

2020 ANNUAL **FINANCIAL REPORT**

July 1, 2019 - June 30, 2020

KU

TABLE OF CONTENTS

Kansas Board of Regents and Officers	1
Management’s Discussion and Analysis	2
Statement of Net Position	18
KU Endowment – Consolidated Statements of Financial Position	20
Statement of Revenues, Expenses, and Changes in Net Position	22
KU Endowment – Consolidated Statements of Activities	24
Statement of Cash Flows	26
Notes to Financial Statements	28

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis has been prepared by management to provide an overview of the financial performance of the University of Kansas and its affiliated corporations (collectively referred to as "KU") based on currently known facts, decisions, and conditions and is designed to assist readers in understanding the accompanying financial statements and footnotes. KU's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. KU's financial statements, related footnote disclosures, and discussion and analysis have been prepared by KU's management in accordance with Government Accounting Standards Board (GASB) principles.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of KU at a point in time (at the end of the fiscal year). Its purpose is to present a financial snapshot of KU. The Statement of Net Position includes all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting. Under the accrual basis of accounting, revenues and assets are recognized when the service is provided by KU and expenses and liabilities are recognized when others provide the service to KU, regardless of when cash is received or paid.

Within the Statement of Net Position, assets and liabilities are further classified as current or non-current. The current classification distinguishes those assets which are highly liquid and available for immediate and unrestricted use by KU, and those liabilities likely to be settled in the next 12 months.

Condensed Consolidated Statement of Net Position

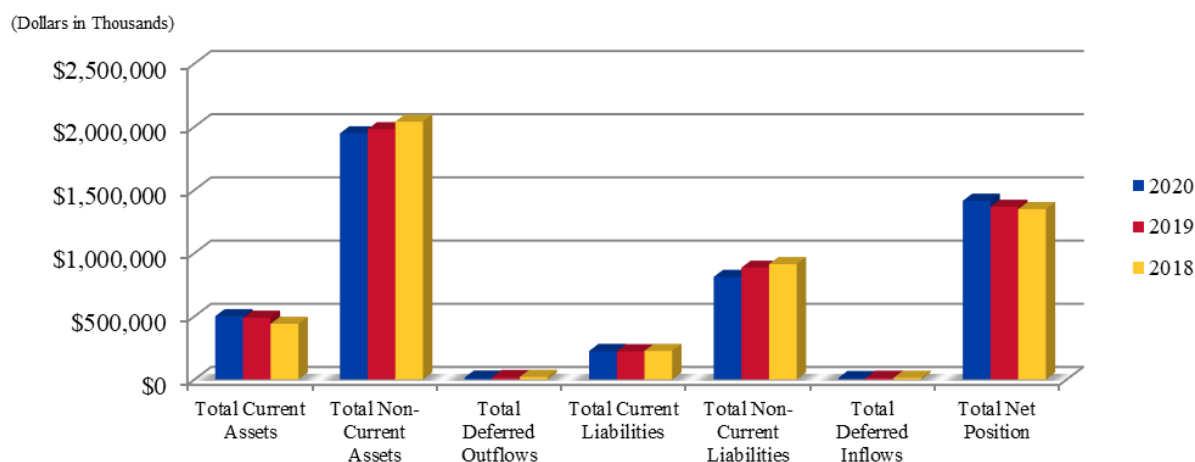
As of June 30

(Dollars in Thousands)

	2020	Restated 2019	2018
Assets:			
Current assets	\$ 501,060	\$ 488,472	\$ 440,073
Non-current assets	234,459	251,142	274,233
Non-current capital assets, net	<u>1,712,977</u>	<u>1,729,328</u>	<u>1,766,262</u>
Total assets	\$ 2,448,496	\$ 2,468,942	\$ 2,480,568
Deferred outflows	\$ 15,051	\$ 19,127	\$ 20,329
Liabilities:			
Current liabilities	\$ 225,298	\$ 223,993	\$ 224,070
Non-current liabilities	160,958	153,994	165,692
Non-current long-term debt	<u>650,820</u>	<u>730,563</u>	<u>749,844</u>
Total liabilities	\$ 1,037,076	\$ 1,108,550	\$ 1,139,606
Deferred inflows	\$ 11,866	\$ 13,464	\$ 13,263
Net position	\$ 1,414,605	\$ 1,366,055	\$ 1,348,028

MANAGEMENT'S DISCUSSION AND ANALYSIS

The composition of current and non-current assets and liabilities, deferred outflows, deferred inflows, and net position are displayed below for the fiscal years ended June 30, 2020, 2019, and 2018 (in thousands):



Assets

On June 30, 2020, total assets were \$2.4 billion, a decrease of \$20.4 million (0.8%) compared to 2019. On June 30, 2019, total assets were \$2.5 billion, a decrease of \$11.6 million (0.5%) compared to 2018. See a further breakout and discussion of the changes of assets below.

Current Assets

Current assets include those used to support the current operations and consist of cash and cash equivalents, net receivables, and short-term investments. Cash balances support the ongoing operational activities, strategic initiatives and reserves, and capital projects of KU. The fluctuations in current assets are primarily influenced by the fluctuations of revenues and expenses.

On June 30, 2020, total current assets increased \$12.6 million (2.6%) compared to 2019. This increase is attributed to an increase of (1) \$9.5 million (3.9%) in cash and cash equivalents and (2) \$8.0 million (8.8%) in short-term investments; offset by a decrease of (1) \$1.3 million (1.2%) in accounts receivable and (2) \$1.5 million (5.1%) pledges receivables.

On June 30, 2019, total current assets increased \$48.4 million (11.0%) compared to 2018. This increase is because of (1) an increase of \$20.5 million (9.2%) cash and cash equivalents; (2) an increase of \$10.9 million (13.7%) in short-term investments; (3) \$9.1 million (9.3%) increase in accounts receivable; and (4) \$5.9 million (25.5%) increase in pledges receivables.

Noncurrent Assets

Noncurrent assets consist of capital assets, long-term endowment investments, cash restricted for capital projects, and accounts receivable not due to be collected in the next fiscal year.

On June 30, 2020, noncurrent assets decreased \$33.0 million (1.7%) compared to 2019. The change is primarily attributed to a decrease of (1) \$16.4 million (0.9%) in capital assets as depreciation exceeded new capital asset purchases; (2) \$9.8 million (28.9%) in pledges receivable; (3) \$3.2 million (9.7%) in loans to students; and (4) \$3.3 million (2.0%) in long-term and endowment investments.

