EASTERN KENTUCKY UNIVERSITY

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

June 30, 2023

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Crowe LLP
Independent Member Crowe Global

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, 2023 and 2022, 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, 2023 and 2022, 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*.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University has adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* as of July 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 19, the Schedule of the University's Proportionate Share of the Net Pension Liability on page 91, the Schedule of the University's Pension Contributions on page 92 the Schedule of the University's Proportionate Share of the Net OPEB Liability on page 97, and the Schedule of the University's OPEB Contributions on page 98 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 7, 2023, 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 7, 2023

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 2023, 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.

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 2023 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, 2023, with selected comparative information for the years ended June 30, 2022 and 2021. The MD&A should be read in conjunction with the accompanying financial statements and notes.

(Continued)

Financial Highlights

At June 30, 2023, Eastern Kentucky University's financial position increased as reflected in the Statement of Net Position.

- Total assets increased by $37.1 million to $660.9 million at June 30, 2023, compared to a restated $623.8 million at June 30, 2022. The major factor affecting this was an increase in restricted cash and cash equivalents of $42 million.

- Deferred outflows decreased by $27.7 million to $65.2 million at June 30, 2023, compared to $92.9 million at June 30, 2022. The decrease is attributed to a decrease in deferred outflows related to pensions.

- Overall liabilities increased by $56.6 million to $518.7 million at June 30, 2023, compared to a restated $462.1 million at June 30, 2022. This increase is primarily the result of a $44.2 million increase in bonds payable and a $13.3 million increase in Net Pension Liability.

- Deferred inflows decreased by $42.7 million to $100.7 million at June 30, 2023, compared to $143.4 million at June 30, 2022. The decrease is attributed primarily to a decrease in KERS/KTRS pensions.

- Total net position at June 30, 2023 decreased $4.5 million to $106.7 million, compared to a restated $111.2 million at June 30, 2022.

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, 2023 and 2022, 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 2023 and 2022 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, 2023, increased to $660.9 million compared to restated $623.8 million at June 30, 2022.

Cash and Cash Equivalents – Total cash and cash equivalents at June 30, 2023, totaled $98.4 million; $27.2 million more than the June 30, 2022, level of $71.2 million. This increase is attributable to a decrease of non-restricted cash and cash equivalents of $14.9 million and an increase of restricted cash of $42.0 million.

Investments – The Foundation holds and manages investments owned by the University. At June 30, 2023, the market value of investments held by the Foundation on behalf of the University was $22.9 million compared to $21.3 million at June 30, 2022, an increase of $1.6 million.

Capital Assets – The historical cost, less accumulated depreciation, of the University's capitalized assets was $502.3 million as of June 30, 2023, a net increase after depreciation of $1.7 from the restated $500.6 million balance at June 30, 2022. Depreciation expense for the fiscal year totaled $26.8 million. This total of capital assets included RTU Assets net of accumulated amortization of $691 thousand and restated $1.2 million as well as RTU SBITA Assets net of accumulated amortization of $6.9 million and restated $8.2 million for 2023 and 2022, respectively.

Other Asset Categories – The balances in the various other asset categories at June 30, 2023, compared to June 30, 2022 included accounts receivable (net of allowance) which increased in total by $7.2 million; loans to students, which decreased in total by $74 thousand; inventories, which increased by $158 thousand; and prepaid interest, which decreased in total by $152 thousand.

Deferred Outflows – The deferred outflows for the year ended June 30, 2023, totaled $65.2 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 a decrease of $27.7 million over the June 30, 2022 balance of $92.9 million. This decrease is primarily attributable to a decrease in KTRS pension contributions.

Liabilities – Total liabilities at June 30, 2023, were $518.7 million compared to restated $462.1 million at June 30, 2022. This increase of $46.6 million is primarily attributable to an increase in Bonds Payable from fiscal year 2023 of $44.2 million.

Bonds Payable and Finance Lease Obligations – In total, bonds payable and finance lease obligations increased by $45.7 million as of June 30, 2023, compared to the restated number at June 30, 2022. At June 30, 2023, the total bonds payable and finance lease obligations were $171.5 million versus the restated $125.8 million at June 30, 2022. This increase is attributable to new bonds issued during fiscal year 2023 of approximately $50 million, offset by the principal payments made on the bonds.

Other Liability Categories – At June 30, 2023, the balances in various other liability categories decreased by $801 thousand to $50.5 million compared to $51.3 million at June 30, 2022. 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 2023, 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, 2023, totaled $100.7 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 $42.7 million is primarily attributed to KTRS and KERS pension, compared to the June 30, 2022 deferred inflows balance of $143.4 million.

(Continued)

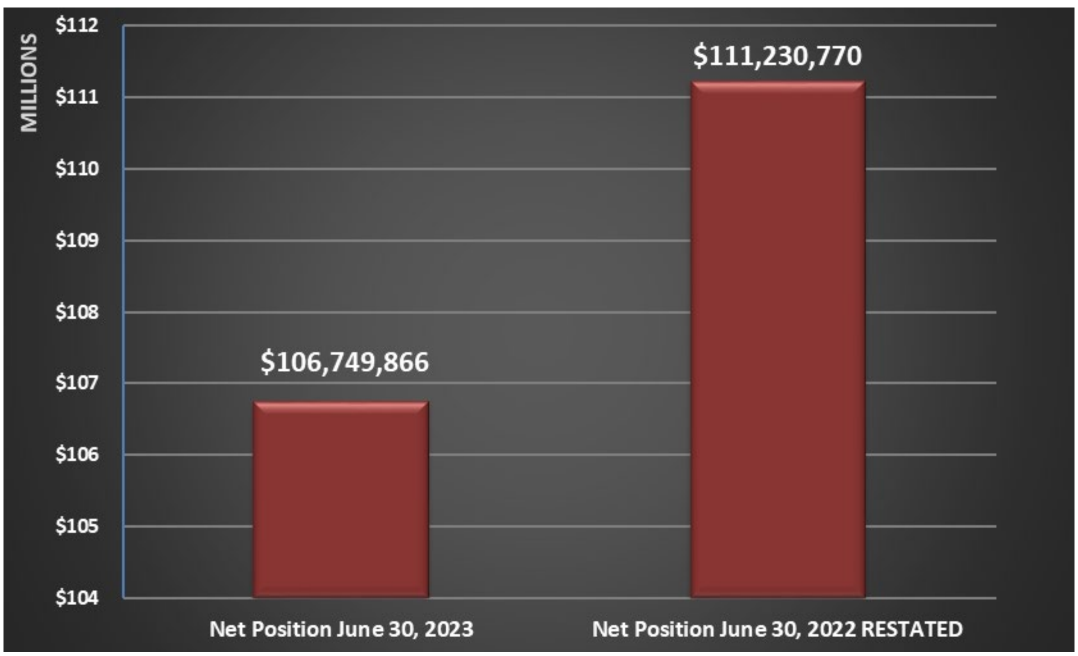
Net Position – Total Net Position at June 30, 2023, was $106.7 million; a decrease of $4.5 million from restated net position of $111.2 million at June 30, 2022.

Net Investment in Capital Assets – Net position invested in capital assets decreased by $38.7 million as of June 30, 2023 to $247.2 million compared to the restated June 30, 2022, level of $285.9 million.

Restricted Net Position – In total, restricted net position increased by $46.2 million to $82.1 million at June 30, 2023, compared to a restated $35.9 million at June 30, 2022. The net increase is primarily attributable to the increase in restricted expendable for capital projects of $45.0 million.

Unrestricted Net Position – Unrestricted net position decreased by $11.8 million to $(222.5) million at June 30, 2023, compared to the restated June 30, 2022 unrestricted net position of $(210.7) million. This decrease is primarily attributable to the KTRS and KERS pension expense adjustments.

The chart below illustrates the net position for the years ended June 30, 2023 and 2022:



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.

	2023	2022 (Restated)	2021
Inventories	$ 325	$ 426	$ 311
Outstanding encumbrances	1,576	895	1,630
Departmental commitments	6,991	4,079	4,147
Designated projects and contingency reserves	33,434	46,186	50,117
Health care self-insurance reserve	3,000	3,000	3,000
Auxiliary working capital	(1,025)	2,082	699
University capital projects	1,000	1,000	1,000
KTRS pension	(84,344)	(94,163)	(125,563)
KERS pension	(143,038)	(124,902)	(136,624)
KTRS OPEB	(21,651)	(22,614)	(24,889)
KERS OPEB	(18,800)	(26,642)	(30,112)
Total unrestricted net position	$ (222,532)	$ (210,653)	$ (256,284)

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

	2023	2022 (Restated)	2021
ASSETS			
Current assets	$ 82,958	$ 90,737	$ 101,495
Capital assets – net	502,342	500,626	505,302
Other noncurrent assets	75,618	32,474	43,703
Total assets	$ 660,918	$ 623,837	$ 650,500
DEFERRED OUTFLOWS			
Unamortized deferred refunding balance	$ 46	$ 76	$ 125
KTRS/KERS pensions	40,708	74,647	18,588
KTRS/KERS OPEB	24,458	18,144	7,347
Total deferred outflows	$ 65,212	$ 92,867	$ 26,060
LIABILITIES			
Current liabilities	$ 40,309	$ 41,370	$ 46,169
Noncurrent liabilities	478,377	420,748	358,762
Total liabilities	$ 518,686	$ 462,118	$ 404,931
DEFERRED INFLOWS			
Service concession - housing	$ 56,886	$ 59,256	$ 61,627
Other deferred inflows	7,458	7,970	6,870
KTRS/KERS pensions	9,523	48,437	96,004
KTRS/KERS OPEB	26,827	27,692	27,255
Total deferred inflows	$ 100,694	$ 143,355	$ 191,756

(Continued)

	2023	2022 (Restated)	2021
NET POSITION			
Net investment in capital assets	$ 247,218	$ 285,940	$ 287,949
Restricted – expendable	69,731	23,610	35,876
Restricted – nonexpendable	12,333	12,333	12,333
Unrestricted	(222,532)	(210,652)	(256,284)
Total net position	$ 106,750	$ 111,231	$ 79,874

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 $156.9 million from operations for the fiscal year ended June 30, 2023, prior to consideration of state appropriations and other net nonoperating revenues. This is compared to a restated loss of $106.7 million from operations for the fiscal year ended June 30, 2022.

Operating Revenues

Below is a summary of operating revenues for fiscal year 2023 as compared to fiscal years 2022 (Restated) and 2021:

	Year ended June 30, (in thousands)		
	2023	2022 (Restated)	2021
Tuition and fees	$ 154,321	$ 148,360	$ 145,643
Scholarships and discounts	(73,245)	(66,186)	(64,867)
Net tuition and fees	81,076	82,174	80,776
Grants and contracts	26,108	28,605	29,762
Other revenues	20,036	13,460	10,491
Total education and general fund	127,220	124,239	121,029
Auxiliaries	29,415	27,996	22,566
Scholarships and discounts	(9,400)	(5,018)	(3,647)
Net auxiliaries	20,015	22,978	18,919
Total operating revenues	$ 147,235	$ 147,217	$ 139,948

Tuition and Fees – Income from student tuition and fee assessments, shown net of the tuition discount, was $81.1 million for the fiscal year ended June 30, 2023, compared to $82.2 million for the fiscal year ended June 30, 2022. The decrease of $1.1 million in net tuition and fees reflects principally an increase in gross tuition and fee revenue offset by an increase in KHEAA funding provided to students of approximately $9 million during the year ended June 30, 2023.

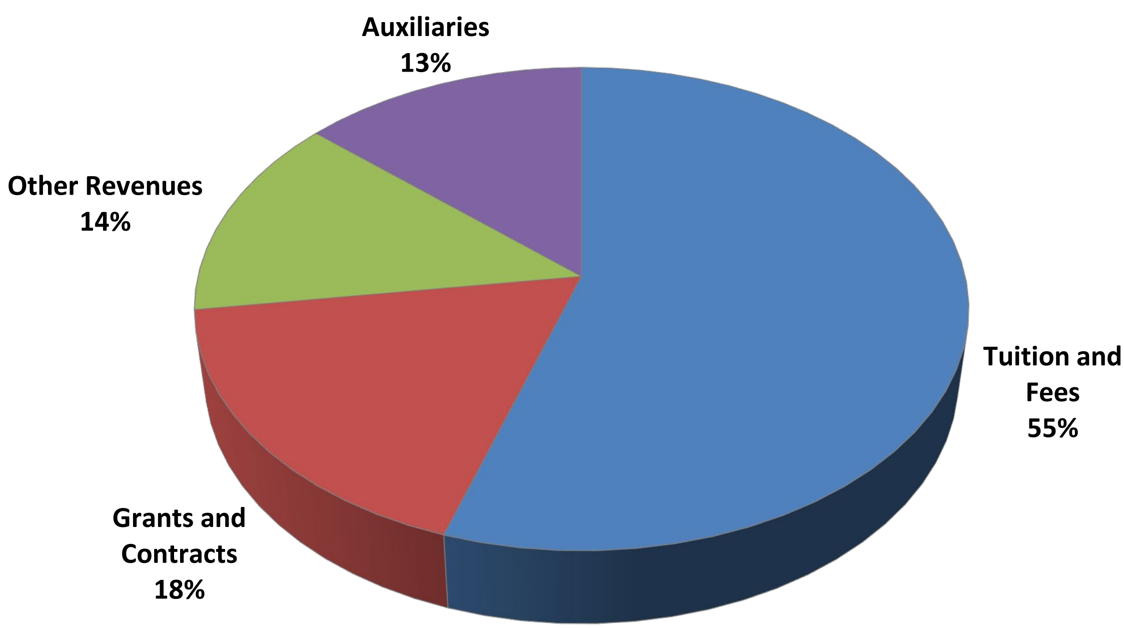
(Continued)

Grants and Contracts – For the fiscal year ended June 30, 2023, there was $26.1 million recognized revenue from all grants and contracts compared to a restated $28.6 million for the year ended June 30, 2022; a decrease of $2.5 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, $20.0 million is reported for net auxiliary revenues for the year ended June 30, 2023, compared to $23.0 million for the year ended June 30, 2022. 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, 2023, total other operating revenues were $12.6 million compared to a restated $6.6 million for June 30, 2022, an increase of $6.0 million.

