	592,995
	173,453	606,008
Contributions subsequent to the measurement date	434,483	-
Total	$ 607,936	$ 606,008
2021		
Difference between expected and actual experience	$ 6,953	$ 4,222
Change of assumptions	112,360	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	134,022	
Differences between expected and actual investment earning on plan investments	132,167	66,184
	385,502	70,406
Contributions subsequent to the measurement date	450,006	-
Total	$ 835,508	$ 70,406

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $434,483 will be recognized as a reduction of net pension liability in the year ending June 30, 2022. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2023	$ (26,287)
2024	(88,741)
2025	(133,310)
2026	(184,217)
	$ (432,555)

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

OPEB Information

Total OPEB Liability: The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2021 and 2020
Inflation	2.30%
Payroll growth rate	0.00%
Salary increases	3.30% to 15.30%, varies by service for Non-hazardous, and 3.55% to 20.05%, various by service for Hazardous
Investment rate of return	6.25%
Healthcare trend rates	
Pre-65	6.25% beginning January 1, 2021, decreasing to an ultimate trend rate of 4.05% over 13 years.
Post-65	5.50%, beginning January 1, 2021, decreasing to an ultimate trend rate of 4.05% over 14 years.

The mortality table used is a System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019.

Discount rate assumptions:

(a) **Discount Rate:** The discount rate used to measure the total Non-hazardous OPEB liability was 5.26% as of June 30, 2021, a decrease from the 5.43% discount rate used in the prior year. The discount rate used to measure the total Hazardous OPEB liability was 5.01% as of June 30, 2021, a decrease from the 5.28% discount rate used in the prior year.

(b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability.

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

(c) **Long-Term Rate of Return:** The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

(d) **Period of Projected Benefit Payments:** Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

(e) **Assumed Asset Allocations**: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	June 30, 2022	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.75%	5.70%
Non-US Equity	21.75	6.35
Private Equity	10.00	9.70
Specialty Credit/High Yield	15.00	2.80
Core Bonds	10.00	0.00
Cash	1.50	(0.60)
Real Estate	10.00	5.40
Real Return	10.00	4.55
Total	100.00%	

	June 30, 2021	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	18.75%	4.50 %
Non-US Equity	18.75	5.25
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	3.90
Core Bonds	13.50	(0.25)
Cash	1.00	(0.75)
Real Estate	5.00	5.30
Opportunistic	3.00	2.25
Real Return	15.00	3.95
Total	100.00%	

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

Sensitivity Analysis: This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

Non-hazardous

The following presents the University's allocated portion of the Non-hazardous net OPEB liability of the System, calculated using the discount rate, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Non-hazardous:

	June 30, 2022		
	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
The University's Net OPEB liability – Non-hazardous *(in thousands)*	$ 28,850	$ 23,624	$ 19,339

	June 30, 2021		
	1% Decrease (4.43%)	Current Discount Rate (5.43%)	1% Increase (6.43%)
The University's Net OPEB liability – Non-hazardous *(in thousands)*	$ 19,277	$ 16,174	$ 13,626

The following presents the University's allocated portion of the Non-hazardous net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Non-hazardous:

	June 30, 2022		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB liability – Non-hazardous *(in thousands)*	$ 19,516	$ 23,624	$ 28,572

	June 30, 2021		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB liability – Non-hazardous *(in thousands)*	$ 13,613	$ 16,174	$ 19,275

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Hazardous

The following presents The University's allocated portion of the Hazardous net OPEB liability of the System, calculated using the discount rate, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Hazardous:

	June 30, 2022		
	1% Decrease (4.01%)	Current Discount Rate (5.01%)	1% Increase (6.01%)
The University's Net OPEB liability – Hazardous *(in thousands)*	$ 584	$ (82)	$ (616)

	June 30, 2021		
	1% Decrease (4.28%)	Current Discount Rate (5.28%)	1% Increase (6.28%)
The University's Net OPEB liability – Hazardous *(in thousands)*	$ 881	$ 299	$ (170)

The following presents the University's allocated portion of the Hazardous net OPEB liability of the System, calculated using the healthcare cost trend rate of percent, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Hazardous:

	June 30, 2022		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB liability – Hazardous *(in thousands)*	$ (561)	$ (82) $	$ 503

	June 30, 2021		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB liability – Hazardous *(in thousands)*	$ (140)	$ 299	$ $836

Employer's Portion of the Collective OPEB Liability: The University's proportionate share of the Non-hazardous net OPEB liability, as indicated in the prior table, is $23,623,902 or approximately 1.04% as of June 30, 2022 and $16,173,631, or approximately 0.64% as of June 30, 2021. The University's proportionate share of the Hazardous net OPEB liability, as indicated in the prior table, is $81,701 or approximately 0.71% as of June 30, 2022 and $298,798 or approximately 0.70% as of June 30, 2021. The net OPEB liabilities were distributed based on 2020 and 2019 actual employer contributions to the plan.

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Measurement Date: June 30, 2019 is the actuarial valuation date and measurement date upon which the total pension liability is based.

Changes in Assumptions and Benefit Terms: For the fiscal year ended June 30, 2021, the assumed increase in future health care costs was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The June 30, 2020 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11 percent to reflect the repeal of the Health Insurer Fee. For the fiscal year ended June 30, 2020, the KERS Board of Trustees adopted new actuarial assumptions. These assumptions were based on an actuarial experience study for the period ending June 30, 2018. Key changes include replacing the base retiree mortality tables with a KERS-specific mortality table developed using the actual mortality experience of non-disabled retirees in KERS. Mortality tables for disabled retirees and active members were updated with Public Retirement Mortality tables. In addition, termination rates and rates of disability incidence were increased. Retirement rates were decreased slightly for members with a participation date prior to July 1, 2003. For members with a participation date on or after July 1, 2003, retirement rates were set equal to 80% of the retirement rates applicable for the pre July 1, 2003 participants for ages below 65.

House Bill 1, which passed during the 2019 special legislative session, allows certain employers in the KERS nonhazardous plan to elect to cease participating in the system as of June 30, 2020. Senate Bill 249 passed during the 2020 Legislative Session and delayed the effective date of cessation under these provisions to June 30, 2021. Since employer’s elections were unknown at the time of the actuarial valuations, no adjustments were made to the Total OPEB Liability to reflect this legislation.

Senate Bill 249 also changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurred in future years will be amortized over separate 20-year amortization bases. This change did not impact the calculation of Total OPEB Liability and only impacts the calculation of the contribution rates payable starting July 1, 2020. House Bill 265, which passed during the 2018 legislative session, allowed certain employers within the non-hazardous plan to contribute less than the actuarially determined contribution in the 2018/2019 fiscal year. Since this is not expected to be an ongoing contribution reduction, determining the nonhazardous employers’ proportionate share based on the employers’ actual contributions would not be reflective of the employers’ long-term contribution effort. Instead, the proportionate share calculations for employers of the nonhazardous plan were based on the employers’ covered payroll provided for fiscal year ending June 30, 2019, which would result in the same proportionate share allocation if all participating employers contributed the same rate. There were no other material plan provision changes.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

OPEB Expense: The University was allocated OPEB expense of $(3,576,830) related to the KERS Non-Hazardous and $106,536 related to the KERS Hazardous for the year ended June 30, 2022, and $(4,550,248) related to the KERS Non-Hazardous and $148,759 related to the KERS Hazardous for the year ended June 30, 2021.

(Continued)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED**)**

Deferred Outflows and Deferred Inflows: The University reported deferred inflows and outflows of resources as follows at June 30:

Non-hazardous

	Deferred Outflows of Resources	Deferred Inflows of Resources
2022		
Difference between expected and actual experience	$ 1,368,209	$ 3,272,188
Change of assumptions	2,323,639	22,157
Changes in proportion and differences between employer contributions and proportionate shares of contributions	5,643,237	9,580,979
Differences between expected and actual investment earning on plan investments	-	1,326,699
	9,335,085	14,202,023
Contributions subsequent to the measurement date	1,797,222	-
Total	$ 11,132,307	$ 14,202,023
2021		
Difference between expected and actual experience	$ 1,338,547	$ 1,606,171
Change of assumptions	1,183,824	28,106
Changes in proportion and differences between employer contributions and proportionate shares of contributions	225,776	-
Differences between expected and actual investment earning on plan investments	-	15,820,279
	2,748,147	17,454,556
Contributions subsequent to the measurement date	609,592	-
Total	$ 3,357,739	$ 17,454,556

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $1,797,222, which includes the implicit subsidy reported of $415,381, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2022. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

Year ending June 30:	
2023	$ (4,044,730)
2024	(1,257,982)
2025	854,020
2026	(418,246)
	$ (4,866,938)

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Hazardous

	Deferred Outflows of Resources	Deferred Inflows of Resources
2022		
Difference between expected and actual experience	$ 110,291	$ 233,534
Change of assumptions	528,246	1,520
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	36,507
Differences between expected and actual investment earning on plan investments	-	415,775
	638,537	687,336
Contributions subsequent to the measurement date	19,153	-
Total	$ 657,690	$ 687,336
2021		
Difference between expected and actual experience	$ 150,991	$ 264,838
Change of assumptions	440,526	2,139
Changes in proportion and differences between employer contributions and proportionate shares of contributions	122,178	-
Differences between expected and actual investment earning on plan investments	-	36,813
	713,695	303,790
Contributions subsequent to the measurement date	47,484	-
Total	$ 761,179	$ 303,790