On June 30, 2019, noncurrent assets decreased \$60.0 million (2.9%) compared to 2018. This decrease is attributed to (1) a decrease of \$19.7 million (62.6%) in cash restricted for capital projects; and (2) a decrease of \$36.9 million (2.1%) in capital assets as depreciation exceeded new capital asset purchases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liabilities

On June 30, 2020, total liabilities were \$1.0 billion, decreasing \$71.5 million (6.4%) compared to 2019. On June 30, 2019, total liabilities were \$1.1 billion, decreasing \$31.1 million (2.7%) compared to 2018.

Current Liabilities

Current liabilities are those expected to become due and are payable over the course of the next fiscal year. Current liabilities consist of accounts payable, accrued compensation, current portion of compensated absences, unearned revenues, and current portions of long-term debt and leases.

On June 30, 2020, total current liabilities increased \$1.3 million (0.6%) when compared to 2019. This increase is primarily attributed to an increase of (1) \$10.8 million (779%) in the current portion of notes payable resulting from lines of credit due within the next fiscal year, and (2) \$5.5 million (12.5%) in deferred revenues; offset by a decrease of \$15.0 million (17.3%) in operating and construction payables.

On June 30, 2019, total current liabilities were relatively unchanged when compared to 2018. Operating and construction payables decreased \$8.1 million (8.4%) and were offset by an \$8.9 million (25.7%) increase in deferred revenues associated with additional summer tuition from timing of cash received and classes being taken.

Noncurrent Liabilities

Noncurrent liabilities are those expected to be settled beyond the next fiscal year. Noncurrent liabilities consist of pension liabilities, other postemployment benefit plan liabilities, noncurrent portion of compensated absences, and the long-term portion of debt and leases.

Non-current liabilities decreased \$72.8 million (8.2%) primarily because of (1) a net reduction in long-term debt of \$79.7 million (see Debt Administration section later for additional information), and (2) a \$4.3 million (6.1%) decrease in the KPERS pension liability; offset by an increase of (1) \$9.0 million (97.4%) in noncurrent compensated absences, and (2) \$2.6 million (3.8%) in other liabilities associated with bond premiums.

Non-current liabilities decreased \$31.0 million (3.4%) primarily because of (1) net reduction in long-term debt of \$19.3 million; (2) a \$6.8 million (8.7%) decrease in the KPERS pension liability; and (3) a \$5.5 million (7.7%) decrease in other liabilities associated with bond premiums and long-term Federal Perkins Loan program liabilities.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to a future reporting period, but do not require a further exchange of goods or services. Deferred inflows of resources represent the acquisition of resources applicable to a future reporting period, but do not require a future exchange of goods or services. Deferred outflows and inflows consist of certain resources related to the net pension liability (see note 17), the other postemployment benefit liability (see note 19), and deferred charges on the refunding of capital debt.

On June 30, 2020, total deferred outflows were \$15.0 million, a decrease of \$4.1 million (21.3%) compared to 2019 primarily attributed to savings from the refunding of bonds executed during the fiscal year. On June 30, 2019, total deferred outflows were \$19.1 million, a decrease of \$1.2 million (5.9%) compared to 2018 primarily because of changes in the differences between actual and projected earnings of the KPERS pension plan.

On June 30, 2020, total deferred inflows were \$11.9 million, a decrease of \$1.6 million (12.1%). On June 30, 2019, total deferred inflows were \$13.5 million, an increase of \$0.2 million (1.5%). Change in both fiscal years are because of changes in the actuarial determined items related to the KPERS pension plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position

Net position is the residual of all other elements presented in the Statement of Net Position. Net position is divided into three categories:

1. **Net investment in capital assets** indicates KU's equity in property, plant, and equipment assets net of accumulated depreciation and outstanding principal balances of debt related to the acquisition, construction, or improvement of those assets.
2. **Restricted net position** is further divided into two subcategories, non-expendable and expendable. The corpus of non-expendable restricted resources is available only for investment purposes. Expendable restricted net position is available for expenditure by KU but must be spent for purposes as determined by donors and/or external entities who have placed time or purpose restrictions on the use of the assets.
3. **Unrestricted net position** is available to KU for any lawful purpose of the institution.

On June 30, 2020, total net position was \$1.4 billion, an increase of \$48.5 million (3.6%) compared to 2019. On June 30, 2019, total net position was \$1.4 billion, an increase of \$18.0 million (1.3%) compared to 2018. The following breakout represents the composition of net position (in thousands) as of June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net investment in capital assets	\$ 972,771	\$ 916,225	\$ 937,266
Restricted for:			
Nonexpendable	67,194	68,174	66,971
Expendable:			
Scholarships, research, instruction and other	41,579	42,910	37,342
Loans	21,042	21,162	20,433
Capital projects	49,749	61,824	76,486
Debt service	7,631	8,769	8,999
Unrestricted	254,639	246,991	200,531
Total net position	<u>\$ 1,414,605</u>	<u>\$ 1,366,055</u>	<u>\$ 1,348,028</u>

On June 30, 2020, the \$56.5 million (6.2%) increase in net investment in capital assets is reflective of the decrease in debt associated with capital assets, offset by additional depreciation in excess of new capital asset purchases. Restricted net position "expendable for capital projects" decreased \$12.1 million (19.5%) as KU Athletics, Inc. ("Athletics") used funds received and pledged in prior years to work on the construction and improvements to various athletic facilities.

On June 30, 2019, the \$21.0 million (2.2%) decrease in net investment in capital assets is reflective of the additional depreciation in excess of new capital asset purchases. Similar to fiscal year 2020, restricted net position "expendable for capital projects" decreased \$14.7 million (19.2%) as Athletics used funds received and pledged in prior years to work on the construction of the indoor football practice facility. Unrestricted net position increased \$46.5 million (23.2%) because of KU's net income excluding depreciation and other capital related income items.

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the total revenues earned and expenses incurred by KU for operating, non-operating and other related activities during a period of time. Its purpose is to assess KU's operating results. Revenues and expenses are classified as either operating or non-operating in accordance with GASB principles for classification into these categories.