Source of Operating Revenues – Fiscal Year 2023



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, 2023, educational and general expenditures totaled $282.6 million compared to a restated $283.4 million for the fiscal year ended June 30, 2022; a decrease of $800 thousand.

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, 2023, were $22.1 million, compared to a restated $19.3 million for the year ended June 30, 2022.

Below is a summary of operating expenditures for fiscal year 2023, compared to fiscal years 2022 (Restated) and 2021:

	Year ended June 30, (in thousands)		
	2023	2022 (Restated)	2021
Instruction, academic support and libraries	$ 112,985	$ 107,748	$ 101,292
Research and public service	16,957	21,129	23,810
Student services	23,811	20,626	17,565
Institutional support and operations and maintenance of plant	77,661	71,405	50,511
Student financial aid	23,849	35,021	23,581
Depreciation	26,847	26,194	23,655
Other operation expenses	531	1,341	1,862
Total educational and general expenses	282,641	283,464	242,276
Auxiliaries	22,053	19,277	17,016
Pension expense adjustments	8,317	(43,122)	(96,856)
OPEB expense adjustments	(8,805)	(5,745)	(6,705)
Total operating expenses	$ 304,206	$ 253,874	$ 155,731

Instruction, Academic Support, and Libraries – The total expenditures of these three areas, which directly relate to teaching, academic, and faculty support, increased $5.3 million to $113.0 million for the year ended June 30, 2023, compared to restated $107.7 million for the year ended June 30, 2022.

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, 2023, total expenditures related to research and public service was $17.0 million, compared to $21.1 million for the fiscal year ended June 30, 2022; a decrease of $4.1 million.

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Student Services – Expenditures for student services for fiscal year 2023 were $23.8 million compared to $20.6 million in fiscal year 2022, an increase of $3.2 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, 2023, the expenditures for these areas totaled $77.7 million compared to a restated $71.4 million for the year ended June 30, 2022; an increase of $6.3 million. This increase is primarily attributable to funds spent related to Asset Preservation Funding.

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 2023, the total financial aid expenditure was $106.5 million compared to $106.2 million for fiscal year 2022, an increase of $300 thousand 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, 2023, the University recorded $8.3 million of Pension Expense Adjustments. This is a $51.4 million increase from the fiscal year ending June 30, 2022 Pension Expense Adjustments of $(43.1) 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, 2023, the University recorded $(8.8) million of OPEB Expense Adjustments. For the fiscal year ending June 30, 2022, the University recorded $(5.7) million of OPEB Expense Adjustments. These expense adjustments do not include actual contributions to the plan.

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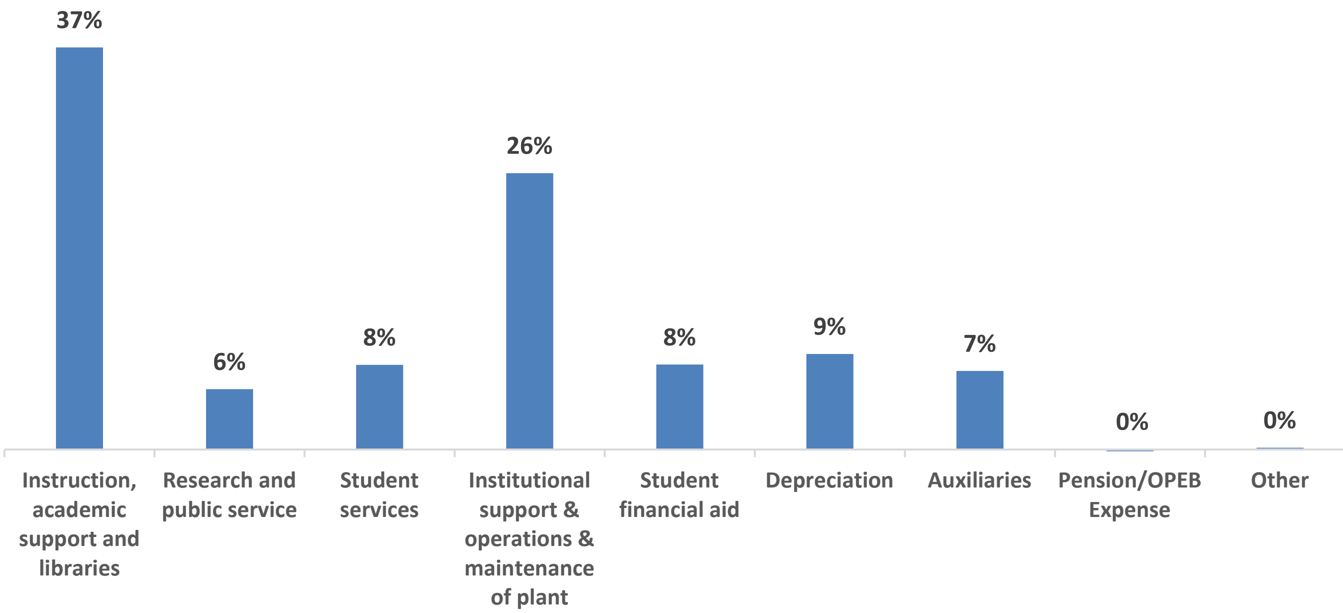
Major Areas of Operating Expense – Fiscal Year 2023



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, 2023, was $23.8 million, a decrease of $11.2 million compared to $35.0 million for the year ended June 30, 2022. The majority of this decrease was attributable to the decrease in distribution of CARES emergency student funding due to the last year of funding.

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

	Year ended June 30, (in thousands)		
	2023	2022	2021
Tuition and fee discount	$ 73,245	$ 66,186	$ 64,867
Auxiliary enterprises discount	9,400	5,018	3,647
Student financial aid expense	23,849	35,021	23,581
Total student financial aid expense	$ 106,494	$ 106,225	$ 92,095

Non-Operating Revenues/Expenses

State Appropriations – Funding from state appropriations for operations and debt service for the fiscal year ended June 30, 2023 was $79.4 million. This was an increase of $5.0 million from the prior year ended June 30, 2022 amount of $74.4 million.

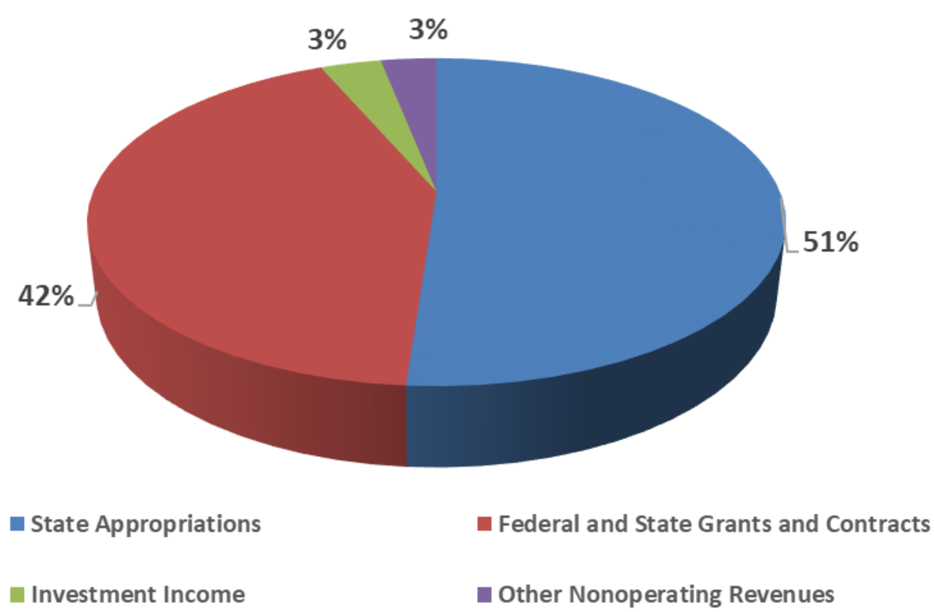
Investment Income – Total investment income for the fiscal years ended June 30, 2023 and 2022, was $5.3 million and $(5.3) million, respectively; an increase of $10.6 million.

Federal and State Grants and Contracts – Total federal and state grant revenue for the fiscal year ended June 30, 2023, was $65.8 million, compared to the restated $70.2 million from fiscal year 2022. This was a decrease from prior year revenue of $4.4 million. This decrease was due primarily to the last year to use 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, 2023, equal compared to $4.8 million from the prior year ended June 30, 2022. This is the revenue recognized for Case Dining each year.

Other Non-Operating Expenses – Other non-operating expenses totaled $872 thousand for the year ended June 30, 2023, an increase of $261 thousand compared to $611 thousand from the prior year ended June 30, 2022.

Major Sources of Non-Operating Revenues – Fiscal Year 2023



Capital Support – For the year ended June 30, 2023, the University received funds from the Commonwealth totaling $5.0 million for new capital projects compared to fiscal year 2022 when the University did not receive any funds from the Commonwealth 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)		
	2023	2022 (Restated)	2021
Operating revenues	$ 147,235	$ 147,217	$ 139,948
Operating expenses	304,206	253,875	155,731
Operating loss	(156,971)	(106,658)	(15,783)
Nonoperating revenues – net	147,468	138,015	134,236
Gain (loss) before capital appropriations	(9,503)	31,357	118,453
Capital appropriations	5,022	-	3,269
Change in net position	(4,481)	31,357	121,722
Net position – beginning of year	111,231	79,874	(41,848)
Net position – end of year	$ 106,750	$ 111,231	$ 79,874

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)		
	2023	2022 (Restated)	2021
Cash provided by (used in)			
Operating activities	$ (141,027)	$ (131,999)	$ (94,491)
Noncapital financing activities	147,404	146,155	129,837
Capital and related financing activities	17,878	(31,496)	(16,766)
Investing activities	2,875	(1,159)	41
Net change in cash and cash equivalents	27,130	(18,499)	18,621
Cash and cash equivalents – beginning of year	71,220	89,719	71,098
Cash and cash equivalents – end of year	$ 98,350	$ 71,220	$ 89,719

(Continued)

Capital Asset and Debt Administration

During fiscal years 2023 and 2022, the following projects were completed by the University:

	Year ended June 30, (in thousands) 2023	2022
One Room School House HVAC	$ 29	$ -
Arlington Mansion HVAC Replacement	43	-
Burrier Stone Wall Patio	69	-
Whitlock Auditorium State Drape Replacement	78	-
Sullivan Boiler/DA Tanks Replacement	79	-
Arlington Pro Shop HVAC Replacement	86	-
Clay Hall Boiler/DA Tanks Replacement	91	-
RCF2846 Central KY Regional Airport Modular Building	140	-
Sand Volleyball Court	546	-
RCF 1987 Begley Building Sewer Lift Station	683	-
Rowlette Roof Replacement	712	-
Powell Building Roof Replacement	825	-
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
Total	$ 3,381	$ 5,081

(Continued)

The following projects were still in process at June 30, 2023 (in thousands):

	Total Expenditures Through June 30, 2023	Estimated Cost to Complete at June 30, 2023
RCF 1711 Bypass Pedway	$ 5,277	$ 808
RCF 2723 Telford Hall Electrical Upgrade	80	35
RCF 2798 Powell Plaza Rejuvenation	1,322	1,360
Heat Plant Boiler Control Upgrade	200	163
Heat Plant Boiler 5 Installation	1,159	46
Steamline 1000ft Replacement	33	117
Keen Johnson Electrical Gear Replacement	27	790
Wallace Bldg Renovation	155	3
Giles Gallery Renovation	1,063	437
Begley Structural Study	112	45
Clay Hall Shower Pan Replacement	60	151
University Building Window Replacement	22	57
Alumni Coliseum Renovation	927	30,423
Construct New Model Lab School	971	89,029
Divine Nine Campus Plot	46	1
Keene Hall MEP Upgrade	8,019	23,191
McGregor Hall MEP Upgrade	-	7
Palmer Hall MEP Upgrade	5	5
Sullivan Hall MEP Upgrade	-	7
Burnam Hall MEP Upgrade	2	288
Madison Co. Airport Flight School Construction	-	4907
Summit Street Sidewalk & Lighting	13	22
Composting Grant	145	1
Steamline Upgrades	1,362	8,638
Coates Exterior/Interior Repairs (Phase 2)	-	211
Coates Exterior/Interior Repairs (Phase 1)	105	10
Burrier Exterior Repairs	95	1,487
Lancaster Avenue Water Main Line Redirected	25	40
Business & Technology Chiller Replacement	-	484
Burrier Chiller Replacement	-	192
Wallace Chiller Replacement	334	1
Fitness & Wellness Chiller Replacement	-	212
Keen Johnson Chiller Replacement	-	189
Donovan/Model Chiller Replacement	-	318
Donovan Annex Hot Water Boiler Replacement	-	199
Model Lab Hot Water Boiler Replacement	-	209
Campbell Cooling Tower Replacement	146	1
Perkins Cooling Tower Replacement	185	1
Crabbe Library Complex (Univ. Bldg. little) Cooling Tower Replacement	-	149
Wallace Cooling Tower Replacement	268	1
Whitlock Hot Water Boiler (2) Replacement	-	381
Perkins Heat Machine Replacement	-	271
Wallace Air Handlers & Controls	593	1,211
Cammack Cooling Tower/Chiller Relocation	-	123
Combs Building Lower Main Roof Replacement	340	29

(Continued)

	Total Expenditures Through June 30, 2023	Estimated Cost to Complete at June 30, 2023
Whitlock 1st Floor Renovation	$ 999	$ 470
Burrier Elevator Modernization	278	87
Coates Elevator Modernization	162	18
Coates ADA Stage Lift	43	5
Combs Elevator Modernization	386	579
Whitlock Elevator Modernization	160	240
Wallace Elevator Modernization	452	193
Mattox Return to Residence Hall	852	2,206
Total	$ 26,423	$ 170,048

Long-term debt at June 30, 2023, was $171.5 million compared to a restated $125.8 million at June 30, 2022. The $45.7 million increase is the result of the decrease to bonds payable for payments of principal owed on bonds in fiscal year 2023, offset by an increase of the RTU Lease Liability, new recording of RTU SBITA, a new bond issue for $50.5 million, as well as a new finance lease recorded for 2023.