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $19,153 which include the implicit subsidy reported of the same amount, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2022. The remainder of the deferred outflows and deferred inflows of resources will be amortized and recognized in the University's OPEB expense as follows:

Year ending June 30:	
2023	$ 63,108
2024	11,306
2025	(24,506)
2026	(98,706)
2027	-
	$ (48,799)

<u>OPEB Plan Fiduciary Net Position</u>: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

NOTE 11 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Summary Pension Plan Information:

Summary Pension Plan Information as of June 30, 2022 and 2021:

	KERS	KTRS	Total
2022			
Net pension liability	$ 159,202,879	$ 86,071,894	$ 245,274,773
Deferred outflows of resources	46,204,639	28,442,059	74,646,698
Deferred inflows of resources	11,903,843	36,532,845	48,436,688
Pension expense adjustments	(11,722,342)	(31,399,837)	(43,122,179)
2021			
Net pension liability	$ 94,151,173	$ 90,619,732	$ 184,770,905
Deferred outflows of resources	4,245,064	14,343,238	18,588,302
Deferred inflows of resources	46,718,316	49,286,023	96,004,339
Pension expense adjustments	(50,659,224)	(46,196,871)	(96,856,095)

Summary OPEB Plan Information:

Summary OPEB Plan Information as of June 30, 2022 and 2021:

	KERS	KTRS	Total
2022			
Net OPEB liability	$ 23,542,201	$ 16,166,000	$ 39,708,201
Deferred outflows of resources	11,789,997	6,354,199	18,144,196
Deferred inflows of resources	14,889,358	12,803,000	27,692,358
OPEB expense adjustments	(3,470,294)	(2,274,636)	(5,744,930)
2021			
Net OPEB liability	$ 16,472,429	$ 18,621,000	$ 35,093,429
Deferred outflows of resources	4,118,919	3,228,563	7,347,482
Deferred inflows of resources	17,758,346	9,497,000	27,255,346
OPEB expense adjustments	(4,984,333)	(1,720,569)	(6,704,902)

NOTE 12 – RISK MANAGEMENT

The University is exposed to various risks of loss from torts, theft of, damage to or destruction of assets, business interruption, workers' compensation, employee injuries and illnesses, natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from these risks, other than employee health. Settled claims have not exceeded this commercial coverage in any of the three preceding years. As a sovereign entity of the Commonwealth, the Kentucky Board of Claims handles tort claims on behalf of the University.

(Continued)

NOTE 12 – RISK MANAGEMENT (Continued)

The University maintains a self-insurance program for employee's health insurance. Under this plan, the University pays premiums based on estimated claims. The University pays approximately 75% of the expenses of the plan for permanent full-time employees and their families. Expenses incurred to cover claims paid by the University under the plan for years ended June 30, 2022 and 2021 totaled $13,961,251 and $11,585,454, respectively. Administrative fees incurred for the years ended June 30, 2022 and 2021 were $559,617 and $1,065,439, respectively.

Changes in the liability for self-insurance at June 30, 2022 and 2021 are as follows:

	2022	2021
Liability – beginning of year	$ 2,934,157	$ 2,387,437
Accruals for current year claims and changes in estimate	12,628,163	12,864,758
Claims paid	(13,961,251)	(11,585,454)
Other costs	(201,459)	(732,584)
Liability – end of year	$ 1,399,610	$ 2,934,157

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Construction Commitments – The estimated cost to complete construction projects under contract at June 30, 2022 and 2021, is approximately $9,710,190 and $5,015,430, respectively. The projects are to be financed principally by appropriations from the Commonwealth, proceeds from bonds, internal funds and gifts.

Claims and Litigation – The University is subject to various litigation and other claims in the ordinary course of business. University officials are of the opinion, based upon the advice of legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the University's financial position or results of operations.

Government Grants – 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 for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. University management believes disallowances, if any, will not have a material adverse effect on the University's financial statements. Upon notification of final approval by the granting department or agency, the grants are considered closed.

(Continued)

NOTE 14 – OPERATING EXPENSES BY NATURAL CLASSIFICATION

Operating expenses by natural classification for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Salaries and wages	$ 114,561,986	$ 111,718,901
Employee benefits	46,544,968	35,769,588
Supplies and other services	71,661,066	52,844,989
Travel	3,273,598	1,193,477
Depreciation	23,800,093	23,655,281
Student scholarships and financial aid	30,343,180	22,781,360
Utilities	8,927,488	7,428,705
Pension expense adjustments	(43,122,179)	(96,856,095)
OPEB expense adjustments	(5,744,929)	(6,704,902)
Other operating expenses	3,521,925	3,900,149
Total	$ 253,767,196	$ 155,731,453

(Continued)

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.

A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Eastern Kentucky University Foundation, Inc. (Foundation) is a corporation formed for educational, charitable, and public purposes in accordance with the provisions of Kentucky Revised Statutes (KRS) 273.0010. The Foundation is a component unit of Eastern Kentucky University (University). Specifically, the Foundation was founded to cooperate with the University and with the University's Board of Regents (Board) in the promotion of the educational, civic, and charitable purposes of the University and the Board in any lawful manner deemed appropriate by the Foundation's Board of Directors. This purpose includes the encouragement of scholarships and research, the promotion of the prestige, expansion, and development of the University's physical plant and faculty, and the assistance of the University's students and alumni.

Basis of Presentation - The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Under financial reporting standards for not-for-profit organizations, net assets, revenues, expenses, and gains (losses) are classified based on the existence or absence of donor-imposed restrictions.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - With the exception of short-term debt instruments which have been designated for investment purposes, the Foundation considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. Throughout the year, the Foundation's cash and cash equivalents balances typically exceed the amount insured by the Federal Deposit Insurance Corporation.

Investments - Investments in equity securities having a readily determinable market value and all debt securities are carried at fair value. Income from investments consists of dividends and interest income net of related investment expenses. Other income from investments is reflected on the accompanying statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Alternative investments, consisting of limited partnerships, are carried at estimated fair value provided by the management of the alternative investment funds as of year-end. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. The estimated fair value of the Foundation's alternative investments total approximately $1,051,000 and $1,156,000 as of June 30, 2022 and 2021, respectively.

The Foundation invests endowment matching funds for the Regional University Endowment Trust Fund (see Note 8) on behalf of the University. In addition, the Foundation also invests Programs of Distinction (see Note 8) related endowment funds on behalf of the University. Dividends and interest income and realized and unrealized gains and losses on investments are allocated between the Foundation and the University based on the percentage of investments owned.

(Continued)

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation previously adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under UPMIFA, net appreciation (depreciation) on endowment fund investments, whose income is otherwise unrestricted as to use, is reported as net assets with purposes restrictions until appropriated for expenditure by the Foundation, unless the donor has permanently restricted such net appreciation (depreciation). In cases where the donor has placed time or purpose restrictions on the use of the income from endowed gifts, the related net appreciation (depreciation) is subject to those restrictions and is reported as a part of net assets with donor restrictions until the restriction has been met.

Property and Equipment - Property and equipment is stated at cost and is depreciated on the straight-line method over the estimated useful lives of the assets as follows: 40-50 years for buildings and building improvements and 15-20 years for land improvements. The Foundation's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations to buildings and infrastructure and/or land improvements that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expenses are incurred.

The Foundation reviews for the impairment of long-lived assets subject to depreciation whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. No such impairment losses have been recognized with respect to the years ended June 30, 2022 and 2021.

Deferred Gift Liabilities - The carrying amount for deferred gift liabilities is the actuarially determined present value of the income distributions or other payments to the donors or other designated beneficiaries during the terms of the respective split-interest agreements.

Classification of Net Assets - The Foundation records and reports its assets, liabilities, net assets, revenues and other support, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions according to the two classes of net assets as follows:

> *Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation, including endowment net assets which have been designated by the Foundation's Board of Directors. Such net assets may be used at the discretion of management and/or the Board of Directors. While the Foundation does not intend to expend Board designated endowment net assets for purposes other than those for which the funds have been designated, if necessary, such funds could be expended for current operations at the discretion of the Board of Directors.
>
> *Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors. Certain donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition - The Foundation's primary sources of revenue/support are contributions, net income from investments, and net realized and unrealized gains/losses on investments. All such sources of revenue/support are scoped out of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

(Continued)

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

Contributions - The Foundation recognizes contributions when cash/cash equivalents, investments, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions are recorded at fair value when received. An unconditional promise to give (a pledge) is recognized in the year the pledge is made. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Contributions received with donor stipulations that limit their use are reported as revenue and net assets with donor restrictions. Contributions which impose restrictions that are met in the same fiscal year the contributions are received are included in revenue without donor restrictions. When a donor stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the accompanying statements of activities as net assets released from restrictions.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of estimated future cash flows. The resulting discount is computed using a risk-free interest rate applicable to the years in which the unconditional promises are received (discount rates ranging from 0.58% to 2.62%). Amortization of the discounts is included in contribution revenue. The related allowance, an estimated amount, which, in management's judgment, is considered to be adequate to absorb future losses on amounts that may become uncollectible, is based upon a review of the outstanding pledges together with general historical collection experience.