Condensed Consolidated Statement of Revenues, Expenses, and Change in Net Position
For the fiscal years ended June 30,
(Dollars in Thousands)

	2020	Restated 2019	Restated 2018
Operating revenues	\$ 986,636	\$ 985,176	\$ 960,385
Operating expenses	(1,329,455)	(1,314,727)	(1,293,112)
Total operating gain (loss)	(342,819)	(329,551)	(332,727)
Non-operating revenues	376,484	350,940	352,127
Non-operating expenses	(30,049)	(33,974)	(45,966)
Net non-operating revenues (expenses)	346,435	316,966	306,161
Income (loss) before other revenues, expenses, gains and losses	3,616	(12,585)	(26,566)
Other revenues, expenses, gains and losses	44,934	30,076	98,128
Increase (decrease) in net position	48,550	17,491	71,562
Net position, beginning of year	1,366,055	1,348,028	1,283,413
Restatement of net position - beginning of year ⁽¹⁾	-	536	(6,947)
Net position, end of year	\$ 1,414,605	\$ 1,366,055	\$ 1,348,028

¹ See New Accounting Standard Section

Revenues

Operating Revenues

Operating revenues generally represent amounts received for providing goods and services, and include tuition and fees, grants and contracts, sales and services, and auxiliary revenues. Scholarship allowances are calculated as the difference between the stated charges for goods and services provided by KU and the amounts paid by students and/or third parties making payments on behalf of students. Scholarship allowances reduce the corresponding operating revenue line item.

The following breakout represents the composition of operating revenues (in thousands) for the years ended June 30:

	2020	Restated 2019	Restated 2018
Tuition and fees	\$ 334,730	\$ 325,570	\$ 324,036
Grants and contracts	296,142	276,046	268,182
Sales and services	159,804	159,380	153,404
Auxiliary enterprises	185,964	215,383	204,524
Other operating revenues	9,996	8,797	10,239
Total operating revenues	\$ 986,636	\$ 985,176	\$ 960,385

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2020, operating revenues at KU increased \$1.5 million (0.1%) compared to 2019. The increase in operating revenues is primarily a result of:

- Grants and contracts increased \$20.1 million (7.3%) because of an increase in direct research and clinical revenues associated with the KU Medical Center Research Institute Inc. ("KUMCRI") as well as the continued expansion of the Achievement and Assessment Institute within KU.
- Tuition and fees increased \$9.2 million (2.8%) because of an increase in tuition and fees approved by the Kansas Board of Regents and a reduction in the scholarship allowance of \$1.3 million.
- Auxiliary enterprises decreased \$29.4 million (13.7%) because of the COVID-19 pandemic. Parking and student housing issued refunds to the students, and student union carried forward dining plan account balances after KU closed campus in March 2020. Additionally all in-person summer events were canceled.

For the year ended June 30, 2019, operating revenues at KU increased \$24.8 million (2.6%) compared to 2018. The increase in operating revenues is primarily a result of:

- Auxiliary enterprises increased \$10.8 million (5.3%) because (1) Athletics received increased distributions from the NCAA and conferences; and (2) housing revenues increased resulting from additional revenues from new apartments.
- Grants and contracts increased \$7.9 million (2.9%) because of an increase in direct research revenues associated with KU Center for Research (KUCR) and direct research and clinical revenues associated with the KU Medical Center Research Institute Inc. (KUMCRI).
- Sales and services increased \$6.6 (4.3%) because of the continuing expansion of the medical support and administrative support services between the KUMC and the Kansas Hospital Authority.

Non-operating Revenues

Non-operating revenues are revenues for which goods and services are not provided. Non-operating revenues include state appropriations, revenue from certain grants and contracts, gifts, and net investment income. The following breakout represents the composition of non-operating revenues (in thousands) for the years ended June 30:

	2020	Restated 2019	Restated 2018
State appropriations	\$ 258,178	\$ 244,972	\$ 238,165
Local appropriations	12,311	11,989	11,021
Gifts	65,327	57,941	62,293
Investment income	6,835	14,249	15,013
Non-operating federal grants and contracts	30,064	19,254	19,123
Other non-operating revenues	3,769	2,535	6,512
Total non-operating revenues	<u>\$ 376,484</u>	<u>\$ 350,940</u>	<u>\$ 352,127</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2020, non-operating revenues increased \$25.5 million (7.3%) compared to 2019. This increase in non-operating revenues is primarily a result of:

- State appropriations increased \$13.2 million (5.4%) because of State of Kansas continued restoration of prior year budget cuts.
- Other non-operating federal grants and contracts increased \$10.8 million (56.1%) because of \$11.3 million in CARES Act funding received from the federal government, and \$1.2 million in Coronavirus Relief Fund (CRF) revenues received from the State of Kansas.
- Gift revenues increased \$7.4 million (12.7%) because of fluctuations in amounts received from the Kansas University Endowment Association (KU Endowment) during 2020.
- Investment income decreased \$7.4 million (52.0%) because of unrealized investment losses on investments held by KU resulting from the decline in the market during the fiscal year.

For the year ended June 30, 2019, non-operating revenues decreased \$1.2 million (0.3%) compared to 2018. This decrease in non-operating revenues is primarily a result of:

- State appropriations increased \$6.8 million (2.9%) because of State of Kansas restoration of budget cuts which occurred in prior fiscal years.
- Gift revenues decreased \$4.4 million (7.0%) because of fluctuations in amounts received from the Kansas University Endowment Association (KU Endowment) during 2019, primarily related to gifts for the Medical Center Health Education building.
- Other non-operating revenues decreased \$3.9 million (61.1%) primarily related to the timing and amount of revenues arising from non-operating sources, such as royalties.