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 COVID-19 Public Health Emergency (PHE) expired on May 11, 2023. Although the PHE has expired, the University continues to monitor COVID-19 and stands ready to enact public health guidelines that may be issued by the Governor, the Centers for Disease Control (CDC), and local health agencies as may be warranted.

- Funds received via the Higher Education Emergency Relief Fund (HEERF) have now been fully utilized, replacing lost revenue resulting from the COVID-19 pandemic. This federal assistance has been greatly beneficial to the University and has significantly negated any negative financial impact to the University. Currently, we do not anticipate any future HEERF funding.

- The level of state-appropriated funds received by the University will continue to be a major factor in the future of the University. State-appropriated funds represent about 24 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.

(Continued)

- 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 pedway crossing the bypass, which is the last remaining major project in the Center for Student Life initiative, was substantially complete at June 30, 2023, and University received authorization from the Commonwealth to begin using the facility.

- 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, *Experience Excellence 2022-2030* has been approved by the EKU Board of Regents and has been implemented on campus. This new strategic plan is founded upon three Strategic Priorities: Knowledge, Innovation, and Transformation; and includes the Guiding Values of Inclusion and Trust.

- 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. The latest update to the current U.S. economic outlook indicates that although economic growth is expected to initially slow, growth is then expected to pick up over the 2023-2025 period with inflation continuing to gradually decline.

- 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.

	2023	2022 (Restated)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 46,618,912	$ 61,513,670
Accounts receivable – net of allowance of $3,350,809 and $3,623,295 for 2023 and 2022	34,013,833	26,829,401
Loans to students – net of allowance of $1,300 and ($15,409) for 2023 and 2022	234,285	308,618
Inventories	584,164	426,166
Prepaid expenses	1,507,152	1,659,121
Total current assets	82,958,346	90,736,976
Noncurrent Assets		
Restricted cash and cash equivalents	51,731,563	9,706,654
Investments	22,876,766	21,330,594
Loans to students – net of allowance of $5,600 and $6,995, for 2023 and 2022	1,009,035	1,437,140
Capital assets – net of accumulated depreciation of $378,900,739 and $355,622,393 for 2023 and 2022	455,378,378	470,764,467
RTU Lease Asset, net of accumulated amortization of $1,637,539 for 2023 and $1,113,280 for 2022	690,618	1,223,061
RTU SBITA Asset, net of accumulated amortization of $4,576,408 and $2,214,853 for 2023 and 2022	6,886,378	8,165,034
Capital assets not being depreciated	39,387,334	20,473,674
Total noncurrent assets	577,960,072	533,100,624
Total Assets	660,918,418	623,837,600
Deferred Outflows		
Unamortized deferred refunding loss balance	45,547	75,861
KTRS/KERS pension	40,707,818	74,646,698
KTRS/KERS OPEB	24,458,148	18,144,196
Total deferred outflows	65,211,513	92,866,755
Total Assets and Deferred Outflows	$ 726,129,931	$ 716,704,355

(Continued)

	2023	2022 (Restated)
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$ 9,159,717	$ 7,883,416
Accrued interest	266,914	246,416
Accrued salaries and benefits	3,020,512	5,336,147
Accrued compensated absences	3,025,915	2,944,803
Payroll withholding payable	753,587	768,299
Contingent liability	-	1,000,000
Refundable deposits	97,480	99,135
Assets held for others	273,103	292,980
Unearned revenue	12,854,645	13,440,885
Bonds payable	7,682,309	6,548,082
Finance Purchase Obligations, current	671,897	63,774
RTU Current Lease Liability	254,425	551,820
RTU Current SBITA Liability	2,248,032	2,194,711
Total current liabilities	40,308,536	41,370,468
Noncurrent Liabilities		
Unearned revenue	21,062,665	19,303,225
Bonds payable, noncurrent portion	128,286,856	84,078,331
Finance Purchase Obligations, noncurrent portion	26,832,263	25,621,969
RTU Lease Liability	449,923	681,787
RTU SBITA Liability	5,096,900	6,079,739
Net pension liability	258,566,373	245,274,773
Net OPEB liability	38,082,513	39,708,201
Total noncurrent liabilities	478,377,493	420,748,025
Total liabilities	518,686,029	462,118,493
Deferred Inflows		
Service concession – housing	56,886,005	59,256,256
Deferred amount on refunding debt and other	7,458,260	7,969,791
KTRS/KERS pension	9,523,162	48,436,687
KTRS/KERS OPEB	26,826,609	27,692,359
Total deferred inflows	100,694,036	143,355,093
Net Position		
Net investment in capital assets	247,218,159	285,939,709
Restricted		
Expendable for capital projects	61,385,104	16,377,359
Expendable for loans to students	-	283,511
Expendable for scholarships	4,419,319	907,274
Expendable for institutional support	3,926,961	6,042,574
Unexpendable for permanent endowment	12,332,772	12,332,772
Unrestricted	(222,532,449)	(210,652,430)
Total net position	106,749,866	111,230,769
Total Liabilities, Deferred Inflows and Net Position	$ 726,129,931	$ 716,704,355

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 11,708,900	$ 12,932,518
Pledges receivable – net	542,587	217,459
Cash surrender value of life insurance	174,712	168,752
Other current assets	-	3,720
Total current assets	12,426,199	13,322,449
Noncurrent assets		
Investments	92,959,875	82,304,709
Pledges receivable – net	1,274,645	437,949
Property and equipment – net	646,652	660,777
Other noncurrent assets	61,747	61,747
Total noncurrent assets	94,942,919	83,465,182
Total Assets	$ 107,369,118	$ 96,787,631
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 39,213	$ 52,209
Due to University	114,462	320,026
Total current liabilities	153,675	372,235
Noncurrent liabilities		
Deferred gift liabilities	265,279	277,087
Assets held for others	22,876,766	21,330,594
Total noncurrent liabilities	23,142,045	21,607,681
Total Liabilities	23,295,720	21,979,916
Net assets		
Without donor restrictions		
Board designated endowment	11,150,498	9,590,040
Undesignated	713,354	1,461,456
Total net assets without donor restrictions	11,863,852	11,051,496
With donor restrictions		
Purpose restrictions	32,753,020	28,722,065
Perpetual in nature	39,456,526	35,034,154
Total net assets with donor restrictions	72,209,546	63,756,219
Total net assets	84,073,398	74,807,715
Total Liabilities and Net Assets	$ 107,369,118	$ 96,787,631

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended June 30, 2023 and 2022

	2023	2022 (Restated)
OPERATING REVENUES		
Tuition and fees – net	$ 81,076,308	$ 82,173,743
Federal grants and contracts	12,565,919	15,848,434
State grants and contracts	7,676,924	7,329,052
Nongovernmental grants, contracts, and gifts	5,864,739	5,427,627
Sales and services of educational activities	7,377,405	6,809,818
Auxiliary enterprises – housing	13,344,691	17,040,885
Auxiliary enterprises – other	6,671,127	5,937,156
Other operating revenues	12,658,148	6,650,384
Total operating revenues	147,235,261	147,217,099
OPERATING EXPENSES		
Educational and general		
Instruction	90,006,587	86,476,644
Research	889,150	750,529
Public service	16,067,897	20,378,074
Libraries	3,602,287	4,495,990
Academic support	19,375,870	16,775,528
Student services	23,811,104	20,625,980
Institutional support	44,412,997	45,916,468
Operations and maintenance of plant	33,248,147	25,488,182
Depreciation/Amortization	21,360,745	21,256,383
Student financial aid	23,848,538	35,021,236
Auxiliary enterprises		
Housing and other auxiliaries	22,053,581	19,277,386
Depreciation/Amortization	5,486,168	4,938,040
Pension expense adjustments	8,316,955	(43,122,179)
OPEB expense adjustments	(8,805,390)	(5,744,929)
Other operating expenses	531,126	1,341,314
Total operating expenses	304,205,762	253,874,646
Operating loss	(156,970,501)	(106,657,547)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	79,451,800	74,444,100
Federal and state grants and contracts	65,830,449	70,169,116
Investment income	5,256,119	(5,302,338)
Interest expense	(6,982,416)	(5,468,165)
Other nonoperating revenues	4,783,153	4,783,153
Other nonoperating expenses	(871,646)	(611,174)
Net nonoperating revenues	147,467,459	138,014,692
Gain before capital appropriations	(9,503,042)	31,357,145
Capital appropriations	5,022,138	-
Change in net position	(4,480,904)	31,357,145
Net position – beginning of year	111,230,770	79,873,625
Net position – end of year	$ 106,749,866	$ 111,230,770

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
Years ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	$ 423,340	$ 6,926,056	$ 7,349,396	$ 328,438	$ 5,645,324	$ 5,973,762
Income from investments – net of Investment expenses of $175,444 and $232,427 for 2023 and 2022, respectively	157,216	1,727,824	1,885,040	543,910	1,669,033	2,212,943
Net realized and unrealized gains On investments	1,053,320	4,729,742	5,783,062	(1,946,935)	(8,577,455)	(10,524,390)
Other income, net	124,809	55,862	180,671	30,353	65,306	95,659
	1,758,685	13,439,484	15,198,169	(1,044,234)	(1,197,792)	(2,242,026)
Net assets released from restrictions	4,986,157	(4,986,157)	-	4,496,507	(4,496,507)	-
Total revenues, gains, and other support	6,744,842	8,453,327	15,198,169	3,452,273	(5,694,299)	(2,242,026)
EXPENSES						
Support for the University	5,686,189	-	5,686,189	5,383,695	-	5,383,695
Management and general	246,297	-	246,297	186,861	-	186,861
Total expenses	5,932,486	-	5,932,486	5,570,556	-	5,570,556
Change in net assets	812,356	8,453,327	9,265,683	(2,118,283)	(5,694,299)	(7,812,582)
Net assets – beginning of year	11,051,496	63,756,219	74,807,715	13,169,779	69,450,518	82,620,297
Net assets – end of year	$ 11,863,852	$ 72,209,546	$ 84,073,398	$ 11,051,496	$ 63,756,219	$ 74,807,715

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Tuition and fees	$ 81,234,798	$ 84,114,589
Grants, contracts, and gifts	25,641,805	27,093,485
Payments to suppliers	(82,726,005)	(71,843,153)
Payments for utilities	(10,006,531)	(8,927,488)
Payments to employees	(118,318,821)	(114,339,817)
Payments for benefits	(49,006,990)	(48,064,116)
Payments to students	(22,693,103)	(30,343,180)
Loans issued to students and employees	-	(100)
Collections of loans to students and employees	502,439	679,493
Auxiliary enterprise charges		
Residence halls	12,397,660	16,382,844
Other	6,671,127	5,937,156
Sales and services of educational activities	7,377,405	6,809,818
Other receipts	7,899,579	501,847
Net cash used in operating activities	(141,026,637)	(131,998,622)
NONCAPITAL FINANCING ACTIVITIES		
State appropriations	79,451,800	74,444,100
Other nonoperating revenues	67,951,787	71,710,902
Net cash provided by noncapital financing activities	141,403,587	146,155,002
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(21,544,586)	(14,152,542)
Principal paid on bonds payable, finance purchase obligations RTU Lease Liability, and RTU SBITA Liability	(9,508,999)	(10,358,164)
Interest paid on bonds payable, finance purchase obligations RTU Lease Liability, and RTU SBITA Liability	(8,053,530)	(6,984,908)
Proceeds on issuance of bonds payable	51,963,343	-
Capital appropriations	5,022,138	-
Net cash provided by (used in) capital and related financing activities	17,878,366	(31,495,614)
INVESTING ACTIVITIES		
Investment income (loss)	2,874,835	(1,159,496)
Net cash provided by (used in) investing activities	2,874,835	(1,159,496)
Increase (decrease) in cash and cash equivalents	27,130,151	(18,498,730)
Cash and cash equivalents – beginning of year	71,220,324	89,719,054
Cash and cash equivalents – end of year	$ 98,350,475	$ 71,220,324

(Continued)

	2023	2022
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (156,970,501)	$ (106,657,547)
Depreciation/Amortization expense	26,846,913	26,194,423
Changes in operating assets and liabilities		
Accounts receivable – net	(7,184,433)	(1,354,605)
Loans to students – net	502,439	679,393
Inventories	(157,999)	(114,884)
Prepaid expenses	151,969	117,870
RTU Lease Asset	532,443	444,149
RTU SBITA Asset	1,278,656	(8,165,034)
Accounts payable	(1,624,307)	(4,546,404)
Accrued liabilities	(2,606,272)	(1,614,234)
Contingent liability	(1,000,000)	-
Refundable deposits	(1,655)	(59,193)
Assets held for others	(19,878)	(22,269)
Unearned revenue	1,173,200	(4,963,561)
RTU Lease Liability	(529,259)	(436,876)
RTU SBITA Liability	(929,518)	8,274,450
Deferred outflows – KTRS/KERS Pension	33,938,880	(56,058,396)
Deferred outflows – KTRS/KERS OPEB	(6,313,952)	(10,796,714)
Deferred inflows – KTRS/KERS Pension	(38,913,525)	(47,567,651)
Deferred inflows – KTRS/KERS OPEB	(865,750)	437,013
Net pension liability	13,291,600	60,503,868
Net OPEB liability	(1,625,688)	4,614,772
Net cash flows used in operating activities	$ (141,026,637)	$ (131,998,622)
Supplemental cash flows information		
Capital asset acquisitions in accounts payable	$ (2,900,609)	$ 5,793,900
Repayment of debt by bond trustee	-	12,294,423

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.