Functional Expenses - The costs of providing program and other activities have been summarized on a functional basis in the accompanying statements of activities (see also Note 11). Program service expenses (support for the University) and management and general expenses are based on direct costs. Fundraising for the Foundation is provided by the University.

Income Taxes - The Internal Revenue Service (IRS) has determined the Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code (Code). To the extent applicable, the Foundation is however subject to federal income tax on any unrelated business taxable income. The Foundation has been determined by the IRS not to be a private foundation within the context of Section 509(a) of the Code.

U.S. GAAP prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits or liabilities will be recognized only if the tax position is more-likely-than-not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit or liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit or liability will be recorded. Management is not aware of any tax benefits or liabilities which would warrant recognition as of June 30, 2022 and 2021.

The Foundation would recognize interest and penalties related to uncertain tax positions in interest and income tax expense, respectively. The Foundation has no amounts accrued for interest or penalties as of June 30, 2022 and 2021.

(Continued)

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

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's exposure to foreign currency risk derives from pooled non-U.S. equities investments with a fair value totaling approximately $15,200,000 and $19,100,000 as of June 30, 2022 and 2021, respectively. The Foundation's endowment investment policy allows managers to invest a portion of funds in non-U.S. securities in accordance with the guidelines established in the investment policy.

Recently Issued Accounting Standards Updates - In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for- Profit Entities for Contributed Non-financial Assets*. The standard requires contributed non-financial assets to be shown separate from contributions of cash and other financial assets and provides for qualitative disclosures regarding valuation techniques and categories of contributed non-financial assets and their use. The Foundation adopted the provisions of ASU 2020-07 as of and for the year ended June 30, 2022 with no material impact on the Foundation's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to improve financial reporting with respect to leasing transactions. ASU 2016-02 requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. ASU 2016-02 will be effective for the fiscal year ending June 30, 2023. The Foundation has begun its evaluation of the impact of the adoption of ASU 2016-02 and does not currently anticipate a material impact to the financial statements upon adoption.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires a financial asset (including "trade" receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. The provisions of ASU 2016-13 will be effective for the fiscal year ending June 30, 2024. The Foundation is currently evaluating ASU 2016-13 and the potential related impact on the Foundation's financial statements.

Subsequent Events - Management has performed an analysis of the activities and transactions subsequent to year-end to determine the need for any adjustments to and/or discussions within the accompanying financial statements as of and for the year ended June 30, 2022. Management has performed its analysis through the date of the Independent Auditor's Report, the date the accompanying financial statements were available to be issued.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation is substantially supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Accordingly, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Foundation could draw upon its Board designated endowment net assets.

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows at June 30, 2022 and 2021:

	2022	2021
Financial assets		
Cash and cash equivalents	$ 12,932,518	$ 17,126,683
Investments	82,304,709	89,717,313
Pledges receivable – net	655,408	828,113
	95,892,635	107,672,109
Less amounts not available to be used within one year or amounts not available without Board approval		
Assets held for others	(21,330,594)	(25,490,606)
Board designated endowment net assets	(9,590,040)	(10,865,344)
Donor restricted net assets for use in future periods	(28,722,065)	(35,728,965)
Donor restricted net assets in perpetuity	(35,034,154)	(33,721,553)
Endowment spend/appropriations	3,256,980	3,119,659
	$ 4,472,762	$ 4,985,300

C. FAIR VALUE OF FINANCIAL INSTRUMENTS

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 - Significant other 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.
- Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

C. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value of financial instruments as of June 30, 2022 is as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 3,993,183	$ 3,993,183	$ -	$ -
Banker's acceptances	2,960,959	-	2,960,959	-
Equities	53,988,676	53,988,676	-	-
Fixed income	20,310,864	20,310,864	-	-
Alternatives				
Limited partnerships	1,051,027	-	-	1,051,027
	$ 82,304,709	$ 78,292,723	$ 2,960,959	$ 1,051,027

The fair value of financial instruments as of June 30, 2021 is as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 5,054,880	$ 5,054,880	$ -	$ -
Equities	64,490,863	64,490,863	-	-
Fixed income	19,015,556	19,015,556	-	-
Alternatives				
Limited partnerships	1,156,014	-	-	1,156,014
	$ 89,717,313	$ 88,561,299	$ -	$ 1,156,014

The fair values of money market funds, equity investments, and fixed income investments are generally determined using quoted market prices and are classified as Level 1 financial instruments. The predominance of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions, and third- party pricing services.

At June 30, 2022, the Foundation is also invested in banker's acceptances which are valued using a yield curve matrix derived from quoted prices for similar assets in active markets. The fair value of this investment is classified as a Level 2 financial instrument. The maturity dates of the banker's acceptances generally range from approximately 30 to 360 days. Each of the respective banker's acceptances can however be redeemed by the Foundation at a discount upon demand.

(Continued)

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

C. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

For alternative investments, which consist of investments in limited partnerships, for which there is no active market, the fair values are initially based on valuations determined by the respective investment managers using net asset values (NAVs) as of their most recent statements, adjusted for cash receipts, cash disbursements, and other anticipated income or loss through year-end. The NAVs of the funds are determined on the accrual basis of accounting in conformity with U. S. GAAP. In certain instances, secondary investments require reporting other than U.S. GAAP such as International Financial Reporting Standards or Tax Basis accounting, in which case the investment managers adjust values to more accurately comply with U.S. GAAP. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values. Holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals, and/or the income approach. Pursuant to U.S. GAAP, management has considered redemption restrictions to assess classification of fair value inputs. For alternative investments with redemption periods of 90 days or less, the assets are considered a Level 2 fair value measurement. Investments that are redeemable in greater than 90 days are considered a Level 3 fair value measurement due to the inability to redeem the asset at NAV in the near term.

Management has performed an independent review of valuations reported by investment managers and determined that NAV is a reasonable and prudent estimate of fair value. Alternative investments are not readily marketable and their estimated value is subject to uncertainty. Therefore, there may be a material difference between their estimated value and the value that would have been used had a readily determinable fair value for such investments existed.

The following table provides additional information as of June 30, 2022 relative to alternative investments:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships	$ 1,051,027	$ 552,913	Funds Dissolved	N/A

Each of the limited partnerships has a term of fifteen years, provided, however, that the fund manager, in its sole discretion, may elect to extend such term if it believes such extensions are necessary or desirable in order to effect an orderly liquidation of the limited partnership investments. The fund manager may, in its sole discretion, elect to terminate the limited partnership prior to the end of the term or any extension period.

(Continued)

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

C. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The years ended June 30, 2022 and 2021 activity with respect to the investments reflected as Level 3 is as follows:

	2022	2021
Beginning of year	$ 1,156,014	$ 931,907
Net realized and unrealized gains (losses) on investments included in the change in net assets	60,769	357,956
Net sales of investments	(165,756)	(133,849)
End of year	$ 1,051,027	$ 1,156,014

See also Note 15G with respect to deferred gift liabilities (Level 3 fair value measurement).

D. ENDOWMENT

The Foundation's endowment consists of approximately 475 individual funds established for a variety of purposes. The endowment includes both donor restricted endowment funds and funds designated by the Foundation's Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Foundation's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2010, UPMIFA was adopted by the Commonwealth of Kentucky. The Foundation interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as net assets with donor restrictions in perpetuity is classified as net assets with purposes restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The purposes of the endowment fund
- The duration and preservation of the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

D. ENDOWMENT (Continued)

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the "historic dollar value" level the Foundation is required to preserve as a fund of perpetual duration. At June 30, 2022, the fair value of funds with deficiencies total approximately $4,600,000. At June 30, 2022, such funds are below the "historic dollar value" level the Foundation is required to preserve as a fund of perpetual duration by approximately $800,000. There are no such funds with deficiencies at June 30, 2021.