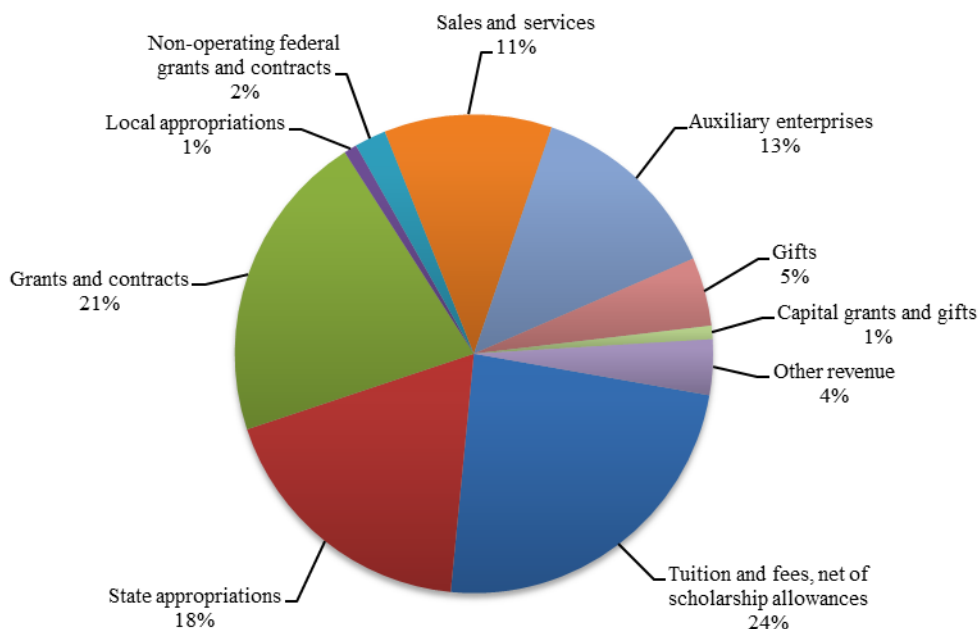
Other revenues, expenses, gains and losses include capital appropriations, capital grants and gifts, and additions to permanent endowments. These revenues will vary year to year based upon funding received for capital projects and endowment contributions.

For the year ended June 30, 2020, capital appropriations increased \$15.9 million (98.1%) compared to 2019 because of the State of Kansas refunding and assuming \$15.2 million of bond issues during the fiscal year.

For the year ended June 30, 2019, capital appropriations increased \$2.7 million (20.3%) compared to 2018 because of the State of Kansas providing additional appropriated funds for deferred maintenance. In addition, capital grants decreased \$70.8 million (83.6%) compared to 2018. This can vary year to year based on funding provided for capital projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The composition of these revenues, including operating and non-operating, for the year ended June 30, 2019 is displayed in the following graph:



Expenses

Operating Expenses

Operating expenses are those incurred to acquire or produce goods and services to carry out the mission of KU. The following breakout represents the composition of operating expenses (in thousands) for the years ended June 30:

	2020	Restated 2019	Restated 2018
Instruction	\$ 440,625	\$ 428,445	\$ 425,904
Research	288,797	259,621	266,785
Public service	51,740	56,600	47,087
Academic support	67,262	65,298	65,777
Student services	38,596	41,150	38,172
Institutional support	74,996	63,895	63,593
Operations and maintenance of plant	89,925	88,015	90,871
Depreciation	74,398	113,663	104,229
Scholarships and fellowships	26,139	16,533	18,935
Auxiliary enterprises	176,376	180,785	169,108
Other operating expenses	601	723	2,651
Total operating expenses	\$ 1,329,455	\$ 1,314,728	\$ 1,293,112

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2020, operating expenses were \$1.3 billion, an increase of \$14.7 million (1.1%) compared to 2019. The increase in overall operating expenses are primarily a result of:

- Research expenses increased \$29.2 million (11.2%) primarily as a result of increase in research expenditures incurred at KUMCRI which correlates to the increase in the revenue.
- Institutional support expense increased \$11.1 million (17.4%) primarily related to the reconsideration of an accounting process at the KU Medical Center which resulted in a reclassification increase of sales and services revenues and institutional support expenses.
- Instruction related expenditures increased \$12.8 million (2.8%) because of a pay increases initiated in October 2020.
- Scholarships & fellowships expenses increased \$9.6 million (58.1%) because of additional funds provided by KU through the CARES Act Higher Education Emergency Relief Fund ("HEERF") process in response to the COVID-19 pandemic.
- Depreciation decreased \$39.3 million (34.5%) because of a one-time true up adjustment of capital asset useful lives used at the KU Medical Center.
- Auxiliary expenses decreased \$4.4 million (2.4%) as a result of the campus and related services shutting down in response to the COVID-19 pandemic.

For the year ended June 30, 2019, operating expenses were \$1.3 billion, an increase of \$21.6 million (1.7%) compared to 2018. The increase in overall operating expenses are primarily a result of:

- Public Service expenses increased \$9.5 million (20.2%) related to continued expansion of Achievement & Assessment Institute program and the services it provides.
- Depreciation expense increased \$9.4 million (9.1%) directly associated with the completion of several large capital projects in 2018.
- Scholarships and fellowships decreased \$2.4 million (12.7%) as a result of a reduction in a number of departmental scholarship programs across campus.
- Auxiliary expenses increased \$11.7 million (6.9%) primarily related to (1) increase in Athletics salaries and benefits with the changes in personnel during 2019, and (2) an increase in parking expenses associated with the KUMC parking garage opened in late 2018.

Non-operating Expenses

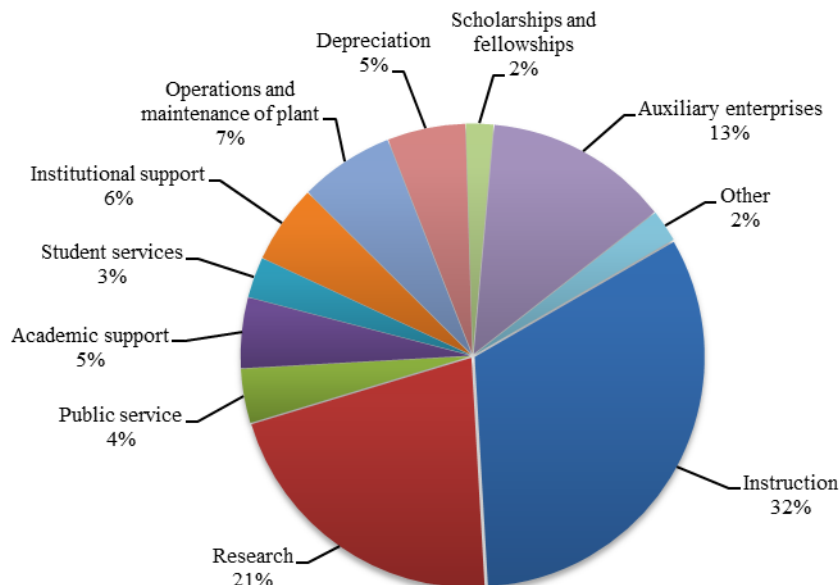
Non-operating expenses include interest paid on capital asset related debt, losses on the disposal of capital assets, and other expenses not directly attributable to the normal operations of KU.