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.

(Continued)

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

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.

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.

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.

(Continued)

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

Right to Use SBITA Assets and SBITA Liability – The University recognizes a subscription liability for Subscription-Based Information Technology Arrangements (SBITA) with an initial, individual value of $15,000 or more. At the commencement of the contract, the University initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for any payments made to the SBITA vendor before commencement of the subscription term and any capitalizable implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the asset's useful life.

Key estimates and judgments related to leases include how the University determines (a) the discount rate it uses to discount the expected subscription payments to present value, (b) subscription term, and (c) subscription payments. The University uses the interest rate charge by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the University generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The subscription term includes the noncancellable period of the contract. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

The University monitors changes in circumstances that would require a remeasurement of its subscription liability and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

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.

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

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.

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

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.

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, 2023 and 2022 were $73,244,947 and $66,185,944 and $9,358,407 and $2,718,342, 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 2023, the University adopted the following accounting pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, effective for periods beginning after December 15, 2021. There was no impact on the University's financial statements as a result of the implementation of this standard.

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* effective for periods beginning after June 15, 2022. There was no impact on the University's financial statements as a result of the implementation of this standard.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for periods beginning after June 15, 2022. This Statement establishes standards of accounting and financial reporting for SBITAs by a government end user. This Statement requires the recognition of certain SBITA assets and liabilities for contracts that convey control of the right to use another party's IT software as specified in the contract for a period greater than one year.

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

The University implemented this statement for the year ended June 30, 2023, and retroactively applied this Statement by restating financial statements as of July 1, 2021 for the prior period presented. As a result of implementation, the University reported a right to use (RTU) SBITA asset of approximately $9,297,000 and a corresponding RTU SBITA liability for the same amount as of July 1, 2021 for IT contracts subject to GASB 96. Ending net position as of June 30, 2022 was restated by $154,216 to $111,230,770 to reflect the impact of GASB 96 as a result of the implementation.

- GASB Statement No. 99, *Omnibus 2022*, effective for periods beginning after June 15, 2022. There was no impact on the University's financial statements as a result of the implementation of this standard.

Recent Accounting Pronouncements - As of June 30, 2023, the GASB has issued the following statements not yet implemented by the University.

- 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.

COVID-19 Federal Funding – 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 $11,102,744 and $26,070,665, respectively, was expended and recognized as revenue during the years ended June 30, 2023 and 2022. All federal direct COVID funded programs at the University ended in May 2023.

Reclassification - Certain reclassifications have been made to the fiscal year 2022 financial statements to conform to the fiscal year 2023 presentation with no effect on total assets, liabilities, net position or the changes in net position.

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.

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

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, 2023 and 2022 consisted of:

	2023	2022
Depository accounts		
Local bank deposits – collateral held as a pledge in the University's name	$ 36,079,856	$ 43,824,017
Cash on hand	19,952	21,030
State investment pool – uninsured and uncollateralized	62,250,667	27,375,277
Total deposits	$ 98,350,475	$ 71,220,324

Deposits at June 30, 2023 and 2022 as presented on the Statement of Net Position include:

	2023	2022
Cash and cash equivalents	$ 46,618,912	$ 61,513,670
Restricted cash and cash equivalents	51,731,563	9,706,654
Total deposits	$ 98,350,475	$ 71,220,324

Investments at June 30, 2023 and 2022 consisted of:

	2023	2022
Restricted assets held by the Foundation	$ 22,876,766	$ 21,330,594
Total investments	$ 22,876,766	$ 21,330,594

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.

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.

(Continued)

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

The assets in the Foundation investment pool at June 30, 2023 and 2022 are invested as follows:

	2023	2022
Percentage of pool invested in:		
Cash equivalents – trustee	4%	5%
Registered investment companies equity funds	69	68
Registered investment companies fixed income funds	26	26
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, 2023 and 2022 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)
2023				
Eastern Kentucky University Foundation, Inc.				
Investment fund at net asset value per share	$ 22,876,766	$ -	$ -	$ -
Total investments	$ 22,876,766	$ -	$ -	$ -

	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	$ -	$ -	$ -

(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, 2023 and 2022 was $5,256,119 and $(5,302,338), 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, 2023 and 2022:

	2023	2022
Student tuition and fees	$ 9,045,818	$ 8,868,216
Auxiliary enterprises	4,430,820	3,482,394
Federal, state and private grants and contracts	11,299,349	13,769,891
Other state agencies	5,050,336	28,198
Other	7,538,319	4,307,959
Total	37,364,642	30,456,658
Less allowance for uncollectible accounts	(3,350,809)	(3,627,257)
Accounts receivable – net	$ 34,013,833	$ 26,829,401

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 $113,930 and $270,997 of Right to Use (RTU) assets in fiscal years 2023 and 2022 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 2023 and 2022 were $646,373 and $715,145, respectively.

In Fiscal Year 2023 the University adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). Statement No. 96 required the University to classify software purchases as information technology subscription liabilities that were just shown as operating expenses in the past. As a result, the University recognized $1,265,194 and $1,262,685 of Right to Use (RTU) SBITA assets in fiscal years 2023 and 2022 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 SBITA assets at 2023 and 2022 were $2,543,851 and $2,394,330, respectively.

(Continued)

NOTE 4 – CAPITAL ASSETS (Continued)

These amounts are summarized in the schedules below.

Capital assets activity for the year ended June 30, 2023, is as follows:

	Balance - June 30, 2022	Additions	Reductions	Transfers	Balance – June 30, 2023
Capital assets not being depreciated/amortized					
Land	$ 10,593,628	$ -	$ -	$ -	$ 10,593,628
Historical treasures and works of art	2,011,296	-	-	-	2,011,296
Livestock for educational purposes	277,948	81,300	-	-	359,248
Construction in progress	7,590,802	22,256,815	(43,196)	(3,381,259)	26,423,162
Total capital assets not being depreciated/amortized	20,473,674	22,338,115	(43,196)	(3,381,259)	39,387,334
Other capital assets					
Land improvements	65,868,734	-	-	545,544	66,414,278
Buildings	668,946,993	-	(122,210)	2,757,465	671,582,248
Leasehold improvements	125,577	-	-	-	125,577
Equipment	38,759,569	3,514,856	(264,385)	78,250	42,088,290
RTU Lease Assets	2,336,342	113,930	(122,113)	-	2,328,159
RTU SBITA Assets	10,379,887	1,265,194	(182,296)	-	11,462,785
Library books	52,685,987	1,473,671	(90,934)	-	54,068,724
Total other capital assets	839,103,089	6,367,651	(781,938)	3,381,259	848,070,061
Less accumulated depreciated/amortized for					
Land improvements	(46,539,469)	(3,066,680)	-	-	(49,606,149)
Buildings	(234,897,949)	(16,373,864)	23,025	-	(251,248,788)
Leasehold improvements	(125,578)	-	-	-	(125,578)
Equipment	(28,667,324)	(2,795,780)	264,385	-	(31,198,719)
RTU Lease Assets	(1,113,280)	(646,373)	122,114	-	(1,637,539)
RTU SBITA Asset	(2,214,853)	(2,543,851)	182,296	-	(4,576,408)
Library books	(45,392,074)	(1,420,366)	90,934	-	(46,721,506)
Total accumulated depreciated/amortized	(358,950,527)	(26,846,914)	682,754	-	(385,114,687)
Other capital assets – net	480,152,562	(20,479,263)	(99,184)	3,381,259	462,955,374
Total capital assets – net	$ 500,626,236	$ 1,858,852	$ (142,380)	$ -	$ 502,342,708

(Continued)

NOTE 4 – CAPITAL ASSETS (Continued)

Restated 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/amortized					
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/amortized	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	-	-	38,759,569
RTU Lease Assets	2,281,839	270,997	(216,494)	-	2,336,342
RTU SBITA Assets	9,296,679	1,262,685	(179,477)	-	10,379,887
Library books	51,209,527	1,508,810	(32,350)	-	52,685,987
Total other capital assets	829,829,081	6,237,548	(428,321)	3,464,781	839,103,089
Less accumulated depreciated/amortized 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 Lease Assets	(614,629)	(715,145)	216,494	-	(1,113,280)
RTU SBITA Assets	-	(2,394,330)	179,477	-	(2,214,853)
Library books	(44,029,681)	(1,394,743)	32,350	-	(45,392,074)
Total accumulated depreciated/amortized	(333,184,425)	(26,194,423)	428,321	-	(358,950,527)
Other capital assets – net	496,644,656	(19,956,875)	-	3,464,781	480,152,562
Total capital assets – net	$ 514,598,816	$ (13,972,580)	$ -	$ -	$ 500,626,236

Note: July 1, 2021 has been restated for GASB 96 implementation.

NOTE 5 – UNEARNED REVENUE

Unearned revenue as of June 30, 2023 and 2022 is as follows:

	2023	2022
Unearned summer school revenue and activity fees	$ 6,158,738	$ 5,486,452
Unearned grants and contracts revenue, current	6,695,907	7,954,433
Unearned grants and contracts revenue, noncurrent	21,062,665	19,303,225
Total	$ 33,917,310	$ 32,744,110

(Continued)

NOTE 6 – BONDS PAYABLE AND FINANCE PURCHASE OBLIGATIONS

Long-term liabilities as of June 30, 2023, and long-term activity for the year ended June 30, 2023 are summarized as follows:

	Balance - July 1, 2022	Additions	Reductions	Refunding	Balance - June 30, 2023	Balance Due Within One Year
Revenue bonds payable	$ 67,440,000	$ 50,530,000	$ (3,310,000)	$ -	$ 114,660,000	$ 4,320,000
General receipts refunding bonds	19,620,000	-	(2,730,000)	-	16,890,000	2,830,000
Finance purchase obligations	25,685,743	2,449,516	(631,099)	-	27,504,160	671,897
RTU lease liability	1,233,607	113,930	(643,189)	-	704,348	254,425
RTU SBITA liability	8,274,450	1,265,193	(2,194,711)	-	7,344,932	2,248,032
Unamortized bond premium	3,566,413	1,433,343	(580,591)	-	4,419,165	532,309
	$ 125,820,213	$ 55,791,982	$(10,089,590)	$ -	$ 171,522,605	$ 10,856,663

Restated Long-term liabilities as of June 30, 2022, and restated 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	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 purchase 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
RTU SBITA liability	9,296,679	1,262,685	(2,284,914)	-	8,274,450	2,194,711
Unamortized bond premium	4,036,587	110,577	(580,751)	-	3,566,413	508,082
	$ 135,004,292	$ 14,049,259	$(10,828,338)	$ (12,405,000)	$ 125,820,213	$ 9,358,387

General Receipts Revenue Bonds – 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.

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.

(Continued)

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

During fiscal years 2023 and 2022, $755,000 and $1,895,000 of principal and $77,500 and $172,250 of interest were paid on the bonds. The outstanding principal at June 30, 2023 and 2022 is $795,000 and $1,550,000, 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 2023 and 2022, $640,000 and $615,000 of principal and $384,394 and $408,994 of interest were paid on the bonds. Total outstanding principal at June 30, 2023 and 2022 was $9,765,000 and $10,405,000, 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 2023 and 2022, $380,000 and $610,000 of principal and $48,038 and $60,238, respectively, of interest were paid on the bonds. Total outstanding principal at June 30, 2023 and 2022 was $1,590,000 and $1,970,000, 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 2023 and 2022, $1,845,000 and $1,760,000 of principal and $1,514,406 and $1,602,406, respectively, of interest were paid on the bonds. Total outstanding principal at June 30, 2023 and 2022 was $36,245,000 and $38,090,000, 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 2023 and 2022, $825,000 and $785,000 of principal and $749,288 and $789,538 of interest were paid on the bonds. Total outstanding principal at June 30, 2023 and 2022 was $18,120,000 and $18,945,000, 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.

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, 2023, the 2009 Series A Bonds had been fully redeemed.

During fiscal years 2023 and 2022, $545,000 and $515,000 of principal and $157,450 and $183,200 of interest, respectively, were paid on these bonds. Total outstanding principal at June 30, 2023 and 2022 was $3,150,000 and $3,695,000, 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, 2023, the 2011 Series A Bonds had been fully redeemed.

(Continued)

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

During fiscal years 2023 and 2022, $1,050,000 and $0 of principal and $451,525 and $344,740 of interest, respectively, were paid on these new bonds. Total outstanding principal at June 30, 2023 and 2022 was $11,355,000 and $12,405,000, respectively.

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. During fiscal year 2023, $0 of principal and $1,467,522 of interest were paid on these bonds. Total outstanding principal at June 30, 2023 was $50,530,000.

RTU Lease Liabilities and RTU SBITA Liability – With the implementation of GASB 87 in fiscal year 2022, the University recognized additional RTU lease liability in the amount of $113,930 for 2023 and $270,997 for 2022. Associated interest costs were $11,183 and $11,037, for fiscal years 2023 and 2022, respectively. The lease liability is calculated at the present value of the remaining lease payments, with a discount range of .17% to 4.07%. The lease asset recorded is amortized over the shorter of the useful life of the asset or the lease term. These leases are used to procure the right to use equipment, facility improvements, and property.