At June 30, 2022, endowment investments consist of the following:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	In Perpetuity	Total
Board designated	$ 9,590,040	$ -	$ -	$ 9,590,040
Donor restricted	-	19,478,719	34,997,954	54,476,673
	$ 9,590,040	$ 19,478,719	$ 34,997,954	$ 64,066,713

Changes in endowment investments for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	In Perpetuity	Total
Beginning of year	$ 10,865,344	$ 28,116,165	$ 33,446,746	$ 72,428,255
Contributions	232,853	-	1,551,208	1,784,061
Investment return				
Net investment income	543,910	1,647,077	-	2,190,987
Net realized and unrealized appreciation	(1,946,935)	(8,447,062)	-	(10,393,997)
Appropriation of endowment assets for expenditure	(105,132)	(1,837,461)	-	(1,942,593)
End of year	$ 9,590,040	$ 19,478,719	$ 34,997,954	$ 64,066,713

At June 30, 2021, endowment investments consist of the following:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	In Perpetuity	Total
Board designated	$ 10,865,344	$ -	$ -	$ 10,865,344
Donor restricted	-	28,116,165	33,446,746	61,562,911
	$ 10,865,344	$ 28,116,165	$ 33,446,746	$ 72,428,255

(Continued)

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

D. ENDOWMENT (Continued)

Changes in endowment investments for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restrictions	In Perpetuity	
Beginning of year	$ 5,393,899	$ 16,561,184	$ 32,179,055	$ 54,134,138
Contributions	3,277,811	79,811	1,267,691	4,625,313
Investment return				
Net investment income	255,297	1,879,036	-	2,134,333
Net realized and unrealized appreciation	1,975,113	11,917,886	-	13,892,999
Appropriation of endowment assets for expenditure	(36,776)	(2,321,752)	-	(2,358,528)
End of year	$ 10,865,344	$ 28,116,165	$ 33,446,746	$ 72,428,255

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while over time seeking to maintain the purchasing power of the endowment assets. Under the Foundation's policies, endowment assets are invested in a manner that emphasizes total return. Specifically, the primary objective is to emphasize long-term growth of principal while avoiding excessive risk, to achieve a balanced return of current income and modest growth of principal, and to achieve a rate of return equal to or higher than the Endowment and Foundation Index or other benchmarks as determined by the Foundation's Board of Directors.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (dividends and interest). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The endowment assets of the Foundation are invested in a broad range of equities and debt securities, thereby generally limiting the market risk exposure in any single investment manager or individual investment.

Spending Policy and How the Investment Objectives Relate to the Spending Policy - The Foundation has a policy of appropriating for distribution each year up to 5.0% of a three-year rolling average of the fund's value. Likewise, it is the policy of the Foundation that, annually, up to 1.5% of a three-year rolling average of the fund's value be designated for unrestricted use by the Foundation in furtherance of its singular mission to provide support for the advancement of the University. The policies are monitored by the Executive Committee of the Foundation's Board of Directors and may be amended in accordance with market conditions. Earnings above the annually designated portions are reinvested in the corpus to insure long-term growth and stability.

(Continued)

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

E. PLEDGES RECEIVABLE

At June 30, 2022, net pledges receivable consists of the following:

	Without Donor Restrictions	With Donor Restrictions Purpose Restrictions	With Donor Restrictions In Perpetuity	Total
Current pledges receivable				
Estimated to be collected in less than one year	$ 1,000	$ 208,259	$ 27,800	$ 237,059
Less allowance	-	(16,100)	(3,500)	(19,600)
	1,000	192,159	24,300	217,459
Long-term pledges receivable				
Estimated to be collected in one to five years	1,600	431,594	14,000	447,194
Estimated to be collected thereafter	-	51,255	-	51,255
Less allowance	-	(37,200)	(1,800)	(39,000)
Less discounts to net present value	(100)	(21,100)	(300)	(21,500)
	1,500	424,549	11,900	437,949
	$ 2,500	$ 616,708	$ 36,200	$ 655,408

At June 30, 2021, net pledges receivable consists of the following:

	Without Donor Restrictions	With Donor Restrictions Purpose Restrictions	With Donor Restrictions In Perpetuity	Total
Current pledges receivable				
Estimated to be collected in less than one year	$ 1,125	$ 193,300	$ 244,707	$ 439,132
Less allowance	-	(24,300)	(11,800)	(36,100)
	1,125	169,000	232,907	403,032
Long-term pledges receivable				
Estimated to be collected in one to five years	3,375	377,451	56,000	436,826
Estimated to be collected thereafter	-	51,255	-	51,255
Less allowance	-	(25,600)	(12,400)	(38,000)
Less discounts to net present value	-	(23,300)	(1,700)	(25,000)
	3,375	379,806	41,900	425,081
	$ 4,500	$ 548,806	$ 274,807	$ 828,113

(Continued)

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

F. PROPERTY AND EQUIPMENT

At June 30, 2022 and 2021, net property and equipment consists of the following:

	2022	2021
Land	$ 250,000	$ 250,000
Buildings and building improvements	600,000	600,000
	850,000	850,000
Less accumulated depreciation	(189,223)	(175,099)
	$ 660,777	$ 674,901

Depreciation expense for each of the years ended June 30, 2022 and 2021 totals $14,000.

G. DEFERRED GIFT LIABILITIES

Over time, the Foundation has been the recipient of gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value.

The accompanying statements of financial position reflect a liability at June 30, 2022 and 2021 totaling $277,087 and $324,942, respectively, which represents the estimated present value of the future annuity obligations calculated using discount rates ranging from 5.5% to 7.3%. The actuarial related assumptions used in calculating the respective present values include the beneficiary's age and life expectancy, the date of the gift, the fair value of the amount gifted, the estimated rate of return, the payout rate, the payment schedule, and the discount rate at the date of the contribution determined in accordance with the Internal Revenue Code. The carrying amount of the deferred gift liabilities estimates fair value and is calculated using Level 3 inputs (see also Note C).

The years ended June 30, 2022 and 2021 activity with respect to deferred gift liabilities is as follows:

	2022	2021
Beginning of year	$ 324,942	$ 327,791
New deferred gifts	15,000	-
Payment obligations	(45,455)	(46,680)
Net reduction attributable to death of donors	(27,702)	-
Net actuarial loss	10,302	43,831
End of year	$ 277,087	$ 324,942

At June 30, 2022 and 2021, investments relative to such deferred gift liabilities total $770,564 and $930,355, respectively.

(Continued)

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

H. ASSETS HELD FOR OTHERS

Assets held for others represent resources in the possession of, but not under the control of, the Foundation. At June 30, 2022 and 2021, assets held for others consist of the following:

	2022	2021
Regional University Endowment Trust Fund	$ 19,282,619	$ 23,045,137
Programs of Distinction	2,047,975	2,445,469
	$ 21,330,594	$ 25,490,606

I. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022 and 2021, net assets with donor restrictions consist of the following:

	2022	2021
Subject to expenditure for specified purposes		
Scholarships program	$ 118,266	$ 1,149,800
Academic programs	3,265,200	2,998,525
Athletic programs	377,840	548,076
Capital projects	450,155	616,626
Other	24,510,604	30,415,938
	28,722,065	35,728,965
Endowment to be maintained in perpetuity		
Scholarships program	25,917,211	24,718,242
Academic programs	8,544,888	8,436,107
Athletic programs	479,850	479,850
Capital projects	85,899	85,899
Other	6,306	1,455
	35,034,154	33,721,553
	$ 63,756,219	$ 69,450,518

(Continued)

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

J. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions consist of the following for the years ended June 30, 2022 and 2021:

	2022	2021
Purposes restrictions satisfied/time		
Restrictions expired		
Scholarships program	$ 1,716,451	$ 1,542,996
Academic programs	1,165,966	1,311,437
Athletic programs	919,371	300,747
Capital projects	302,988	233,833
Other support for the University	391,731	600,709
	$ 4,496,507	$ 3,989,722

K. FUNCTIONAL EXPENSE CLASSIFICATION

The Foundation's expenses by functional classification for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Program services – support for the University		
Scholarships program	$ 1,830,140	$ 1,534,175
Academic programs	1,106,558	463,084
Athletic programs	923,675	300,747
Capital projects	331,775	233,833
Other	1,177,423	463,135
Depreciation	14,124	14,124
	5,383,695	3,009,098
Management and general		
Professional and consulting fees	130,221	123,545
Other	56,640	59,890
	186,861	183,435
	$ 5,570,556	$ 3,192,533

(Continued)

NOTE 15 – EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC. (Continued)

L. CONCENTRATIONS

At June 30, 2022, approximately 70% of total outstanding gross pledges receivable are due between two donors (approximately 40% and 30%, respectively). At June 30, 2021, approximately 60% of total outstanding gross pledges receivable are due from one donor.

For the year ended June 30, 2021, two donors represent approximately 50% of total contributions revenue (approximately 40% and 10%, respectively). No such concentration exists with respect to the year ended June 30, 2022.

M. RELATED PARTY TRANSACTIONS

Eastern Kentucky University - The University provides various administrative services to the Foundation. In addition, during the year ended June 30, 2022, the University expended $1,830,140 and $637,915 on behalf of the Foundation with respect to scholarships and employee salaries/related benefits, respectively. Such amounts are ultimately reimbursed by the Foundation. During the year ended June 30, 2021, the University expended $1,534,175 and $357,154 on behalf of the Foundation with respect to scholarships and employee salaries/related benefits, respectively. At June 30, 2022 and 2021, the amount due to the University on the accompanying statements of financial position totals $320,026 and $97,303, respectively.

Other - At June 30, 2022 and 2021, outstanding gross pledges receivable due from related parties (members of the University's Board of Regents, the Foundation's Board of Directors, or employees of the University) total
$226,654 and $44,549, respectively. Such gross pledges receivable amounts are included in the amounts reflected in Note 5.

At June 30, 2022 and 2021, the cash surrender value of life insurance includes $9,182 and $7,559, respectively, with respect to a policy under which the insured is a member of the Foundation's Board of Directors.