For the year ended June 30, 2020, non-operating expenses, which consist of interest expense and other non-operating expenses, decreased \$3.9 million (11.6%) compared to 2019. During 2020, KU disposed of fewer assets resulting in a lower loss on disposal. Additionally, interest expense was lower as a result of KU refinancing several long-term revenues bonds as well as the continued payment of long-term debt.

For the year ended June 30, 2019, non-operating expenses, which consist of interest expense and other non-operating expenses, decreased \$12.0 million (26.1%) compared to 2018. Other non-operating expenses decreased during 2019 as a result of the closure of the Perkins Revolving Loan program in 2018 and the recognition of an estimated amount to be repaid to the Department of Education for its federal contribution to the loan program. The adjustment to the Department of Education Perkins Loan repayment recognized in 2019 was significantly less than original recognition. Interest expense also increased \$9.7 million (48.5%) as a result not capitalizing any interest associated with construction projects as all current year construction projects were not funded by bonds, and accounting standards no longer require capitalization.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The composition of total expenses, including operating and non-operating, for the year ended June 30, 2018 is displayed in the following graph:



STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about KU's financial results by reporting the major sources and uses of cash during the fiscal year. The statement assists in evaluating KU's ability to generate future net cash flows to meet its obligations as they become due and aids in analysis of the need for external financing. The statement is divided into four sections based on major activity: operating, non-capital financing, capital and related financing, and investing. A fifth section reconciles the operating income or loss on the Statement of Revenues, Expenses, and Changes in Net Position to the net cash used in operations.

Operating Activities

Cash inflows from operating activities consist primarily of student tuition and fees, operating grants and contracts, sales and services, and auxiliary enterprises. Cash outflows from operating activities consist of payments to employees, payments to suppliers, and payments to students for scholarships and fellowships.

Non-capital Financing Activities

Cash inflows from non-capital financing activities consist primarily of state and local appropriations, private non-capital gifts used to fund operations, and federal Pell grants. Because KU acts as an intermediary for the U.S. Department of Education, direct student loans are shown at the gross amount received from the government and the gross amount paid to the student.

Capital and Related Financing Activities

Cash flows from capital and related financing activities reflect the decisions made relative to KU's capital and financing plans. Cash inflows consist primarily of proceeds from the issuance of debt, capital appropriations received from the state, and private gifts used to fund capital purchases. Cash outflows consist primarily of payments made to purchase capital assets, and principal and interest payments on capital debt and leases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investing Activities

Cash flows from investing activities include the effects of shifts between cash and cash equivalents and longer-term investments, and any interest earnings from those longer-term investments.

The following breakout represents the composition of changes in cash and cash equivalents (in thousands) for the years ended June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net cash provided by (used in):			
Operating activities	\$ (260,927)	\$ (232,165)	\$ (244,590)
Noncapital financing activities	362,522	341,173	334,706
Capital and related financing activities	(95,352)	(104,037)	(242,473)
Investing activities	<u>2,411</u>	<u>(4,143)</u>	<u>110,559</u>
Net increase (decrease) in cash and cash equivalents	8,654	828	(41,798)
Beginning cash and cash equivalents	<u>254,735</u>	<u>253,907</u>	<u>295,705</u>
Ending cash and cash equivalents	<u>\$ 263,389</u>	<u>\$ 254,735</u>	<u>\$ 253,907</u>

EXTRAORDINARY ITEMS

KU did not have any special and/or extraordinary items in 2020, 2019, or 2018.

NEW ACCOUNTING STANDARDS

KUCR and KUMCRI implemented Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-09, *Revenue from Contracts with Customers Topic (606)*, using the modified-retrospective method. This adoption resulted in a \$634,222 increase in accounts receivable, a \$97,626 increase in deferred revenues, and a \$536,546 increase to net position as of July 1, 2018.

KU implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulting in a \$1,569,567 increase to deferred outflows of resources, a \$7,524,662 increase to the total OPEB liability and a \$5,955,095 decrease to net position as of July 1, 2017.

KU implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*, resulting in a \$437,230 increase of deferred outflow of resources, a \$1,429,000 increase to accounts payable, and a \$991,770 decrease to net position as of July 1, 2017.

ENDOWMENT EXPENSES PAID ON BEHALF OF THE UNIVERSITY

The KU Endowment, an independent, not-for-profit organization whose primary mission is to raise funds for KU, provides direct and indirect support to KU which is not entirely reflected in KU’s Statement of Revenues, Expenses, and Changes in Net Position. Expense items paid on behalf of KU by KU Endowment include expenses such as scholarships and fellowships, salaries, construction, equipment, library acquisitions, works of art, and travel. Total University support provided by KU Endowment for Lawrence and Medical Center campuses equaled approximately \$174.1 million, \$166.3 million, and \$161.3 million for the years ended June 30, 2020, 2019, and 2018, respectively.

The following support items totaling \$46.0 million are reflected in KU’s statements for 2020:

- **Capital Projects.** KU Endowment sponsored many capital projects throughout 2020 at a cost of \$6.7 million, an increase of \$0.8 million from 2019. The primary capital projects that benefited from KU Endowment’s fundraising efforts included continued funding on the School of Business (\$2.0 million), Stauffer-Flint School of Journalism Renovation (\$2.3 million), and various other building upgrades and remodeling, as well as various equipment purchases and contributions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- **Salaries and other operating expenses.** KU Endowment reimbursed KU approximately \$39.1 million, an increase of \$10.5 million from 2019, for various faculty and staff salaries, including KU's distinguished professors, and other operating expenses. The salary expense is reflected in KU's statements in its appropriate function as it represents a more accurate reflection of KU's operating expenses. KU Endowment's reimbursement is reflected as a gift to KU within non-operating revenues.

CAPITAL ASSETS

KU made significant investments in capital during the 2020 fiscal year. Additional information regarding capital asset additions, retirements, and depreciation is available in Note 9 to the financial statements.