With the implementation of GASB 96 for fiscal years 2023 and 2022 (restated), the University recognized additional RTU SBITA liability in the amount of $1,265,193 for 2023 and $1,262,685 for 2022. Associated interest costs were $77,288 and $46,767, for fiscal years 2023 and 2022 respectively. The RTU SBITA liability is calculated at present value of the remaining lease payments with a discount range of .25% to 4.06%. The lease asset recorded is amortized over the shorter of the useful life of the asset or the lease term. These types of leases are used to procure the right to use software such as the University's enterprise resource planning system, academic delivery software, procurement software, and the University's CRM software.

The principal and interest is presented in aggregate in the schedule below for both RTU lease liabilities and RTU SBITA liabilities.

The principal maturities and interest repayment requirements on RTU Lease liabilities and RTU SBITA liabilities are as follows:

	Principal	Interest	Total
Years ending June 30,			
2024	$ 2,502,458	$ 68,267	$ 2,570,725
2025	1,918,507	43,298	1,961,805
2026	1,535,235	23,243	1,558,478
2027	1,346,863	8,899	1,355,762
2028	480,607	5,751	486,358
2029-2033	94,284	22,559	116,843
2034-2038	97,292	12,471	110,033
2039-2043	74,034	2,836	76,870
	$ 8,049,280	$ 187,594	$ 8,236,874

(Continued)

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

Finance Purchase Obligations – 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. Interest only payments are being made by the University until principal payments begin 2032 through maturity in 2047.

In addition to Grand Campus and the lease of lockers for mail purposes, the University recognized an additional finance purchase in FY23 for the lease of laptops for faculty/staff. During fiscal years 2023 and 2022, $631,099 and $59,801 of principal and $3,137,478 and $2,973,407, respectively, of interest were paid on the finance lease outstanding obligations.

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

	Principal	Interest	Total
Years ending June 30,			
2024	$ 8,354,205	$ 8,495,409	$ 16,849,614
2025	7,793,988	8,201,546	15,995,534
2026	8,028,780	7,936,362	15,965,142
2027	7,654,544	7,651,856	15,306,400
2028	7,516,739	7,394,053	14,910,792
2029-2033	36,741,638	33,308,948	70,050,586
2034-2038	33,456,489	25,269,135	58,725,624
2039-2043	18,288,057	18,770,499	37,058,556
2044-2048	24,512,688	10,994,903	35,507,591
2049	11,126,197	1,134,662	12,260,859
	$ 163,473,325	$ 129,157,373	$ 292,630,698

Assets under finance purchase obligations totaled $27,504,160 and $25,685,743 with accumulated depreciation of $6,450,810 and $5,046,875 at June 30, 2023 and 2022, respectively. This includes Grand Campus Properties, mail lockers and laptop leases.

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 94, *Public-Private and Public-Public Partnerships and Availability Payment 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, 2023, and 2022, the buildings had a net book value of $60,589,521 and $62,367,209 and the service concession had a carrying balance of $56,886,005 and $59,256,255, 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, 2023 and 2022 are as follows:

	2023	2022
Inventories	$ 325,282	$ 426,166
Outstanding encumbrances	1,576,278	895,072
Departmental commitments	6,990,607	4,079,269
Designated projects and contingency reserves	33,433,873	46,185,990
Health care self-insurance reserve	3,000,000	3,000,000
Auxiliary working capital	(1,025,799)	2,082,198
University capital projects	1,000,000	1,000,000
KTRS Pension	(84,344,129)	(94,162,678)
KERS Pension	(143,037,588)	(124,902,084)
KTRS OPEB	(21,651,029)	(22,614,801)
KERS OPEB	(18,799,944)	(26,641,562)
Total	$ (222,532,449)	$ (210,652,430)

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, 2023 and 2022 was $22,876,766 and $21,330,594, respectively.

The portion of the RUETF endowment representing the value of the funding received from the Kentucky General Assembly, plus unexpended earnings thereon, was $20,679,052 and $19,282,619 as of June 30, 2023 and 2022, 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, 2023 and 2022 was $2,197,714 and $2,047,975, 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.

(Continued)

NOTE 10 – RELATED-PARTY TRANSACTIONS (Continued)

	2023	2022
Funds disbursed by the University on behalf of the Foundation:		
For employee salaries and benefits	$ 692,938	$ 637,915
For other expenses	2,832,397	2,435,863
For scholarships	1,915,007	1,830,140
Funds held by the Foundation on behalf of or for the benefit of the University as of June 30	22,876,766	21,330,594
Funds due to the University by the Foundation	119,047	324,268

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.

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)

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

	Tier 1 Participation Prior to July 1, 2008	**Tier 2** Participation on or After July 1, 2008
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)

Tier 3
Members on and after January 1, 2022

Condition for Retirement: Attainment of age 57 and 10 years of service or attainment of age 65 and 5 years of service.

Amount of Allowance

Foundational Benefit The annual foundational benefit for non-university members is equal to service times a multiplier times final average salary. The multiplier for non-university members is shown in the following table:

	Years of Service			
Age	5-9.99	10-19.99	20-29.99	30 or more
57-60	-	1.70%	1.95%	2.20%
61	-	1.74%	1.99%	2.24%
62	-	1.78%	2.03%	2.28%
63	-	1.82%	2.07%	2.32%
64	-	1.86%	2.11%	2.36%
65 and over	1.90%	1.90%	2.15%	2.40%

The multiplier for university members is shown in the following table:

	Years of Service			
Age	5-9.99	10-19.99	20-29.99	30 or more
57-60	-	0.70%	0.95%	1.20%
61	-	0.74%	0.99%	1.24%
62	-	0.78%	1.03%	1.28%
63	-	0.82%	1.07%	1.32%
64	-	0.86%	1.11%	1.36%
65 and over	0.90%	0.90%	1.15%	1.40%

The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

Supplemental Benefit The annual supplemental benefit is equal to the account balance which includes member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance as a lump sum either at the time of retirement or at a later date.

Condition for Allowance Totally and permanently incapable of being employed as a teacher and under age 60 but after completing 5 years of service.

Amount of Allowance The disability allowance is equal to the greater of the service retirement allowance or 60% of the member's final average salary. The disability allowance is payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer. After the disability entitlement period has expired and if the member remains disabled, he will be retired under service retirement. The service retirement allowance will be computed with service credit given for the period of disability retirement. The allowance will not be less than $6,000 per year. The service retirement allowance will not be reduced for commencement of the allowance before age 60 or the completion of 27 years of service.

(Continued)

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

	Tier 3
	Members on and after January 1, 2022
Benefits Payable on Separation from Service	Any member who ceases to be in service is entitled to receive his contributions with allowable interest. A member who has completed 5 years of creditable service and leaves his contributions with the System may be continued in the membership of the System after separation from service, and file application for service retirement after the attainment of age 60.
Life Insurance	A separate Life Insurance fund has been created as of June 30, 2000 to pay benefits on behalf of deceased TRS active and retired members..

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, 2023 and 2022, University employees were required to contribute from 8.185% to 9.775% of their annual covered salary for retirement benefits. The University was contractually required to contribute 15.87% (13.055% allocated to pension, 2.780% allocated to medical insurance and 0.03% allocated to life insurance) of covered payroll for the fiscal years ended June 30, 2023 and 2022. 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, 2023 and 2022. Total current year contributions recognized by the Plan were $8,544,966 ($7,178,708 related to pension and $1,366,258 related to OPEB) for the year ended June 30, 2022. For the year ended June 30, 2021, total contributions recognized by the Plan were $8,778,093 ($7,520,063 related to pension and $1,258,030 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 $9,517,242 and $7,450,917, respectively, for the years ended June 30, 2023 and 2022.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2023 and 2022, 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:

	2023	2022
University's proportionate share of the net pension liability	$ 99,234,802	$ 86,071,894
Commonwealth of Kentucky's proportionate share of the net pension liability associated with the University	128,957,429	90,868,704
	$ 228,192,231	$ 176,940,598

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, 2023 and 2022, University's proportion was 0.56% and 0.69%, respectively, and the Commonwealth of Kentucky's proportion associated with the University was 0.73% and 0.63%, respectively.

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

For the year ended June 30, 2023 and 2022, the University was allocated pension expense of $(9,818,549) and $(31,399,837) and revenue of $2,734,437 and $15,603,356 respectively. At June 30, 2023 and 2022, 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
2023		
Net difference between projected and actual earnings on investments	$ (3,445,382)	$ -
Change in assumptions	9,000,726	-
Differences between expected and actual experience	6,323,814	-
Changes in proportionate share of contributions	4,865,750	9,032,945
	16,744,908	9,032,945
Contributions subsequent to the measurement date	7,178,708	-
	$ 23,923,616	$ 9,032,945
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

At June 30, 2023, the University reported $7,178,708 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, 2023, related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	$ 2,254,600
2025	2,898,778
2026	(2,872,977)
2027	5,431,562
	$ 7,711,963

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 cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25.4 years
Inflation	3.00%
Salary increases	3.50% - 7.30%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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, 2023	
Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	40.00%	4.50%
Non U.S. Equity	22.00	5.35
Fixed Income	15.00	(0.10)
Additional Categories*	7.00	1.95
Real Estate	7.00	4.00
Private Equity	7.00	6.90
Cash	2.00	(0.30)
Total	100.00%	

	June 30, 2022	
Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	40.00%	4.45%
Non U.S. Equity	22.00	5.35
Fixed Income	15.00	(0.10)
Additional Categories*	7.00	1.95
Real Estate	7.00	4.00
Private Equity	7.00	6.90
Cash	2.00	(0.30)
Total	100.00%	

(Continued)

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

*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.

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, 2023 and 2022, 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, 2023		
	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Proportionate share of the Collective Net Pension Liability *(in thousands)*	$ 126,802	$ 99,235	$ 76,481

	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

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.

(Continued)

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

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, 2023 and 2022, the University contributed $1,347,606 and $1,241,600 to the KTRS medical insurance plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At June 30, 2023 and 2022, the University reported a liability of $26,486,000 and $15,947,000 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, 2023 and 2022, the University's proportion was 1.07% and .74% and the Commonwealth of Kentucky's proportion associated with the University was .07% and .33% 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:

	2023	2022
University's proportionate share of the net OPEB liability	$ 26,486,000	$ 15,947,000
State's proportionate share of the net OPEB liability associated with the University	1,664,000	7,171,000
Total	$ 28,150,000	$ 23,118,000

(Continued)

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

For the year ended June 30, 2023 and 2022, the University was allocated OPEB expense of ($961,006) and ($2,274,745) and revenue of $1,273,000 and $283,000 for support provided by the State. At June 30, 2023 and 2022, 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
2023		
Difference between expected and actual experience	$ -	$ 11,134,000
Changes of assumptions	5,379,000	-
Net difference between projected and actual earnings on OPEB plan investments	1,408,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	9,169,000	865,000
	15,956,000	11,999,000
University contributions subsequent to the measurement date	1,347,606	-
Total	$ 17,303,606	$ 11,999,000
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

Of the total amount reported as deferred outflows of resources related to OPEB, $1,347,606 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, 2023. 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:	
2024	$ (394,000)
2025	(104,000)
2026	192,000
2027	1,931,000
2028	1,673,000
Thereafter	659,000
	$ 3,957,000

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

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.

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, 2023		June 30, 2022	
	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%	5.10%
Fixed income	9.00	(0.10)	9.00	(0.10)
Real Estate	6.50	4.00	6.50	4.00
Private Equity	8.50	6.90	8.50	6.90
Additional Categories: High Yield	8.00	1.70	8.00	1.70
Other Additional Categories*	9.00	2.20	9.00	2.20
Cash (LIBOR)	1.00	(0.30)	1.00	(0.30)
Total	100.00%		100.00%	

(Continued)

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

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 2022. 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.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.10%. 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, 2023		
	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
University's net OPEB liability (MI) *(in thousands)*	$ 33,231	$ 26,486	$ 20,902

	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

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, 2023		
	1% Decrease	Current Trend Rate	1% Increase
University's net OPEB liability *(in thousands)*	$ 19,856	$ 26,486	$ 34,732

(Continued)

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

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

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, 2023 and 2022, the University contributed $21,365 and $16,599 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, 2023 and 2022, the University reported a liability of $506,000 and $219,000 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, 2023 and 2022, the University's proportion was 1.63% and 1.67%.

For the years ended June 30, 2023 and 2022, the University was allocated OPEB expense of $(2,766) and $109. At June 30, 2023 and 2022, 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
2023		
Difference between expected and actual experience	$ 9,000	$ 62,000
Changes of assumptions	-	69,000
Net difference between projected and actual earnings on OPEB plan investments	140,000	-
Changes in proportion and differences between University contributions and proportionate share of contributions	21,000	24,000
	170,000	155,000
University contributions subsequent to the measurement date	21,365	-
Total	$ 191,365	$ 155,000

(Continued)

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

	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

Of the total amount reported as deferred outflows of resources related to OPEB, $21,365 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, 2023. 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:	
2024	$ (1,000)
2025	(6,000)
2026	(11,000)
2027	54,000
2028	(15,000)
Thereafter	(6,000)
	$ 15,000

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.

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

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.

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, 2023		June 30, 2022	
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%	4.40%
International Equity	23.00	5.60	23.00	5.60
Fixed income	18.00	(0.10)	18.00	(0.10)
Real Estate	6.00	4.00	6.00	4.00
Private Equity	5.00	6.90	5.00	6.90
Other Additional Categories**	6.00	2.10	6.00	2.10
Cash (LIBOR)	2.00	(0.30)	2.00	(0.30)
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 7.1% long-term rate of return.*

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.10%. 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:

(Continued)

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

	June 30, 2023		
	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
University's net OPEB (LI) liability *(in thousands)*	$ 784	$ 506	$ 286

	June 30, 2022		
	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
University's net OPEB (LI) liability *(in thousands)*	$ 501	$ 219	$ (14)

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.

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.