REQUIRED SUPPLEMENTARY INFORMATION

EASTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(in thousands)
June 30, 2022,2021, 2020, 2019, 2018, 2017, 2016 and 2015

	2022	2021	2020	2019	2018	2017	2016	2015
KERS – Non-Hazardous								
University's proportion of the net pension liability	0.64%	0.64%	1.08%	1.45%	1.75%	1.82%	1.71%	1.61%
University's proportionate share of the net pension liability	$ 156,043	$ 90,233	$ 152,149	$ 197,366	$ 234,290	$ 207,489	$ 171,780	$ 144,048
University's covered payroll	$ 4,694	$ 9,083	$ 15,504	$ 24,966	$ 26,630	$ 29,378	$ 27,312	$ 27,301
University's proportionate share of the net pension liability as a percentage of its covered payroll	3324.31%	993.48%	981.36%	790.54%	879.80%	706.27%	628.95%	527.63%
Plan fiduciary net position as a percentage of the total pension liability	18.48%	14.01%	13.66%	12.84%	13.30%	14.80%	22.32%	22.32%
KERS – Hazardous								
University's proportion of the net pension liability	0.71%	0.70%	0.72%	0.63%	0.64%	0.07%	-%	-%
University's proportionate share of the net pension liability	$ 3,159	$ 3,918	$ 3,953	$ 3,169	$ 3,185	$ 275	$ -	$ -
University's covered payroll	$ 1,292	$ 1,263	$ 1,201	$ 1,079	$ 518	$ -	$ -	$ -
University's proportionate share of the net pension liability as a percentage of its covered payroll	244.50%	310.21%	329.14%	293.70%	614.86%	-%	-%	-%
Plan fiduciary net position as a percentage of the total pension liability	66.03%	55.18%	55.49%	56.10%	54.80%	57.41%	-%	-%
KTRS								
University's proportion of the net pension liability	0.63%	0.61%	0.60%	0.71%	0.68%	1.13%	1.12%	1.10%
University's proportionate share of the net pension liability	$ 86,072	$ 90,620	$ 86,450	$ 97,175	$ 193,364	$ 349,600	$ 274,717	$ 237,056
State's proportionate share of the net pension liability associated with the University	90,869	95,303	93,677	72,297	154,108	32,949	27,936	26,899
Total	$ 176,941	$ 185,923	$ 180,127	$ 169,472	$ 347,472	$ 382,549	$ 302,653	$ 263,955
University's covered payroll	$ 55,404	$ 52,805	$ 53,396	$ 88,822	$ 89,975	$ 89,598	$ 87,589	$ 83,276
University's proportionate share of the net pension liability as a percentage of its covered payroll	155.35%	171.61%	161.90%	109.40%	214.91%	390.19%	313.64%	284.66%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

* The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

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

EASTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
(in thousands)
June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	2022	2021	2020	2019	2018	2017	2016	2015
KERS – Non-Hazardous								
Contractually required contribution	$ 12,083	$ 1,788	$ 3,726	$ 6,426	$ 9,038	$ 10,658	$ 9,072	$ 8,774
Contributions in relation to the contractually required contribution	(12,083)	(1,788)	(3,726)	(6,426)	(9,038)	(10,658)	(9,072)	(8,774)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 4,694	$ 4,972	$ 8,979	$ 15,504	$ 24,966	$ 26,630	$ 29,378	$ 27,312
Contributions as a percentage of covered payroll	257.43%	35.96%	41.49%	41.45%	36.20%	40.02%	30.88%	32.13%
KERS – Hazardous								
Contractually required contribution	$ 434	$ 450	$ 424	$ 415	$ 311	$ 159	$ -	$ -
Contributions in relation to the contractually required contribution	(434)	(450)	(424)	(415)	(311)	(159)	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	1,292	$ 1,238	$ 1,263	$ 1,201	$ 1,079	$ 518	$ -	$ -
Contributions as a percentage of covered payroll	33.62%	36.35%	33.60%	34.55%	28.82%	30.69%	-%	-%
KTRS								
Contractually required contribution	$ 7,520	$ 7,535	$ 7,136	$ 7,148	$ 8,612	$ 8,814	$ 8,843	$ 7,235
Contributions in relation to the contractually required contribution	(7,520)	(7,535)	(7,136)	(7,148)	(8,612)	(8,814)	(8,843)	(7,235)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 55,404	$ 55,693	$ 52,805	$ 53,396	$ 88,822	$ 89,975	$ 89,598	$ 87,589
Contributions as a percentage of covered payroll	13.57%	13.53%	13.51%	13.39%	9.70%	9.80%	9.87%	8.26%

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

Changes of benefit terms and assumptions:

KERS

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016: The assumed investment rate of return was decreased from 7.50% to 6.75%.

2017:

Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 6.75% to 5.25% (Non-hazardous) and 7.50% to 6.25% (Hazardous).
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Salary growth assumption was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 0.00% (Non-hazardous) and 4.00% to 2.00% (Hazardous).

2018:

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final rate of pay to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member’s final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 was determined using these updated benefit provisions.

KERS (Continued)

2019: *Changes in Assumptions and Benefit Terms*: For the fiscal year ended June 30, 2020, the KERS Board of Trustees adopted new actuarial assumptions. These assumptions were based on an actuarial experience study for the period ending June 30, 2018. Key changes include replacing the base retiree mortality tables with a KERS-specific mortality table developed using the actual mortality experience of non-disabled retirees in KERS. Mortality tables for disabled retirees and active members were updated with Public Retirement Mortality tables. In addition, termination rates and rates of disability incidence were increased. Retirement rates were decreased slightly for members with a participation date prior to July 1, 2003. For members with a participation date on or after July 1, 2003, retirement rates were set equal to 80% of the retirement rates applicable for the pre-July 1, 2003 participants for ages below 65.

House Bill 1, which passed during the 2019 special legislative session, allows certain employers in the non-hazardous plan to elect to cease participating in the system as of June 30, 2020. Since employer's elections were unknown at the time of the actuarial valuation and the legislation was enacted after the June 30, 2019 measurement date, no adjustments were made to the Total Pension Liability to reflect this legislation.

House Bill 265, which passed during the 2018 legislative session, allowed certain employers within the non-hazardous plan to contribute less than the actuarially determined contribution in the 2018/2019 fiscal year. Since this is not expected to be an ongoing contribution reduction, determining the non-hazardous employers' proportionate share based on the employers' actual contributions would not be reflective of the employers' long-term contribution effort. Instead, the proportionate share calculations for employers of the non-hazardous plan were based on the employers' covered payroll provided for fiscal year ending June 30, 2019, which would result in the same proportionate share allocation if all participating employers contributed the same rate.

2020: *Changes in Assumptions and Benefit Terms*: There have been no assumption changes since June 30, 2019.

2021: House Bill 8, passed in the 2021 legislative session, changed how employers contributions are allocated in the KERS Non Hazardous plan. The change does not impact the total pension liability, but does impact the amount of liability allocated to some employers. Several employers will see a significant increase in the allocation percentage of the total pension liability.

KTRS

2015: *Changes of benefit terms:* None

Changes of Assumptions: In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

2016: Since the previous valuation, various economic and demographic assumptions have been revised to reflect the results of the experience investigation for the five-year period ending June 30, 2015. The changes adopted by the Board on September 19, 2016, include various demographic and economic assumptions summarized below:

- Price inflation changed assumed rate from 3.50% to 3.00%.
- Wage inflation changed assumed rate from 4.00% to 3.50%.
- Assumed salary scale adjusted to reflect a decrease of 0.25% in merit and promotion for all ages.
- Assumed rates of withdrawal, disability, retirement, and mortality have been adjusted to more closely reflect experience.
- The discount rate was changed from 4.88% to 4.20%.

2017:

Changes in Assumptions and Benefit Terms Since Prior Measurement Date - The total pension liability as of June 30, 2017 reflects that the assumed municipal bond index rate increased from 3.01% to 3.56%, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 4.20% to 4.49%. The change in the discount rate is considered a change in actuarial assumptions under GASB 68.

2018:

Changes in Assumptions and Benefit Terms Since Prior Measurement Date - The total pension liability as of June 30, 2018 reflects the assumed municipal bond index rate increase from 3.56 percent to 3.89 percent, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 4.49 percent to 7.50 percent. The impact of this change in the discount rate is a change in assumption that is added to expected total pension liability to determine the final total pension liability at June 30, 2018. The total pension liability as of June 30, 2017 reflects the assumed municipal bond index rate increase from 3.01 percent to 3.56 percent, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 4.20 percent to 4.49 percent. The impact of this change in the discount rate is a change in assumption that is added to expected total pension liability to determine the final total pension liability at June 30, 2017.

2019:

Changes in Assumptions and Benefit Terms Since Prior Measurement Date - The TPL as of June 30, 2019 reflects the assumed municipal bond index rate decrease from 3.89 percent to 3.50 percent. The Single Equivalent Interest Rate (SEIR) remained at 7.50 percent. The impact of this change in the discount rate is a change in assumption that is added to expected TPL to determine the final TPL at June 30, 2019.