The following is a summary of the construction projects completed during the current fiscal year:

- KU completed construction of a new indoor football practice facility, to provide a state-of-the-art facility for developing a competitive football program. Construction was completed in July 2019 at an original cost of \$25.1 million.
- Irving Hill Road serves as a critical link on the Lawrence campus between north, central and west districts, and the student housing on Daisy Hill. The street is also adjacent to the main newly developed Central District facilities and needed to support an additional volume of traffic including bus/transit on an asphalt roadway. The project included the replacement of the road with more durable concrete, related work on existing curb and gutter, sidewalks, improved storm water management, and the replacement of aged utilities as needed within the construction project. Additional improvements included the addition of trees and landscaping, and street and pedestrian lighting to comply with campus design standard. Construction was completed in August 2019 with an original cost of \$5.0 million.

KU also has several projects under construction or in design phases at the end of the fiscal year. These projects are for the renovation and maintenance of several buildings and infrastructure locations across the Lawrence and Medical Center campuses. Projects greater than \$1.0 million under construction at the end of the fiscal year include:

- Cambridge Garage located on the Medical Center Campus and built in the early 1980s was identified as needing infrastructure repairs. The repairs include significant concrete replacement in addition to improved lighting and replacement of rusted electrical conduit. The concrete repairs are the most significant of items, with expectations the 3" to 5" concrete topping for each of the 5 levels will be removed and replaced. The estimated total cost of the project is \$9.9 million, and the source of funding will be from parking funds. Construction is estimated to be completed in 2021.

DEBT ADMINISTRATION

On June 30, 2020, KU and its affiliated corporations had \$667.2 million in revenue bond debt outstanding, and \$30.2 million in capital leases and notes payable. In fiscal year 2020, KU entered into \$85 million in new revenue bonds and \$2.1 million in new notes payable. The composition of the new debt was:

- \$85 million par value of two bond issuances to refund eight existing bond issuances for KU and its component units. See Note 14 for additional information.
- \$1.1 million in other notes for the purchase of equipment for Athletics.
- \$1.0 million in an operating line of credit for KU Memorial Union Corporation ("KU Union").

MANAGEMENT'S DISCUSSION AND ANALYSIS

On June 30, 2019, KU and its affiliated corporations had \$724.8 million in revenue bond debt outstanding, and \$43.8 million in capital leases and notes payable. In fiscal year 2019, KU entered into \$21.2 million in new notes payable and capital leases. The composition of the notes and capital leases were:

- \$17.7 million in an Athletic line of credit for the construction of the new indoor football practice facility.
- \$2.3 million in other notes for the purchase of equipment.
- \$1.2 million in new capital leases for equipment.

KU and its affiliated corporations paid \$81.1 million, \$75.5 million, and \$66.3 million in principal and interest payments related to all outstanding capital debt and capital leases in 2020, 2019, and 2018, respectively.

On February 12, 2020, Moody's Investor Service reaffirmed KU's overall rating of Aa2 with a stable outlook. On July 17, 2019, Standard and Poor's reaffirmed KU's rating of AA-, with a stable outlook. More detailed information about KU's revenue bonds is available in Notes 13 and 14 to the financial statements.

COVID-19 IMPACT

In December 2019, a novel strain of coronavirus, COVID-19, surfaced and spread around the world resulting in significant business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 20, 2020. COVID-19 has created significant and unique challenges for KU to overcome.

Following KU's spring break the week of March 9, 2020, KU students did not return to campus and courses were converted to an online format. As a result of the students transitioning to an online format, KU provided housing and parking refunds to students, and unspent dining plan monies were rolled over and applied to a basic declining balance plan in fiscal year 2021. On March 20, 2020, only essential operational and research activities could continue in campus facilities until further notification, and all travel was suspended. Non-essential operations and research activities continued when possible from non-campus facility locations.

In response to the COVID-19 pandemic, KU formed several committees to assist the university in providing protocols and procedures to guide KU through the COVID-19 pandemic. First, the Pandemic Project Management Team and the Public Health Planning (PHP) Committee were set up to develop policies and practices for opening the campus for the fall 2020 semester. Secondly, the Pandemic Medical Advisory Team was established to ensure KU's decisions are guided by the most current medical advice and prioritize the health of the community above all else.

In May 2020, KU began reopening research-intensive buildings and facilities over a period of four weeks. Following the reopening of research-intensive buildings, KU operations undertook the extraordinary task of modifying all campus buildings to assist in the dedensification of campus for the fall 2020 semester. By the time classes started in August 2020, all of the buildings on campus were re-opened, cleaned and modified to comply with KU standards for meeting COVID-19 guidelines.

While the specific financial impact of the COVID-19 pandemic is not realizable because of the changing dynamics the pandemic is having on KU's operational and research mission, KU experienced an overall reduction in revenues and expenditures during the year ended June 30, 2020. During fiscal year 2020, KU received federal assistance awards of \$16.4 million, which includes \$15.2 million from the U.S. Department of Education under the CARES Act Higher Education Emergency Relief Fund and \$1.2 million as a subaward from the State of Kansas under the Coronavirus Relief Fund (CRF). As of June 30, 2020, KU still had \$3.9 million in unexpended federal funds.

ECONOMIC OUTLOOK

In response to the COVID-19 pandemic, KU's management is actively monitoring operating results as well as potential financial projections to determine the financial impact of COVID-19 pandemic to the operation and research missions of KU. Financial projection scenarios consist of differing levels of changes in enrollments and methods for which classes would be offered (e.g. on-campus, online, hybrid) as well as differing levels of research and auxiliary operations. KU's financial projections are being used to determine the optimal path to mitigate the operational, research and financial disruptions to KU.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with the protocols and procedures developed by the pandemic committees, KU's campus was opened for fall 2020. KU is providing hybrid, online and in-person classes for fall 2020 and plans to provide a similar offering for spring 2021. KU's hybrid courses are structured so lab sessions and other requisite situations (e.g. study sessions) are occurring in person while lectures and exams are online.

The incoming first-time freshmen class is down approximately 7.2%, while the first-time international freshmen are down 29.3%. As an offset to the decline in the incoming first-time freshmen class, KU was able to maintain its retention rate of last year's freshmen of 85.7%, which is the second highest in the university's history to fall 2019 of 86.2% retention rate. This allowed KU to only experience an overall decline in fall 2020 enrollment of 2.8%. For fiscal year 2021, the Kansas Board of Regents approved a 0% increase in tuition and campus fees for all students. Tuition and campus fees were purposely held flat to minimize the financial impact to KU families.