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

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

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, 2023 and 2022, participating employers in the Nonhazardous plan contributed 9.97% (7.82% allocated to pension and 2.15% allocated to OPEB) as set by KRS, respectively, of each Nonhazardous employee's creditable compensation. For the fiscal years ended June 30, 2023 and 2022, participating employers in the Hazardous plan contributed 31.82% (31.82% allocated to pension and 0.00% allocated to OPEB) and 33.43% (allocated completely to pension) for 2022 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, 2023 and 2022. Total current year contributions recognized by the Plan were $12,060,548 ($9,459,728 related to pension and $2,600,820 related to OPEB) and $1,788,164 ($1,484,176 related to pension and $303,988 related to OPEB) for the years ended June 30, 2023 and 2022. The OPEB contribution amounts do not include the implicit subsidy reported in the amount of $0.00 and $434,534 for years ended June 30, 2023 and 2022.

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, 2020 and 2019. This valuation used the following actuarial methods and assumptions applied to all prior periods included in the measurement:

Valuation date	June 30, 2020 and 2020 (Hazardous)
Experience study	July 1, 2013 – June 30, 2018
Actuarial cost method	Entry age normal
Amortization period	Level percent of pay
Remaining amortization period	30 year closed period beginning June 20, 2019
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 15.30%, 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.

(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.

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

(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, 2023	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	16.25%	4.45%
Non-US Equity	16.25	4.45
Private Equity	7.00	10.15
Specialty Credit/High Yield	15.00	2.28
Core Bonds	20.50	0.28
Cash	5.00	(0.91)
Real Estate	10.00	3.67
Real Return	10.00	4.07
Total	100.00%	

Hazardous

	June 30, 2023	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.75%	4.45%
Non-US Equity	21.75	4.45
Private Equity	10.00	10.15
Specialty Credit/High Yield	15.00	2.28
Core Bonds	10.00	0.28
Cash	1.50	(0.91)
Real Estate	10.00	3.67
Real Return	10.00	4.07
Total	100.00%	

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

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%	

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:

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

	June 30, 2023		
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
The University's net pension liability - Non-hazardous *(in thousands)*	$ 179,076	$ 155,696	$ 136,445

	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

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, 2023		
	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
The University's net pension liability – Hazardous *(in thousands)*	$ 4,803	$ 3,635	$ 2,689

	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

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 $155,696,376, or approximately 1.17% as of June 30, 2023 and $156,043,648, or approximately 0.64% as of June 30, 2022. The University's proportionate share of the Hazardous net pension liability, as indicated in the prior table, is $3,635,195, or approximately 0.72% as of June 30, 2022 and $3,159,231, or 0.70% as of June 30, 2021. The net pension liabilities were distributed based on 2022 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.

(Continued)

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

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 $18,231,640 and $(11,726,804) related to the KERS Non-Hazardous and $(96,136) and $4,462 related to the KERS Hazardous for the years ended June 30, 2023 and 2022, respectively.

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:

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

Non-hazardous	Deferred Outflows of Resources	Deferred Inflows of Resources
2023		
Difference between expected and actual experience	$ -	$ 182,394
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	3,673,825	242,526
Differences between expected and actual investment earning on plan investments	603,405	-
	4,277,230	424,920
Contributions subsequent to the measurement date	11,867,647	-
Total	$ 16,144,877	$ 424,920
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

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $11,867,647 will be recognized as a reduction of net pension liability in the year ending June 30, 2023. 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:	
2024	$ 3,250,182
2025	(8,601)
2026	(152,250)
2027	762,979
	$ 3,852,310

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

Hazardous

	Deferred Outflows of Resources	Deferred Inflows of Resources
2023		
Difference between expected and actual experience	$ 31,556	$ 65,297
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate shares of contributions	32,370	-
Differences between expected and actual investment earning on plan investments	153,702	-
	217,628	65,297
Contributions subsequent to the measurement date	421,697	-
Total	$ 639,325	$ 65,297
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

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $421,697 will be recognized as a reduction of net pension liability in the year ending June 30, 2023. 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:	
2024	$ 23,480
2025	13,189
2026	(35,230)
2027	150,892
	$ 152,331

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

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

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, 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.

(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.

(Continued)

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

(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, 2023	
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, 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%	

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:

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

	June 30, 2023		
	1% Decrease (4.72%)	Current Discount Rate (5.72%)	1% Increase (6.72%)
The University's Net OPEB liability – Non-hazardous *(in thousands)*	$ 13,212	$ 11,036	$ 9,033

	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

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, 2023		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB liability – Non-hazardous *(in thousands)*	$ 9,073	$ 11,036	$ 13,143

	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

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, 2023		
	1% Decrease (4.59%)	Current Discount Rate (5.59%)	1% Increase (6.59%)
The University's Net OPEB liability – Hazardous *(in thousands)*	$ 655	$ 54	$ (433)

	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)

(Continued)

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

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, 2023		
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
The University's Net OPEB liability – Hazardous *(in thousands)*	$ (386)	$ 55	$ 590

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

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 $11,035,887 or approximately 0.50% as of June 30, 2023 and $23,623,902, or approximately 1.04% as of June 30, 2022. The University's proportionate share of the Hazardous net OPEB liability, as indicated in the prior table, is $54,626 or approximately 0.72% as of June 30, 2023 and $81,701 or approximately 0.71% as of June 30, 2022. The net OPEB liabilities were distributed based on 2020 and 2019 actual employer contributions to the plan.

Measurement Date: June 30, 2020 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.

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

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 $(7,991,374) related to the KERS Non-Hazardous and $149,755 related to the KERS Hazardous for the year ended June 30, 2023, and $(3,576,830) related to the KERS Non-Hazardous and $106,536 related to the KERS Hazardous for the year ended June 30, 2022.

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
2023		
Difference between expected and actual experience	$ 268,887	$ 883,931
Change of assumptions	620,325	732,162
Changes in proportion and differences between employer contributions and proportionate shares of contributions	3,644,190	12,271,556
Differences between expected and actual investment earning on plan investments	225,613	-
	4,758,565	13,887,649
Contributions subsequent to the measurement date	1,462,726	-
Total	$ 6,221,291	$ 13,887,649
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

(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 $1,462,726, which includes the implicit subsidy reported of $220,296, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2023. 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:	
2024	$ (4,940,246)
2025	(2,649,395)
2026	(1,717,820)
2027	178,377
	$ (9,129,084)

Hazardous

	Deferred Outflows of Resources	Deferred Inflows of Resources
2023		
Difference between expected and actual experience	$ 68,070	$ 224,929
Change of assumptions	580,367	527,448
Changes in proportion and differences between employer contributions and proportionate shares of contributions	-	32,583
Differences between expected and actual investment earning on plan investments	68,317	-
	716,754	784,960
Contributions subsequent to the measurement date	25,132	-
Total	$ 741,886	$ 784,960
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

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

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of $0 which include the implicit subsidy of $25,132, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2023. 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:	
2024	$ 14,807
2025	(21,383)
2026	(96,410)
2027	34,780
2028	
	$ (68,206)

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

Summary Pension Plan Information:

Summary Pension Plan Information as of June 30, 2023 and 2022:

	KERS	KTRS	Total
2023			
Net pension liability	$ 159,331,571	$ 99,234,802	$ 258,566,373
Deferred outflows of resources	16,784,202	23,923,616	40,707,818
Deferred inflows of resources	490,217	9,032,945	9,523,162
Pension expense adjustments	18,135,504	(9,818,549)	8,316,955
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)

Summary OPEB Plan Information:

Summary OPEB Plan Information as of June 30, 2023 and 2022:

	KERS	KTRS	Total
2023			
Net OPEB liability	$ 11,090,513	$ 26,992,000	$ 38,082,513
Deferred outflows of resources	6,963,177	17,494,971	24,458,148
Deferred inflows of resources	14,672,609	12,154,000	26,826,609
OPEB expense adjustments	(7,841,619)	(963,771)	(8,805,390)
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)

(Continued)

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.

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, 2023 and 2022 totaled $15,810,677 and $13,961,251, respectively. Administrative fees incurred for the years ended June 30, 2023 and 2022 were $870,808 and $559,617, respectively. Self-insurance liability is recorded within accrued salaries and benefits on the statement of net position.

Changes in the liability for self-insurance at June 30, 2023 and 2022 are as follows:

	2023	2022
Liability – beginning of year	$ 1,399,610	$ 2,934,157
Accruals for current year claims and changes in estimate	13,407,881	12,628,163
Claims paid	(15,810,677)	(13,961,251)
Other costs	1,751,632	(201,459)
Liability – end of year	$ 748,446	$ 1,399,610

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Construction Commitments – The estimated cost to complete construction projects under contract at June 30, 2023 and 2022, is approximately $170,048,159 and $9,710,190, 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, 2023 and 2022 (Restated) are as follows:

	2023	2022
Salaries and wages	$ 118,353,399	$ 114,561,986
Employee benefits	46,560,953	46,544,968
Supplies and other services	72,370,363	69,374,186
Travel	4,185,462	3,273,598
Depreciation	26,846,913	26,194,423
Student scholarships and financial aid	22,693,103	30,343,180
Utilities	10,006,531	8,927,488
Pension expense adjustments	8,316,955	(43,122,179)
OPEB expense adjustments	(8,805,390)	(5,744,929)
Other operating expenses	3,677,473	3,521,925
Total	$ 304,205,762	$ 253,874,646

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.

(Continued)

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

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

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 $897,000 and $1,051,000 as of June 30, 2023 and 2022, 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.

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, 2023 and 2022.

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:

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

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

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)*.

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 0.47% to 5.17%). 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.

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

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

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, 2023, and 2022.

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, 2023, and 2022**.**

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 $17,800,000 and $15,200,000 as of June 30, 2023, and 2022, 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 February 2016, the Financial Accounting Standards Board (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. Using the optional transition method, the Foundation adopted the provisions of ASU 2016-02 as of and for the year ended June 30, 2023 with no material impact on the Foundation's financial statements.

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. Currently, the Foundation does not anticipate a material impact to the financial statements upon the adoption of ASU 2016-13.

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, 2023. 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.

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

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.

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, 2023 and 2022:

	2023	2022
Financial assets		
Cash and cash equivalents	$ 11,708,900	$ 12,932,518
Investments	92,959,875	82,304,709
Pledges receivable – net	1,817,232	655,408
	106,486,007	95,892,635
Less amounts not available to be used within one year or amounts not available without Board approval		
Assets held for others	(22,876,766)	(21,330,594)
Board designated endowment net assets	(11,150,498)	(9,590,040)
Donor restricted net assets for use in future periods	(32,753,020)	(28,722,065)
Donor restricted net assets in perpetuity	(39,456,526)	(35,034,154)
Endowment spend/appropriations	2,960,635	3,256,980
	$ 3,209,832	$ 4,472,762

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.

(Continued)

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, 2023 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	$ 3,328,487	$ 3,328,487	$ -	$ -
Banker's acceptances	4,187,475	-	4,187,475	-
Equities	61,508,051	61,508,051	-	-
Fixed income	23,038,491	23,038,491	-	-
Alternatives				
Limited partnerships	897,371	-	-	897,371
Totals	$ 92,959,875	$ 87,875,029	$ 4,187,475	$ 897,371

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
Totals	$ 82,304,709	$ 78,292,723	$ 2,960,959	$ 1,051,027

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.

The fair value of banker's acceptances is determined using a yield curve matrix derived from quoted prices for similar assets in active markets and 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 a national securities exchange, 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, 2023 relative to alternative investments:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships	$ 897,371	$ 552,913	fund 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 affect 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, 2023 and 2022 activity with respect to the investments reflected as Level 3 is as follows:

	2023	2022
Beginning of year	$ 1,051,027	$ 1,156,014
Net realized and unrealized (losses) gains on investments included in the change in net assets	(90,094)	60,769
Net sales of investments	(63,562)	(165,756)
End of year	$ 897,371	$ 1,051,027

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

D. ENDOWMENT

The Foundation's endowment consists of approximately 490 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.

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

D. ENDOWMENT (Continued)

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

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, 2023, the fair value of funds with deficiencies total approximately $4,200,000. At June 30, 2023, such funds are below the "historic dollar value" level the Foundation is required to preserve as a fund of perpetual duration by approximately $400,000. 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.

At June 30, 2023, endowment funds consist of the following:

	Without Donor Restrictions	With Donor Restrictions: Purpose Restrictions	With Donor Restrictions: In Perpetuity	Total
Board designated	$ 11,150,498	$ -	$ -	$ 11,150,498
Donor restricted	-	22,549,555	38,626,624	61,176,179
Totals	$ 11,150,498	$ 22,549,555	$ 38,626,624	$ 72,326,677

(Continued)

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

D. ENDOWMENT (Continued)

Changes in endowment funds for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	In Perpetuity	Total
Beginning of year	$ 9,590,040	$ 19,478,719	$ 34,997,954	$ 64,066,713
Contributions	464,130	77,809	3,628,670	4,170,609
Investment return				
Net investment income	157,216	1,715,836	-	1,873,052
Net realized and unrealized appreciation	1,053,320	4,507,870	-	5,561,190
Appropriation of endowment assets for expenditure	(114,208)	(3,230,679)	-	(3,344,887)
End of year	$ 11,150,498	$ 22,549,555	$ 38,626,624	$ 72,326,677

At June 30, 2022, endowment funds 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
Totals	$ 9,590,040	$ 19,478,719	$ 34,997,954	$ 64,066,713

(Continued)

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

D. ENDOWMENT (Continued)

Changes in endowment funds 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 depreciation	(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

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, 2023, net pledges receivable consists of the following:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	In Perpetuity	Total
Current pledges receivable				
Estimated to be collected in less than one year	$ 800	$ 312,870	$ 276,017	$ 589,687
Less allowance	-	(25,000)	(22,100)	(47,100)
	$ 800	$ 287,870	$ 253,917	$ 542,587
Long-term pledges receivable				
Estimated to be collected in one to five years	$ 800	$ 822,260	$ 694,785	$ 1,517,845
Estimated to be collected thereafter	-	-	-	-
Less allowance	(100)	(65,800)	(55,600)	(121,500)
Less discounts to net present value	-	(58,500)	(63,200)	(121,700)
	$ 700	$ 697,960	$ 575,985	$ 1,274,645
Totals	$ 1,500	$ 985,830	$ 829,902	$ 1,817,232

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

	Without Donor Restrictions	With Donor Restrictions		
		Purpose 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
Totals	$ 2,500	$ 616,708	$ 36,200	$ 655,408

(Continued)

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

F. PROPERTY AND EQUIPMENT

At June 30, 2023 and 2022, net property and equipment consists of the following:

	2023	2022
Land	$ 250,000	$ 250,000
Buildings and building improvements	600,000	600,000
	850,000	850,000
Less accumulated depreciation	(203,348)	(189,223)
Total property and equipment - net	$ 646,652	$ 660,777

Depreciation expense for each of the years ended June 30, 2023 and 2022 totals approximately $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, 2023 and 2022 totaling $265,279 and $277,087, 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 15.C.).