2020:

Changes in Assumptions and Benefit Terms Since Prior Measurement Date – The TPL as of June 30, 2020 reflects the assumed municipal bond index rate decrease from 3.5 percent to 2.19 percent. The impact of this change in the discount rate is a change in assumption that is added to expected TPL to determine the final TPL at June 30, 2020.

2021:

Changes in Assumptions and Benefit Terms Since Prior Measurement Date -- The total pension liability as of June 30, 2021 reflects the assumed municipal bond index rate decrease from 2.19 percent to 2.13 percent, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 7.50 percent to 7.10 percent. The impact of this change in the discount rate is a change in assumption that is added to expected total pension liability to determine the final total pension liability at June 30, 2021

EASTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2022, 2021, 2020, 2019 and 2018

	2022	2021	2020	2019	2018
KERS – Non-Hazardous					
University's proportion of the net OPEB liability	1.04%	0.64%	1.07%	1.45%	1.75%
University's proportionate share of the net OPEB liability	$ 23,624	$ 16,174	$ 23,948	$ 34,368	$ 44,378
University's covered payroll	$ 4,694	$ 8,979	$ 15,504	$ 24,966	$ 26,630
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	503.32%	180.13%	154.46%	137.66%	166.65%
Plan fiduciary net position as a percentage of the total OPEB liability	38.38%	29.47%	30.92%	27.32%	24.40%
KERS – Hazardous					
University's proportion of the net OPEB liability	0.71%	0.70%	0.72%	0.63%	0.64%
University's proportionate share of the net OPEB liability (asset)	$ (82)	$ 299	$ (194)	$ (208)	$ 39
University's covered payroll	$ 1,292	$ 1,263	$ 1,201	$ 1,079	$ 518
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	(6.32)%	23.66%	(16.14)%	(19.28)%	7.53%
Plan fiduciary net position as a percentage of the total OPEB liability	101.85%	92.42%	105.29%	106.83%	98.80%
KTRS – Medical Insurance					
University's proportion of the net OPEB liability	0.74%	0.72%	0.73%	0.73%	0.79%
University's proportionate share of the net OPEB liability	15,947	$ 18,073	$ 21,503	$ 25,293	$ 28,232
State's proportionate share of the net OPEB liability associated with the University	7,171	7,967	9,592	12,379	12,803
Total	$ 35,403	$ 26,040	$ 31,095	$ 37,672	$ 41,035
University's covered payroll	$ 55,404	$ 52,805	$ 53,396	$ 88,822	$ 89,975
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	28.78%	34.23%	40.27%	28.48%	31.38%
Plan fiduciary net position as a percentage of the total OPEB liability	51.74%	39.05%	32.58%	25.50%	21.18%
KTRS – Life Insurance					
University's proportion of the net OPEB liability	1.67%	1.58%	1.60%	1.62%	1.70%
University's proportionate share of the net OPEB liability	$ 219	$ 548	$ 498	$ 457	$ 373
University's covered payroll	$ 55,404	$ 52,805	$ 53,396	$ 88,822	$ 89,975
University's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.40%	1.04%	0.93%	0.51%	0.41%
Plan fiduciary net position as a percentage of the total OPEB liability	89.15%	71.57%	73.40%	75.00%	79.99%

* The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

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

EASTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
June 30, 2022, 2021, 2020, 2019 and 2018

	2022	2021	2020	2019	2018
KERS – Non-Hazardous					
Contractually required contribution	$ 1,382	$ 366	$ 763	$ 1,316	$ 1,851
Contributions in relation to the contractually required contribution	(1,382)	(366)	(763)	(1,316)	(1,851)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 4,694	$ 4,972	$ 8,979	$ 15,504	$ 24,966
Contributions as a percentage of covered payroll	29.44%	7.36%	8.50%	8.49%	7.41%
KERS – Hazardous					
Contractually required contribution	$ -	$ 30	$ 30	$ 30	$ 33
Contributions in relation to the contractually required contribution	-	(30)	(30)	(30)	(33)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 1,292	$ 1,238	$ 1,263	$ 1,201	$ 1,079
Contributions as a percentage of covered payroll	0.00%	2.43%	2.40%	2.50%	3.06%
KTRS – Medical Insurance					
Contractually required contribution	$ 1,241	$ 1,295	$ 1,216	$ 1,230	$ 1,512
Contributions in relation to the contractually required contribution	(1,241)	(1,295)	(1,216)	(1,230)	(1,512)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 55,404	$ 55,693	$ 52,805	$ 53,396	$ 88,822
Contributions as a percentage of covered payroll	2.24%	2.32%	2.30%	2.30%	17.02%
KTRS – Life Insurance					
Contractually required contribution	$ 17	$ 17	$ 16	$ 16	$ 19
Contributions in relation to the contractually required contribution	(17)	(17)	(16)	(16)	(19)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 55,404	$ 55,693	$ 52,805	$ 53,396	$ 88,822
Contributions as a percentage of covered payroll	0.03%	0.03%	0.03%	0.03%	0.02%

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

** Employer contributions do not include the expected implicit subsidy.

KERS

2017:

Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The salary increase assumption was reduced from 4.00% to 3.05%.
- The payroll growth assumption was reduced from 4.00% to 2.00%.

2018:

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who dies in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

2019:

Changes in Assumptions and Benefit Terms: For the fiscal year ended June 30, 2020, the KERS Board of Trustees adopted new actuarial assumptions. These assumptions were based on an actuarial experience study for the period ending June 30, 2018. Key changes include replacing the base retiree mortality tables with a KERS-specific mortality table developed using the actual mortality experience of non-disabled retirees in KERS. Mortality tables for disabled retirees and active members were updated with Public Retirement Mortality tables. In addition, termination rates and rates of disability incidence were increased. Retirement rates were decreased slightly for members with a participation date prior to July 1, 2003. For members with a participation date on or after July 1, 2003, retirement rates were set equal to 80% of the retirement rates applicable for the pre-July 1, 2003 participants for ages below 65.

House Bill 1, which passed during the 2019 special legislative session, allows certain employers in the non-hazardous plan to elect to cease participating in the system as of June 30, 2020. Since employer's elections were unknown at the time of the actuarial valuation and the legislation was enacted after the June 30, 2019 measurement date, no adjustments were made to the Total OPEB Liability to reflect this legislation.

House Bill 265, which passed during the 2018 legislative session, allowed certain employers within the non-hazardous plan to contribute less than the actuarially determined contribution in the 2018/2019 fiscal year. Since this is not expected to be an ongoing contribution reduction, determining the non-hazardous employers' proportionate share based on the employers' actual contributions would not be reflective of the employers' long-term contribution effort. Instead, the proportionate share calculations for employers of the non-hazardous plan were based on the employers' covered payroll provided for fiscal year ending June 30, 2019, which would result in the same proportionate share allocation if all participating employers contributed the same rate.

KERS (Continued)

2020:

Changes in Assumptions and Benefit Terms: For the fiscal year ended June 30, 2021, the assumed increase in future health care costs was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The June 30, 2020 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11 percent to reflect the repeal of the Health Insurer Fee.

2021:

House Bill 8, passed in the 2021 legislative session, changed how employers contributions are allocated in the KERS Non Hazardous plan. The change does not impact the total post-employment liability but does impact the amount of liability allocated to some employers. Several employers will see a significant increase in the allocation percentage of the total post-employment benefits liability.

KTRS

2017:

Changes to benefit terms: Medical Insurance: With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

2018:

Changes of benefit terms – For the Life Insurance Plan, changes in assumptions or benefit terms as of June 30, 2019 included a change to the investment rate of returns, municipal bond index rate, discount rate, and single equivalent interest rate noted in the table above. For the Medical Insurance Plan, with the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010. This change occurred in the prior year, while there were no other changes in the current year.

2019:

Changes of assumptions – Medical Insurance Plan: The healthcare cost trend rate for Pre-65 decreased from 7.75 percent to 7.50 percent and Post-65 decreased from 5.75 percent to 5.50 percent. Medicare Part B premiums increased to 2.63 percent from 0.0 percent. The municipal bond index rate decreased from 3.89 percent to 3.50 percent.

Changes of assumptions – Life Insurance Plan: The municipal bond index rate decreased from 3.89 percent to 3.50 percent.

2020:

Changes of assumptions – Medical Insurance Plan: The healthcare cost trend rate for Pre-65 decreased from 7.50 percent for fiscal year 2020 to 7.25 percent for fiscal year 2021 and Post-65 decreased from 5.50 percent for fiscal year 2020 to 5.25 percent for fiscal year 2021. Medicare Part B premiums increased to 6.49 percent for fiscal year 2021 from 2.63 percent for fiscal year 2020. The municipal bond index rate decreased from 3.50 percent to 2.19 percent.

Changes of assumptions – Life Insurance Plan: The municipal bond index rate decreased from 3.50 percent to 2.19 percent.

2021:

Changes of assumptions – Medical Insurance Plan: The municipal bond index rate decreased from 2.19 percent to 2.13 percent.

Changes of assumptions – Medical Insurance Plan: The single equivalent interest rate (SEIR) decreased from 7.50 percent to 7.10 percent.