As a result of the operational impacts of the COVID-19 pandemic, as of November 2020 the Lawrence and Edwards campuses are estimating an operating margin loss of \$47.6 million for fiscal year 2021. Projected losses include: (1) \$11.4 million in general funds (tuition and fees and state appropriations); (2) \$19.7 million in auxiliary operating margin (housing, parking, health, etc.); and (3) \$16.5 million in affiliate operating margin (Athletics, Unions, and KUCR). The Medical Center campus is not expected to have as significant of an impact from COVID-19 because the campus has not had significant enrollment declines and the campus does not have as many auxiliaries that are dependent upon a physical campus presence like the Lawrence campus such as housing and campus dining. To offset projected revenue shortfalls, KU has been implementing a variety of cost saving initiatives to help reduce and mitigate the negative impacts. KU is and continues to evaluate expenses and revenues to ensure the long-term viability of KU and its affiliates.

As a state supported higher education institution, KU's economic position is impacted by the State of Kansas. Fiscal year 2021 state appropriations are currently budgeted to be \$275.3 million or about 6.6% more than fiscal year 2020. State appropriation revenues could be impacted by the COVID-19 pandemic as the State of Kansas is also continuously monitoring revenue projections and actual results. At the time of issuance, KU is not anticipating a reduction in fiscal year 2021 state appropriations but is preparing for potential reductions in fiscal year 2022.

Beginning in fall 2019, KU launched the next strategic planning process to develop its next strategic plan "Jayhawks Rising" to shape the future of KU. A Strategic Planning Implementation Team was assembled and tasked with collecting input from the campus conversation meetings held with various constituencies across campus and the community. As a result of these meetings, the core institutional priorities of student success, creating healthy and vibrant communities, and research and discovery were determined as the focus of the strategic plan. KU will continue to refine "Jayhawks Rising" in fiscal year 2021.

KU continues to work on coordinating research development and support. KU continues to focus on a variety of federal, state and privately sponsored research opportunities. Like other research institutions, KU is anticipating a continued competition in direct and indirect federal research opportunities in 2021 and beyond. As a result, KU is looking to other direct and indirect grant sources, including state and private grants, to complement its federal grant funding.

KU is not aware of any additional facts, decisions, or conditions which are expected to have significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

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*Financial
Statements*

THE UNIVERSITY OF KANSAS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>Restated 2019</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 242,684,861	\$ 232,284,633
Restricted cash and cash equivalents	9,753,252	10,651,704
Investments	98,770,309	90,816,592
Accounts receivable, net	106,136,809	107,450,800
Pledges receivable, net	27,600,431	29,082,579
Loans to students, net	2,801,107	3,038,504
Inventories	7,961,787	7,140,826
Other assets	5,351,548	8,006,560
Total current assets	<u>501,060,104</u>	<u>488,472,198</u>
Non-current assets:		
Restricted cash and cash equivalents	10,951,188	11,798,830
Accounts receivable, net	4,555,076	4,012,657
Pledges receivable, net	24,148,031	33,948,315
Endowment investments	89,077,748	90,368,689
Other investments	75,353,573	77,392,714
Loans to students, net	30,372,990	33,620,351
Capital assets, net	1,712,977,087	1,729,327,945
Total non-current assets	<u>1,947,435,693</u>	<u>1,980,469,501</u>
Total assets	<u>2,448,495,797</u>	<u>2,468,941,699</u>
<u>DEFERRED OUTFLOWS</u>		
Unamortized loss on bond refunding	-	3,615,025
Deferred OPEB expense	1,705,904	1,438,216
Asset retirement obligations	714,245	783,715
Deferred pension expense	12,630,583	13,290,202
Total deferred outflows	<u>15,050,732</u>	<u>19,127,158</u>

THE UNIVERSITY OF KANSAS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020 AND 2019

(CONTINUED)

	2020	Restated 2019
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 71,325,665	\$ 86,298,434
Unearned revenue	49,148,168	43,677,064
Assets held in custody for others	9,134,809	9,668,135
Accrued compensated absences – current portion	34,503,657	35,398,814
Capital leases payable - current portion	5,854,771	5,718,543
Notes payable – current portion	12,238,311	1,392,229
Revenue bonds payable - current portion	28,470,000	30,965,000
Other liabilities	14,622,038	10,875,085
Total current liabilities	<u>225,297,419</u>	<u>223,993,304</u>
Non-current liabilities:		
Accrued compensated absences	18,174,709	9,207,460
Accrued other post-employment benefits	5,417,590	5,665,501
Accrued pension liability	66,854,072	71,182,592
Capital leases payable	9,163,442	14,568,179
Notes payable	2,961,336	22,129,549
Revenue bonds payable	638,695,000	693,865,000
Other long-term liabilities	70,512,108	67,938,015
Total non-current liabilities	<u>811,778,257</u>	<u>884,556,296</u>
Total liabilities	<u>1,037,075,676</u>	<u>1,108,549,600</u>
<u>DEFERRED INFLOWS</u>		
Unamortized gain on bond refunding	51,802	-
Deferred OPEB expense	182,689	208,961
Deferred pension expense	11,631,426	13,254,890
Total deferred inflows	<u>11,865,917</u>	<u>13,463,851</u>
<u>NET POSITION</u>		
Net investment in capital assets	972,771,345	916,224,657
Restricted for:		
Nonexpendable	67,193,729	68,173,980
Expendable:		
Scholarships, research, instruction and other	41,578,407	42,909,894
Loans	21,041,996	21,162,427
Capital projects	49,748,854	61,824,249
Debt service	7,631,280	8,769,113
Unrestricted	254,639,325	246,991,086
Total net position	<u>\$ 1,414,604,936</u>	<u>\$ 1,366,055,406</u>

See accompanying notes to financial statements.