The years ended June 30, 2023 and 2022 activity with respect to deferred gift liabilities is as follows:

	2023	2022
Beginning of year	$ 277,087	$ 324,942
New deferred gifts	-	15,000
Payment obligations	(42,972)	(45,455)
Net reduction attributable to death of donors	-	(27,702)
Net actuarial change	31,164	10,302
End of year	$ 265,279	$ 277,087

At June 30, 2023 and 2022, investments relative to such deferred gift liabilities total $806,797 and $770,564, 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, 2023 and 2022, assets held for others consist of the following:

	2023	2022
Regional University Endowment Trust Fund	$ 20,679,052	$ 19,282,619
Programs of Distinction	2,197,714	2,047,975
Total assets held for others	$ 22,876,766	$ 21,330,594

I. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023 and 2022, net assets with donor restrictions consist of the following:

	2023	2022
Subject to expenditure for specified purposes		
Scholarships program	$ 4,727,896	$ 5,281,531
Academic programs	5,051,519	6,043,532
Athletic programs	618,775	744,451
Capital projects	1,291,812	1,195,651
Other	21,063,018	15,456,900
Total net assets with donor restrictions - purpose restrictions	32,753,020	28,722,065
Endowment to be maintained in perpetuity		
Scholarships program	28,948,286	25,780,661
Academic programs	9,536,527	8,506,240
Athletic programs	34,799	30,000
Capital projects	450,135	450,135
Other	486,779	267,118
Total net assets with donor restrictions - perpetual in nature	39,456,526	35,034,154
Total net assets with donor restrictions	$ 72,209,546	$ 63,756,219

(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, 2023 and 2022:

	2023	2022
Purposes restrictions satisfied/time restrictions expired		
Scholarships program	$ 1,706,475	$ 1,716,451
Academic programs	1,647,341	1,165,966
Athletic programs	767,947	919,371
Capital projects	152,928	302,988
Other support for the University	711,466	391,731
Total net assets released from restrictions	$ 4,986,157	$ 4,496,507

K. FUNCTIONAL EXPENSE CLASSIFICATION

The Foundation's expenses by functional classification for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Program services - support for the University		
Scholarships program	$ 1,915,007	$ 1,830,140
Academic programs	1,229,383	1,106,558
Athletic programs	714,705	923,675
Capital projects	351,060	331,775
Other	1,461,910	1,177,423
Depreciation	14,124	14,124
Total program services - support for the University	$ 5,686,189	$ 5,383,695
Management and general		
Professional and consulting fees	$ 168,920	$ 130,221
Other	77,377	56,640
Total management and general	$ 246,297	$ 186,861
Total expenses	$ 5,932,486	$ 5,570,556

L. CONCENTRATIONS

At June 30, 2023, approximately 75% of total outstanding gross pledges receivable are due between three donors (approximately 40%, 25%, and 10%, respectively). At June 30, 2022, approximately 70% of total outstanding gross pledges receivable are due between two donors (approximately 40% and 30%, respectively).

(Continued)

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

L. CONCENTRATIONS (Continued)

For the year ended June 30, 2023, two donors represent approximately 30% of total contributions revenue (approximately 20% 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, 2023, the University expended $1,915,007 and $692,938 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, 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. At June 30, 2023 and 2022, the amount due to the University on the accompanying statements of financial position totals $114,462 and $320,026, respectively.

Other - At June 30, 2023 and 2022, 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 $55,167 and $226,654, respectively. Such gross pledges receivable amounts are included in the amounts reflected in Note 15.E.

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, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	2023	2022	2021	2020	2019	2018	2017	2016	2015
KERS – Non-Hazardous									
University's proportion of the net pension liability	1.17%	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	$ 155,696	$ 156,043	$ 90,233	$ 152,149	$ 197,366	$ 234,290	$ 207,489	$ 171,780	$ 144,048
University's covered payroll	$ 5,081	$ 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	3064.19%	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	18.51%	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	0.72%	0.71%	0.70%	0.72%	0.63%	0.64%	0.07%	-%	-%
University's proportionate share of the net pension liability	$ 3,635	$ 3,159	$ 3,918	$ 3,953	$ 3,169	$ 3,185	$ 275	$ -	$ -
University's covered payroll	$ 1,312	$ 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	277.13%	244.50%	310.21%	329.14%	293.70%	614.86%	-%	-%	-%
Plan fiduciary net position as a percentage of the total pension liability	61.51%	66.03%	55.18%	55.49%	56.10%	54.80%	57.41%	-%	-%
KTRS									
University's proportion of the net pension liability	0.56%	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	$ 99,235	$ 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	128,957	90,869	95,303	93,677	72,297	154,108	32,949	27,936	26,899
Total	$ 228,192	$ 176,941	$ 185,923	$ 180,127	$ 169,472	$ 347,472	$ 382,549	$ 302,653	$ 263,955
University's covered payroll	$ 55,836	$ 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	177,.72%	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	56.41%	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, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	2023	2022	2021	2020	2019	2018	2017	2016	2015
KERS – Non-Hazardous									
Contractually required contribution	$ 11,868	$ 12,083	$ 1,788	$ 3,726	$ 6,426	$ 9,038	$ 10,658	$ 9,072	$ 8,774
Contributions in relation to the contractually required contribution	(11,868)	(12,083)	(1,788)	(3,726)	(6,426)	(9,038)	(10,658)	(9,072)	(8,774)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 5,081	$ 4,694	$ 4,972	$ 8,979	$ 15,504	$ 24,966	$ 26,630	$ 29,378	$ 27,312
Contributions as a percentage of covered payroll	233.56%	257.43%	35.96%	41.49%	41.45%	36.20%	40.02%	30.88%	32.13%
KERS – Hazardous									
Contractually required contribution	$ 421	$ 434	$ 450	$ 424	$ 415	$ 311	$ 159	$ -	$ -
Contributions in relation to the contractually required contribution	(421)	(434)	(450)	(424)	(415)	(311)	(159)	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 1,312	$ 1,292	$ 1,238	$ 1,263	$ 1,201	$ 1,079	$ 518	$ -	$ -
Contributions as a percentage of covered payroll	32.15%	33.62%	36.35%	33.60%	34.55%	28.82%	30.69%	-%	-%
KTRS									
Contractually required contribution	$ 7,179	$ 7,520	$ 7,535	$ 7,136	$ 7,148	$ 8,612	$ 8,814	$ 8,843	$ 7,235
Contributions in relation to the contractually required contribution	(7,179)	(7,520)	(7,535)	(7,136)	(7,148)	(8,612)	(8,814)	(8,843)	(7,235)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 55,836	$ 55,404	$ 55,693	$ 52,805	$ 53,396	$ 88,822	$ 89,975	$ 89,598	$ 87,589
Contributions as a percentage of covered payroll	12.86%	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.

(Continued)

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: 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.

2022: There have been no assumption changes since June 30, 2021.

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.

(Continued)

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.

(Continued)

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.

2022:

Changes in Assumptions and Benefit Terms Since Prior Measurement Date -- On January 1, 2022, KTRS introduced KTRS Tier 4 for new members starting membership after January 1, 2022. Tier 4 is a comprehensive retirement plan that includes a foundational benefit, a supplemental benefit which is a savings component, and retiree health insurance.

EASTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2023, 2022, 2021, 2020, 2019 and 2018

	2023	2022	2021	2020	2019	2018
KERS – Non-Hazardous						
University's proportion of the net OPEB liability	0.50%	1.04%	0.64%	1.07%	1.45%	1.75%
University's proportionate share of the net OPEB liability	$ 11,036	$ 23,624	$ 16,174	$ 23,948	$ 34,368	$ 44,378
University's covered payroll	$ 5,081	$ 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	217.19%	503.32%	180.13%	154.46%	137.66%	166.65%
Plan fiduciary net position as a percentage of the total OPEB liability	38.15%	38.38%	29.47%	30.92%	27.32%	24.40%
KERS – Hazardous						
University's proportion of the net OPEB liability	0.72%	0.71%	0.70%	0.72%	0.63%	0.64%
University's proportionate share of the net OPEB liability (asset)	$ 55	$ (82)	$ 299	$ (194)	$ (208)	$ 39
University's covered payroll	$ 1,312	$ 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	4.16%	(6.32)%	23.66%	(16.14)%	(19.28)%	7.53%
Plan fiduciary net position as a percentage of the total OPEB liability	98.72%	101.85%	92.42%	105.29%	106.83%	98.80%
KTRS – Medical Insurance						
University's proportion of the net OPEB liability	1.07%	0.74%	0.72%	0.73%	0.73%	0.79%
University's proportionate share of the net OPEB liability	$ 26,486	$ 15,947	$ 18,073	$ 21,503	$ 25,293	$ 28,232
State's proportionate share of the net OPEB liability associated with the University	1,664	7,171	7,967	9,592	12,379	12,803
Total	$ 28,150	$ 23,118	$ 26,040	$ 31,095	$ 37,672	$ 41,035
University's covered payroll	$ 55,836	$ 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	47.44%	28.78%	34.23%	40.27%	28.48%	31.38%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.74%	39.05%	32.58%	25.50%	21.18%
KTRS – Life Insurance						
University's proportion of the net OPEB liability	1.63%	1.67%	1.58%	1.60%	1.62%	1.70%
University's proportionate share of the net OPEB liability	$ 506	$ 219	$ 548	$ 498	$ 457	$ 373
University's covered payroll	$ 55,836	$ 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	0.91%	0.40%	1.04%	0.93%	0.51%	0.41%
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	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, 2023, 2022, 2021, 2020, 2019 and 2018

	2023	2022	2021	2020	2019	2018
KERS – Non-Hazardous						
Contractually required contribution	$ 1,242	$ 1,382	$ 366	$ 763	$ 1,316	$ 1,851
Contributions in relation to the contractually required contribution	(1,242)	(1,382)	(366)	(763)	(1,316)	(1,851)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 5,081	$ 4,694	$ 4,972	$ 8,979	$ 15,504	$ 24,966
Contributions as a percentage of covered payroll	24.45%	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	$ 1,312	$ 1,292	$ 1,238	$ 1,263	$ 1,201	$ 1,079
Contributions as a percentage of covered payroll	0.00%	0.00%	2.43%	2.40%	2.50%	3.06%
KTRS – Medical Insurance						
Contractually required contribution	$ 1,347	$ 1,241	$ 1,295	$ 1,216	$ 1,230	$ 1,512
Contributions in relation to the contractually required contribution	(1,347)	(1,241)	(1,295)	(1,216)	(1,230)	(1,512)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 55,836	$ 55,404	$ 55,693	$ 52,805	$ 53,396	$ 88,822
Contributions as a percentage of covered payroll	2.41%	2.24%	2.32%	2.30%	2.30%	17.02%
KTRS – Life Insurance						
Contractually required contribution	$ 21	$ 17	$ 17	$ 16	$ 16	$ 19
Contributions in relation to the contractually required contribution	(21)	(17)	(17)	(16)	(16)	(19)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 55,836	$ 55,404	$ 55,693	$ 52,805	$ 53,396	$ 88,822
Contributions as a percentage of covered payroll	0.04%	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.

(Continued)

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.

2022:

Changes in Assumptions: Non-Hazardous - The single discount rate increased from 5.26% to 5.72%.

Hazardous – The single discount rate increased from 5.01% to 5.59%.

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.

(Continued)

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, 2023, 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 7, 2023. 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 and significant deficiencies 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 7, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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, 2023. 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, 2023.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the University's financial statements as of and for the year ended June 30, 2023, and have issued our report thereon dated November 7, 2023, which contained an unmodified opinion on those financial statements. 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.