Changes of assumptions – Life Insurance Plan: The municipal bond index rate decreased from 2.19 percent to 2.13 percent.

Changes of assumptions – Life Insurance Plan: The single equivalent interest rate (SEIR) decreased from 7.50 percent to 7.10 percent.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Regents
Eastern Kentucky University and
 The Secretary of Finance and Administration
 Cabinet of the Commonwealth of Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Eastern Kentucky University ("the University" or "University") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 22, 2022. Our report includes a reference to other auditors who audited the financial statements of Eastern Kentucky University Foundation, Inc., as described in our report on the University's financial statements. The financial statements of Eastern Kentucky University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Lexington, Kentucky
November 22, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Regents
Eastern Kentucky University and
The Secretary of Finance and Administration
Cabinet of the Commonwealth of Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Eastern Kentucky University's ("the University" or "University") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2022. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Crowe LLP

Crowe LLP

Lexington, Kentucky
November 22, 2022

EASTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2022

Federal Grant/Program Title	Pass-Through Number	Assistance Listing Number	Federal Expenditures	Provided to Subrecipients
DEPARTMENT OF EDUCATION				
Direct Programs –				
Student Financial Aid Cluster				
Federal Pell Grant Program		84.063	$ 22,422,851	$ -
Federal Supplemental Educational Opportunity Grant		84.007	898,637	-
Federal Work Study Program		84.033	447,602	-
Federal Work Study Service Tutors		84.033	138	
Federal Work Study Job Location/Development		84.033	55,224	-
Federal Perkins Loan Program		84.038	2,426,651	-
Teach Grant		84.379	20,746	-
Federal Direct Student Loans – Direct Lending		84.268	56,174,629	-
Federal Direct Student Loans - PLUS		84.268	4,848,066	-
Total Student Financial Aid Cluster			87,294,544	-
TRIO Cluster				
NOVA Student Support Services FY 21		84.042A	76,455	-
NOVA Student Support Services FY 22		84.042A	330,741	-
			407,196	-
Educational Talent Search FY 20		84.044A	28	-
Educational Talent Search FY 21		84.044A	106,277	-
Educational Talent Search FY 22		84.044A	360,065	-
			466,370	-
Upward Bound FY 21		84.047A	20	-
Upward Bound FY 21		84.047A	3,527	-
Upward Bound FY 22		84.047A	404,027	-
Upward Bound Student Support FY 22		84.047A	101,907	-
Upward Bound FY 23		84.047A	59,388	-
Upward Bound Student Support FY 23		84.047A	2,293	-
			571,162	-
Ronald E. McNair Program - Administrative 2020			(823)	-
Ronald E. McNair Program - Administrative 2021		84.217A	56,451	-
Ronald E. McNair Program - Administrative 2021		84.217A	16,284	-
Ronald E. McNair Program – Administrative 2022		84.217A	132,618	-
Ronald E. McNair Program – Administrative 2022		84.217A	36,542	-
			241,072	-
Total TRIO Cluster			1,685,800	-
COVID-19 – Education Stabilization Fund				
Higher Education Emergency Relief Fund: Institutional Funding		84.425F	1,385,695	-
Strengthening Institutions Program		84.425M	1,289,918	-
Higher Education Emergency Relief Fund II: Direct Aid to Students		84.425E	776,516	-
CRRSA Institutional Funding		84.425F	1,008,954	-
HEERF III – Student ARP Act of 2021		84.425E	13,081,947	-
HEERF III – Instit: ARP Act of 2021		84.425F	8,240,080	-
Total Education Stabilization Fund			25,783,110	-

See accompanying notes to schedule of expenditures of federal awards.

Federal Grant/Program Title	Pass-Through Number	Assistance Listing Number	Federal Expenditures	Provided to Subrecipients
DEPARTMENT OF EDUCATION (Continued)				
Direct Programs –				
EKU Student Child Care Program FY 21		84.335A	61,029	-
EKU Student Child Care Program FY 22		84.335A	68,794	-
			129,823	-
Pass-Through Programs -				
Berea College				
LINC Internship	P0028823	84.215N	$ 67,639	$ -
Berea College Upward Bound Math & Science – Colonels Now Student Support Funding	P0028939	84.047M	10,013	-
GEAR UP Colonels Now Summer 2021	P0028939	84.334	117,227	-
			194,879	-
Kentucky Council on Postsecondary Education				
Covid 19: Governors Emergency Education Relief – GEER Summer Bridge	SC 415 2000002002	84.425C	36,045	-
Covid 19: Governors Emergency Education Relief – GEER	SC 415 2000002002	84.425C	3,800	-
Covid 19: CPE Mitigation Strategies	PON2 721 2200001478	21.027	226,500	-
Mental Health Services Grant	SC 415 2000002002	84.425C	19,783	-
2022 CPE Summer Bridge Grant	SC 415 2200001303	84.425C	248	-
2022 GEAR UP Kentucky Summer Academy	SC 415 2200001449	84.425C	38,053	-
			324,429	-
Kentucky Department of Education				
21st Century Community Learning Centers FY 21	PON2 540 2000003446	84.287	35,775	-
21st Century Community Learning Community FY 22	PON2 540 2100002613	84.287	161,738	-
Southern Migrant Education Regional Center FY 21	PON2 540 2000003372	84.011A	90,252	-
Southern Kentucky Migrant FY 22	PON2 540 2200000704	84.011A	292,246	-
Interpreter Training Program FY 22	PON2 540 2100002545	84.027A	333,275	-
Interpreter Training Program FY 21	PON2 540 20000003153	84.027A	67,769	-
COVID: Elementary and Secondary School Emergency	PON2 540 2100002678	84.425D	189,628	-
			1,170,683	-
Kentucky Education and Workforce Development Cabinet				
Audit Education FY 21 – Madison County	PON2 531 2100003367	84.002	7,503	-
Audit Education FY 22 – Madison County	PON2 531 2100003367	84.002A	81,360	-
Audit Education FY 21 – Clay County	PON2 531 2100003367	84.002	5,478	-
Audit Education FY 21 - Clay County	PON2 531 2100003367	84.002A	70,568	-
			164,909	-

Federal Grant/Program Title	Pass-Through Number	Assistance Listing Number	Federal Expenditures	Provided to Subrecipients
DEPARTMENT OF EDUCATION (Continued)				
Pass-Through Programs (Continued) –				
Kentucky Office of State Budget Director				
Coronavirus Relief Fund II	Award Letter	21.019	$ 1,235,375	$ -
			3,090,275	-
Total Department of Education			117,983,552	-
RESEARCH AND DEVELOPMENT				
Direct Programs –				
Department of Agriculture				
Partnership for Forest		10.xxx	5,787	
Partnership for Forest Inventory		10.xxx	6,820	-
			12,607	-
Department of Interior				
Making bat boxes a more effective mitigation tool for WNS – imperiled bays		15.657	32,969	53,990
National Institute of Justice				
Experimental & Numerical investigations of gypsum		16.560	56,282	-
National Science Foundation				
Collaborative Research: RUI SG: Imperiled plants of tropical rivers		47.074	12,148	41,481
Collaborative Research: Hertiable Plant Fungus		47.074	192	-
REU: Disturbance Ecology in Central Appalachia		47.074	112,968	-
Efficient Mathematical Framework		47.049	8,022	-
REPS Supplement to REU Site: Disturbance Ecology in Central Appalachian		47.074	4,307	-
Career: Advancing scientific knowledge of tropical mutualistic network science & public knowledge of tropical bee importance		47.083	13,984	-
Career: Advancing scientific knowledge of tropical mutualistic network science & public knowledge of tropical bee importance		47.074	13,984	-
			165,605	41,481
			267,463	95,471
Pass-Through Programs –				
Department of Defense				
University of Kentucky Research Foundation				
Novel compounds	3048115221-22-154	93.395	28,769	-

Federal Grant/Program Title	Pass-Through Number	Assistance Listing Number	Federal Expenditures	Provided to Subrecipients
RESEARCH AND DEVELOPMENT (Continued)				
Pass-Through Programs –				
Department of Health and Human Services				
University of Louisville Research Foundation				
Kentucky Biomedical Research Infrastructure Network New Startup Grant	ULRF 18-0975C-02	93.859	$ 11,260	$ -
Improving the biostability and Target selectivity of an Agreement		93.859	13,200	-
Lead Faculty Award FY 21	ULRF 18-0975C-02	93.859	13,734	-
Effects of P75NTR on Oxidative Stress-Induced Degeneration of CNS Neurons	ULRF 18-0975C-02	93.859	50,773	-
			88,967	-
Environmental Protection Agency				
University of Louisville Research Foundation				
Biological effects of American beaver in restored stream and floodplain complexes	ULRF 19-1083-01	66.461	9,369	-
University of Kentucky Research Foundation				
Liquid-Base Energy Storage	3200003557-21-053	47.083	13,644	-
Robotic End Effector Design	3200002692-21-336	47.083	60,783	-
Enhanced Robotics & Structures	3200002692-21-336	47.083	57,812	-
KY Advance Manufacturing Initiative	3200002692-21-336	47.083	23,499	-
Simulations models for KAMPERS	3200002692-21-336	47.083	22,946	-
Liquid Based Energy Storage 2022	3200004201-21-053	47.083	38,182	-
Telomere Roles in Fungal Evolution	3200001363-18-082	47.074	8,710	-
			225,576	-
			352,681	-
Total Research and Development			620,144	95,471
DEPARTMENT OF AGRICULTURE				
Direct Programs –				
RHELM Student Interns		10.xxx	15,413	-
RHELM Student Interns FY22 MOD3		10.xxx	11,225	-
Wetland and forest monitoring In the Daniel Boone National Forest		10.xxx	80	-
Partnership to support management Education DBNF		10.xxx	26,263	-
			52,981	-

See accompanying notes to schedule of expenditures of federal awards.

Federal Grant/Program Title	Pass-Through Number	Assistance Listing Number	Federal Expenditures	Provided to Subrecipients
DEPARTMENT OF AGRICULTURE (Continued)				
Pass-Through Programs –				
Kentucky Department of Agriculture				
EKU Red Barn Garden Specialty Crop Community Outreach	PON2 035 1900003059	10.170	$ 6,329	$ -
Kentucky Cabinet for Health and Family Services				
SNAP Cluster				
University Training Consortium FY21	PON2 736 2000002713	10.561	(372)	
University Training Consortium FY22	PON2 736 2100002157	10.561	577,291	29,633
Total SNAP Cluster			576,919	29,633
			583,248	-
Total Department of Agriculture			636,229	29,633
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through Programs –				
Kentucky Cabinet for Health & Family Services				
University Training Consortium FY 22	PON2 736 2100002157	93.472	241,885	14,522
University Training Consortium FY 21	PON2 736 2000002713	93.556	737,928	-
Center for Student Parent FY 21	SC 736 2000001806	93.558	367	-
Center for Student Parent FY 22	SC 736 2000001806	93.558	353,282	-
University Training Consortium FY 22	PON2 736 2000001806	93.558	297,852	17,762
			651,501	17,762
CRRSA Sustainment GRANT	MOA	93.575	79,920	-
University Training Consortium FY22	PON2 736 2100002157	93.575	204,087	-
			284,007	-
University Training Consortium FY 21	PON2 736 2000002713	93.590	2,909	-
University Training Consortium FY 21	PON2 736 2000002713	93.603	16,424	
University Training Consortium FY 22	PON2 736 2100002157	93.603	181,242	2,196
			197,666	2,196
University Training Consortium FY 20	PON2 736 1900004478	93.658	(1,318)	-
University Training Consortium FY 21	PON2 736 2000002713	93.658	(2,191)	76,426
University Training Consortium FY 22	PON2 736 2100002157	93.658	4,605,370	1,417,038
			4,601,861	1,493,464

Federal Grant/Program Title	Pass-Through Number	Assistance Listing Number	Federal Expenditures	Provided to Subrecipients
DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Pass-Through Programs –				
Kentucky Cabinet for Health & Family Services				
University Training Consortium FY 22	PON2 736 2100002157	93.667	$ 26,349	$ -
University Training Consortium FY 22	PON2 736 2100002157	93.669	131,471	-
University Training Consortium FY 21	PON2 736 2000002713	93.674	-	70,900
University Training Consortium FY 22	PON2 736 2100002157	93.674	6,046	408,072
			6,046	478,972
Medicaid Cluster				
Medicaid Waiver Management Application FY 22	SC0746 2000001317	93.778	13,680	-
University of Kentucky Research Foundation				
CARE RC: Occupational Safety Core FY22		93.262	97,562	-
Kentucky Leadership Neuro	3200004102-22-010	93.877	27,420	-
SE Xlerator Network: Technology Transfer Accelerator Hub	3200003706-21-165	93.859	398	-
Central Appalachian Regional Education Research Center MPH – Industrial Hygiene Core	3200003624-20-060	93.262	89,619	-
			214,999	-
Total Department of Health and Human Services			7,110,302	2,006,916
DEPARTMENT OF HOMELAND SECURITY				
Pass-Through Programs –				
Center for Rural Development				
Rural Domestic Preparedness Consortium FY 17: Task 2	FY17-00052-S01-EKU	97.005	2,228	-
Rural Domestic Preparedness Consortium FY 17: Task 2	FY17-00052-S01-EKU	97.005	36,967	-
Rural Domestic Preparedness Consortium FY 18: Task 2	EMW-2018-CA-00075-S01	97.005	35,362	-
Rural Domestic Preparedness Consortium FY 19: Task 2	FY19-00048-S01-EKU	97.005	151,478	-
Total Department of Homeland Security			226,035	-
APPALACHIAN REGIONAL COMMISSION				
Direct Programs –				
Aviation Simulators for Kentucky's Appalachia Regional Training Centers		23.002	(283)	-
Total Appalachian Regional Commission			(283)	-

See accompanying notes to schedule of expenditures of federal awards.

Federal Grant/Program Title	Pass-Through Number	Assistance Listing Number	Federal Expenditures	Provided to Subrecipients
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Pass-Through Programs –				
Kentucky Commission of Community Volunteerism & Service				
Kentucky Students for Disaster Readiness and Resiliency Corps (KY READY Corps) FY 21	PON2 730 1900002172	94.006	$ 26,119	$ -
Kentucky Students for Disaster Readiness and Resiliency Corps (KY READY Corps) FY 22		94.006	154,424	-
			180,543	-
Kentucky Cabinet for Health & Family Services				
Serve Kentucky Training Services FY 22	PON2 730 2000002443	94.009	30,880	-
Serve Kentucky Training Services FY 22	PON2 730 2000002443	94.021	30,880	-
			61,760	-
Total Corporation for National Community Service			242,303	-
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
Pass-Through Programs –				
University of Kentucky				
Live, Interactive Shows Hummel Plan	3200003095-22-056	43.001	14,208	-
Total National Aeronautics and Space Administration			14,208	-
NATIONAL SCIENCE FOUNDATION				
Pass-Through Programs –				
University of Kentucky				
2020 Math & Science Summer Camp Experience for High Juniors and Seniors	3200002692-20-132	47.083	6,466	-
Total National Science Foundation			6,466	-
DEPARTMENT OF INTERIOR				
Pass-Through Programs:				
Save the Children				
Workforce Opportunity for Rural Communities – Early Childhood Education Career Pathways	999003663	17.280	39,553	-
Total Department of Interior			39,553	-

See accompanying notes to schedule of expenditures of federal awards.

Federal Grant/Program Title	Pass-Through Number	Assistance Listing Number	Federal Expenditures	Provided to Subrecipients
US EMBASSY BRASILIA PUBLIC AFFAIRS				
Cultural Exchange: A Cross-Musical Between The Federal University of Amazonas and EKU		19.040	$ 2,940	$ -
Total US Embassy Brasilia Public Affairs			2,940	-
Total Federal Expenditures			$ 126,881,449	$ 2,132,020

See accompanying notes to schedule of expenditures of federal awards.

Grant/Program Title	Assistance Listing Number	Federal Expenditures
Subtotals of Multiple Awards/ALNs		
Education Stabilization Fund (ESF)	84.425	$ 26,070,665
EKU Student Child Care Program	84.335	129,823
Twenty-First Century Community Learning Centers	84.287	197,513
Migrant Education-State Grant Program	84.011	382,497
Special Education Cluster – Grants to States (IDEA)	84.027	401,044
Collaborative Research	47.074	152,311
Integrative Activities	47.083	237,316
Central Appalachian Regional Education Research Center	93.262	187,179
Biomedical Research and Research Training	93.859	89,365

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Eastern Kentucky University (the "University") under programs of the federal government for the year ended June 30, 2022 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 – INDIRECT COST

Predetermined indirect cost rates have been approved through June 30, 2022. The rate for on-campus activities ranges from 42.0% to 53.0% and the rate for off-campus activities ranges from 26.0% to 26.0% for the approved period. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – FEDERAL LOAN PROGRAMS

The University disbursed funds under the Federal Direct Student Loans Program (including Direct Loans, Direct Unsubsidized Loans, Direct Plus Loans and Direct Consolidation Loans) during the current year.

The amount presented on the schedule of expenditures of federal awards for the Federal Perkins Loan Program represents loan balances outstanding at July 1, 2021 for which the government imposes continuing compliance requirements. As of June 30, 2022, the University's outstanding Perkins loan balance is $1,732,680.

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	None Reported

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster Number
	COVID-19 - Education Stabilization Fund:
84.425C	Governors Emergency Education Relief (GEER)
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425E	HEERF – Student Portion
84.425F	HEERF – Institutional Portion
84.425M	Strengthening Institutions Program (SIP)
	TRIO Cluster:
84.042	Student Support Services
84.044	Talent Search
84.047	Upward Bound
84.217	McNair Post-Baccalaureate Achievement

Dollar threshold used to distinguish between Type A and Type B programs $ 3,000,000

Auditee qualified as low-risk auditee?	X	Yes		No

PART II – FINANCIAL STATEMENT FINDINGS

None noted.

PART III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.