Crowe LLP

Crowe LLP

Lexington, Kentucky
February 2, 2024

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	$ 24,957,583	$ -
Federal Supplemental Educational Opportunity Grant		84.007	838,342	-
Federal Work Study Program		84.033	345,029	-
Federal Work Study Service Tutors		84.033	413	-
Federal Work Study Job Location/Development		84.033	51,360	-
Federal Perkins Loan Program		84.038	1,729,930	-
Teach Grant		84.379	16,031	-
Federal Direct Student Loans – Direct Lending		84.268	55,198,996	-
Federal Direct Student Loans - PLUS		84.268	5,347,202	-
Total Student Financial Aid Cluster			88,484,886	-
TRIO Cluster				
NOVA Student Support Services FY 21		84.042A	16,141	-
NOVA Student Support Services FY 22		84.042A	67,198	-
NOVA Student Support Services FY 23		84.042A	328,335	-
			411,674	-
Educational Talent Search FY 22		84.044A	62,987	-
Educational Talent Search FY 23		84.044A	308,746	-
			371,733	-
Upward Bound Student Support FY 22		84.047A	15,520	-
Upward Bound FY 23		84.047A	379,730	-
Upward Bound Student Support FY 23		84.047A	109,391	-
Upward Bound FY 24		84.047A	89,900	-
Upward Bound Student Support FY 24		84.047A	23,091	-
Veterans UpWard Bound Program		84.047V	219,777	-
			837,409	-
Ronald E. McNair Program - Administrative 2021		84.217A	52,941	-
Ronald E. McNair Program - Administrative 2021		84.217A	13,736	-
Ronald E. McNair Program – Administrative 2022		84.217A	135,269	-
Ronald E. McNair Program – Administrative 2022		84.217A	15,203	-
			217,149	-
Total TRIO Cluster			1,837,965	-
COVID-19 – Education Stabilization Fund				
COVID-19 Strengthening Institutions Program		84.425M	387,279	-
HEERF III – Student ARP Act of 2021		84.425E	3,199,125	-
HEERF III – Instit: ARP Act of 2021		84.425F	7,316,006	-
Total Education Stabilization Fund			10,902,410	-
Equipping the EKU Center for Stem Excellence		84.116Z	245,378	-
EKU Stud Child Care Program FY 22		84.335A	18,550	-
			263,928	-

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)				
Pass-Through Programs -				
Berea College				
GEAR UP Berea Promise Zone Colonels Now Summer	P0029752	84.334	$ 11,022	$ -
Kentucky Council on Postsecondary Education				
Mental Health Services Grant	SC 415 2000002002	84.425C	36,043	-
2022 CPE Summer Bridge Grant	SC 415 2200001303	84.425C	123,320	-
2022 GEAR UP Kentucky Summer Academy	SC 415 2200001449	84.425C	30,598	-
			189,961	-
Kentucky Department of Education				
21st Century Community Learning Centers FY 23	PON2 540 2000004618	84.287	120,427	-
21st Century Community Learning Community FY 22	PON2 540 2100002613	84.287	36,582	-
Southern Kentucky Migrant FY 22	PON2 540 2200000704	84.011A	122,195	-
Southern Migrant Education Regional Center FY 22	PON2 540 2000000700	84.011A	227,722	-
Interpreter Training Program FY 22	PON2 540 2100003687	84.027A	331,975	-
COVID: Elementary and Secondary School Emergency	PON2 540 2100002678	84.425D	10,372	-
Preparing AG Teachers for Curriculum Development on the Use of Current Technologies In Animal Sciences	PON2 540 2200003193	84.428A	21,063	-
Perkins Professional Development For Teachers 22-23	PON2 540 2200003193	84.428A	645	-
			870,981	-
University of Kentucky				
Interacting Assistive Technology Across Teacher Preparation Program	3200004673-22-233	84.325	6,995	-
Using Adaptions in Early Childhood Classrooms	3200004673-22-232	84.325	2,836	-
			9,831	-
Total U.S. Department of Education			102,570,984	-
RESEARCH AND DEVELOPMENT				
Direct Programs –				
Department of Agriculture				
Partner for Forest Inv.		10.xxx	836	-
Department of Interior				
Surveillance of bark-mimic roosts for Indiana bats at Veterans Memorial Wildlife Management		15.xxx	3,695	-
Making bat boxes a more effective mitigation tool for WNS – imperiled bats		15.657	7,576	-
			11,271	-

Federal Grant/Program Title	Pass-Through Number	Assistance Listing Number	Federal Expenditures	Provided to Subrecipients
RESEARCH AND DEVELOPMENT (Continued)				
Direct Programs (Continued) –				
National Institute of Justice				
Experimental & Numerical investigations of gypsum		16.560	$ 62,803	$ 51,035
National Science Foundation				
Collaborative Research: Heritable Plant Fungus		47.074	19,940	-
Research Assistantship for High School School Student: Disturbance Ecology in Central Appalachian		47.076	4,855	-
REU: Disturbance Ecology in Central Appalachian		47.074	85,502	
REPS Supplement to REU Site: Disturbance Ecology in Central Appalachian		47.074	4,573	-
Precision Measurements of Neutro Beta Decay to Test Fundamental Symmetric		47.049	79,945	-
Career: Advancing scientific knowledge of tropical mutualistic network science & public knowledge of tropical bee importance		47.083	91,925	-
			286,740	-
			361,650	51,035
Pass-Through Programs –				
Department of Defense				
University of Louisville Research Foundation				
Start-up Research Funding: Targeting & Crossing of ULRF	ULRF 18-0975D-02	93.859	21,300	-
Improving the biostability & target selectivity of antimicrobial peptides & carbon monoxide releasing molecules with unnatural amino acids	Agreement	93.859	43,179	-
			64,479	-
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	2,986	-
National Science Foundation				
Tulane University				
Data Management for the BL3 Experiment	TUL-SCC-560248-22/23	47.049	8,338	-

Federal Grant/Program Title	Pass-Through Number	Assistance Listing Number	Federal Expenditures	Provided to Subrecipients
RESEARCH AND DEVELOPMENT (Continued)				
Pass-Through Programs –				
University of Kentucky Research Foundation				
Acquisition of Thermal Analysis Instrumentation	3200002692-23-192	47.083	$ 74,793	$ -
Platform Creation on Robotic End Effector Design and Simulation	3200002692-21-336	47.083	1,011	-
Enhanced Robotics & Structures	3200002692-21-336	47.083	4,585	-
D3TaLES FY 23 YR 3	3200005028-21-053	47.049	22,025	-
Simulations models for KAMPERS	3200002692-21-336	47.083	1,505	-
Robotic End Effector Design YR 4 FY 23	3200002692-21-336	47.083	69,062	-
KY Advanced Manufacturing Init. YR 4 FY 23	3200002692-21-336	47.083	22,252	-
KAMPERS YR 4 FY 23	3200002692-21-336	47.083	57,816	
Development of FPGA YR 4 YR 23	3200002692-21-336	47.083	39,119	-
Liquid Based Energy Storage 2022	3200004201-21-053	47.083	4,492	-
Supplemental Funding Through UK – Dimensions US – China: Collaborative Research: Impacts of heritable plant-fungus Symbiosis on phylogenetic, Genetic and functional diversity	3200004759-22-229	47.074	16,252	-
			312,912	-
Total Research and Development			750,365	51,035
DEPARTMENT OF AGRICULTURE				
Direct Programs –				
Wetland and forest monitoring In the Daniel Boone National Forest		10.xxx	8,763	-
Partnership to support management educate DBNF		10.xxx	27,997	-
Recreation & Natural Resource Management in the Daniel Boone National Forest		10.xxx	82,100	-
Forest Resource Protection and Capacity Building		10.xxx	172	-
			119,032	-
Pass-Through Programs –				
Kentucky Cabinet for Health & Family Services				
University Training Consortium FY 22	PON2 736 2100002157	10.561	(1,076)	-
University Training Consortium FY 23	PON2 736 2200002854	10.561	675,895	-
			674,819	-
Kentucky Department of Education				
Summer Food Service Program Application	12114	10.559	4,204	-

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 State University				
Promoting Agroforestry as a sustainable/alternative	211239-206005-3100	10.216	$ 4,293	$ -
Ruffed Grouse Society & American Woodcock Society				
Monitoring Landbirds in Dynamic Forest Restoration MOA	MOA	10.902	3,203	-
Total Department of Agriculture			805,551	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through Programs –				
Kentucky Cabinet for Health & Family Services				
Strengthening Kentucky's Public Health Infrastructure	SC 728 230000593	93.354	3,121	-
Workforce Development Educational Assistance Program	SC 728 230000593	93.354	7,415	-
			10,536	
University Training Consortium FY 22	PON2 736 2100002157	93.556	161	-
University Training Consortium FY 23	PON2 736 2200002854	93.556	140,330	-
			140,491	
Center for Student Parent FY 23	SC 736 2200001806	93.558	397,451	-
University Training Consortium FY 22	PON2 736 2000001806	93.558	171	-
University Training Consortium FY 23	PON2 736 2200002854	93.558	255,373	-
			652,995	-
Covid 19: ARPA Child Care Stabilization Grant	MOA	93.575	32,871	-
University Training Consortium FY 22	PON2 736 2100002157	93.575	(512)	-
University Training Consortium FY 23	PON2 736 2200002854	93.575	202,238	-
			234,597	-
University Training Consortium FY 23	PON2 736 2000002713	93.590	526,724	-
				-
University Training Consortium FY 22	PON2 736 2100002157	93.603	3,487	-
University Training Consortium FY 23	PON2 736 2200002854	93.603	8,337	-
			11,824	-
University Training Consortium FY 22	PON2 736 2100002157	93.658	15,097	35,226
University Training Consortium FY 23	PON2 736 2200002854	93.658	2,751,108	74,807
			2,766,205	110,033
University Training Consortium FY 23	PON2 736 2200002854	93.667	20,591	-
University Training Consortium FY 22	PON2 736 2200002854	93.669	108,280	-

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 (continued)				
Medicaid Waiver Management Applications FY 23	SC 746 2200001711	93.778	$ 13,817	$ -
University Training Consortium FY 23	PON2 736 2100002157	93.778	(874)	-
University Training Consortium FY 22	PON2 736 2200002854	93.778	902,756	-
			915,699	
			5,387,942	110,033
University of Kentucky Research Foundation				
Kentucky Leadership Education In Neurodevelopmental and other related disabilities YR 2 FY 23	3200004864-23-041	93.877	27,405	-
Central Appalachian Regional Educational Research Center: MPH – Industrial Hygiene Core	3200003624-20-060	93.262	123,990	-
Central Appalachian Regional Education Research Center: Occupational Safety Core	3200003624-20-059	93.262	110,824	-
Public Health Scholarship Program	3200005145-23-086	93.516	82,204	-
Southeast Center for Agricultural Health and Injury Prevention – Ag. Community Mental Health	3210002538-23-251	93.262	9,670	-
			354,093	-
University of Louisville Research Foundation				
IDeA: KYINBRE Lead Faculty Award FY23	ULRF 18-0975D-02	93.859	19,536	-
Geriatric Workforce Enhancement Grant	ULRF 19-0740A4-07	93.969	4,249	-
			23,785	-
Total Department of Health and Human Services			5,765,820	110,033
DEPARTMENT OF HOMELAND SECURITY				
Pass-Through Programs –				
Center for Rural Development				
Rural Domestic Preparedness Consortium FY 18: Task 2	EMW-2018-CA-00075-S01	97.005	14,193	-
Rural Domestic Preparedness Consortium FY 19: Task 2	FY19-00048-S01-EKU	97.005	6,166	-
Total Department of Homeland Security			20,359	-

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 READY Corps FY 23	PON2 730 2200000025	94.006	$ 135,182	$ -
Kentucky Students for Disaster Readiness and Resiliency Corps (KY READY Corps) FY 22		94.006	35,003	-
			170,185	-
Kentucky Cabinet for Health & Family Services				
Serve Kentucky Training Services FY 23	PON2 730 2000003811	94.088	92,966	-
Total Corporation for National Community Service			263,151	-
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
Pass-Through Programs –				
University of Kentucky				
Live, Interactive Shows Hummel Plan	3200003095-22-056	43.001	9,685	-
Total National Aeronautics and Space Administration			9,685	-
DEPARTMENT OF INTERIOR				
Direct Programs –				
Macroinvertebrates Jennings' Brach: A Prestortation Assessment		17.xxx	1,250	-
Pass-Through Programs:				
Save the Children				
Workforce Opportunity for Rural Communities – Early Childhood Education Career Pathways	999003663	17.280	38,330	-
Total Department of Interior			39,580	-
Department of Transportation				
Pass-Through Programs –				
Kentucky Transportation Cabinet				
Summit Street sidewalks and Lighting	07-3039	20.205	10,496	-
Total Department of Transportation			10,496	-

See accompanying notes to schedule of expenditures of federal awards.

EASTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Federal Grant/Program Title	Pass-Through Number	Assistance Listing Number	Federal Expenditures	Provided to Subrecipients
Department of Treasury				
Pass-Through Programs –				
Kentucky Council on Postsecondary Education				
Eastern Kentucky University Clinical Skills Laboratory & Simulation CenterProject Funding Request	SC 415 230000383	21.027	$ 250,394	$ -
Total Department of Treasury			250,394	-
US EMBASSY BRASILIA PUBLIC AFFAIRS				
Cultural Exchange: A Cross-Musical Between The Federal University of Amazonas and EKU		19.040	12,365	4,153
Total US Embassy Brasilia Public Affairs			12,365	4,153
Total Federal Expenditures			$ 110,498,750	$ 165,221

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	$ 11,102,743
Twenty-First Century Community Learning Centers	84.287	157,009
Migrant Education-State Grant Program	84.011	349,917
Augustus F. Hawkins Centers of Excellence – Teacher Preparation and Development	84.428	21,708
Collaborative Research	47.074	126,267
Mathematical and Physical Sciences	47.049	110,308
Integrative Activities	47.083	366,560
Central Appalachian Regional Education Research Center	93.262	244,484

See accompanying notes to schedule of expenditures of federal awards.

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, 2023 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, 2023. 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, 2023, the University's outstanding Perkins loan balance is $1,245,805.

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
	Student Financial Assistance Cluster:
84.063	Federal Pell Grant Program
84.007	Federal Supplemental Educational Opportunity Grant Program
84.033	Federal Work Study Program
84.038	Federal Perkins Loan Program
84.379	TEACH Grant
84.268	Federal Direct Student Loans
	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)
93.778	Medicaid Cluster
	Research and Development Cluster:
10.xxx	US Department of Agriculture
15.xxx	US Department of the Interior
15.657	Endangered Species Recovery Implementation
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants
47.049	Mathematical and Physical Sciences
47.074	Biological Sciences
47.076	STEM Education (formerly Education and Human Resources)
47.083	Integrative Activities
66.461	Regional Wetland Program Development Grants
93.859	Biomedical Research and Research Training

(Continued)

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000			
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.