KANSAS UNIVERSITY ENDOWMENT ASSOCIATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 10,020	\$ 8,794
Receivables:		
Receivables from investing activities	479	2,665
Other receivables	8,396	9,077
Student loans receivable, less allowance of \$1,100 and \$1,796 in 2020 and 2019, respectively	23,197	22,075
Contributions pledged, less allowance of \$1,752 and \$2,293 in 2020 and 2019, respectively	86,992	109,664
Real estate loans receivable	6,927	6,692
Total receivables	125,991	150,173
Investments:		
Securities	1,955,245	1,925,171
Trust held by others	45,589	46,445
Interest in other KU Endowment entities	3,943	3,853
Real estate	18,700	18,700
Total investments	2,023,477	1,994,169
Property and facilities:		
Land	16,828	16,495
Buildings	28,859	25,514
Equipment and furnishings	4,105	3,688
	49,792	45,697
Less accumulated depreciation	(17,487)	(16,003)
Net property and facilities	32,305	29,694
Deposits and other assets	5,464	5,815
Total assets	\$ 2,197,257	\$ 2,188,645

KANSAS UNIVERSITY ENDOWMENT ASSOCIATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

(CONTINUED)

	2020	2019
	<i>(In Thousands)</i>	
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 31,959	\$ 25,632
Payables from investment activities	419	580
Trust payable	197	160
Life income gifts payable	22,599	21,221
Agency funds	70,231	69,714
Total liabilities	125,405	117,307
Net assets:		
Without donor restrictions	204,865	200,547
With donor restrictions	1,866,987	1,870,791
Total net assets	2,071,852	2,071,338

Total liabilities and net assets

\$ 2,197,257 \$ 2,188,645

See accompanying notes

THE UNIVERSITY OF KANSAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>Restated 2019</u>
<u>OPERATING REVENUES</u>		
Tuition and fees (net of scholarship allowances of \$31,221,754 in 2020 and \$32,518,282 in 2019)	\$ 334,729,751	\$ 325,570,469
Federal grants and contracts	184,043,584	179,434,573
State and local grants and contracts	38,457,391	37,338,423
Nongovernmental grants and contracts	73,641,128	59,273,481
Sales and services of educational departments	96,861,468	98,216,459
Sales and services of medical and administrative activities	62,942,861	61,163,289
Auxiliary enterprises:		
Housing	31,439,429	34,591,774
Athletics	100,759,963	110,957,751
Parking and transit	17,338,967	19,178,042
Student unions	24,765,498	37,090,380
University health services	9,763,131	10,236,914
Other auxiliary enterprises	1,896,696	3,327,726
Other operating revenues	9,996,239	8,796,765
Total operating revenues	<u>986,636,106</u>	<u>985,176,046</u>
<u>OPERATING EXPENSES</u>		
Instruction	440,625,052	428,445,063
Research	288,796,468	259,620,680
Public service	51,740,465	56,599,571
Academic support	67,262,208	65,298,599
Student services	38,596,097	41,149,695
Institutional support	74,995,751	63,894,686
Operations and maintenance of plant	89,924,543	88,015,434
Depreciation	74,398,078	113,663,073
Scholarships and fellowships	26,138,916	16,532,918
Auxiliary enterprises:		
Housing	18,389,590	18,681,499
Athletics	102,618,345	103,769,050
Parking and transit	13,160,727	11,969,050
Student unions	30,242,349	33,181,074
University health services	8,364,685	8,338,458
Other auxiliary enterprises	3,600,666	4,845,598
Other operating expenses	600,659	722,676
Total operating expenses	<u>1,329,454,599</u>	<u>1,314,727,124</u>
Total operating income (loss)	<u>(342,818,493)</u>	<u>(329,551,078)</u>

THE UNIVERSITY OF KANSAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

(CONTINUED)

	<u>2020</u>	<u>Restated 2019</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
State appropriations	\$ 258,178,051	\$ 244,972,426
Local appropriations	12,311,350	11,988,800
Gifts	65,327,100	57,941,219
Investment income	6,834,587	14,248,669
Federal grants and contracts	30,063,486	19,253,695
Other non-operating revenues	3,769,022	2,535,638
Interest expense	(27,991,316)	(29,846,661)
Other non-operating expenses	(2,057,727)	(4,127,892)
Net non-operating revenues (expenses)	<u>346,434,553</u>	<u>316,965,894</u>
Income (loss) before other revenues, expenses, gains or losses	3,616,060	(12,585,184)
<u>OTHER REVENUES, EXPENSES, GAINS AND LOSSES</u>		
Capital appropriations	32,135,852	16,221,689
Capital grants and gifts	12,795,434	13,845,739
Additions to permanent endowments	2,184	8,391
Total other revenues, expenses, gains or losses	<u>44,933,470</u>	<u>30,075,819</u>
Increase (decrease) in net position	48,549,530	17,490,635
<u>NET POSITION</u>		
Net position - beginning of year	1,366,055,406	1,348,028,225
Restatement of net position - beginning of year	-	536,546
Net position - end of year	<u>\$ 1,414,604,936</u>	<u>\$ 1,366,055,406</u>

See accompanying notes to financial statements.

KANSAS UNIVERSITY ENDOWMENT ASSOCIATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Year Ended June 30, 2020			Summarized Financial Information for the Year Ended June 30, 2019
	Without Donor Restrictions	With Donor Restrictions	Total Current Year	
	<i>(In Thousands)</i>			
Revenues, gains (losses), and other support:				
Fundraising:				
Contributions and grants received and pledged	\$ 820	\$ 124,254	\$ 125,074	\$ 198,346
Bequests	3,620	13,009	16,629	25,222
Life income gifts	-	2,313	2,313	151
Change in value of life income gifts	(38)	(825)	(863)	1,248
Change in net interest in KU Endowment entities	-	90	90	(6)
Total fundraising	4,402	138,841	143,243	224,961
Income (loss) from asset holdings:				
Investment income	8,980	37,307	46,287	45,342
Realized and unrealized gain (loss) on investments and trusts held by others	22,207	(28,083)	(5,876)	50,957
Loan interest income	738	1,123	1,861	3,239
Agricultural and mineral income	1,085	1,016	2,101	1,877
Rental, gain on sale of assets, and other income	772	117	889	1,756
Total income (loss) from asset holdings	33,782	11,480	45,262	103,171
Other receipts	436	4,463	4,899	21,356
Net assets released from restrictions:				
Satisfaction of program restrictions	155,245	(155,245)	-	-
Total revenues, gains and other support	\$ 193,865	\$ (461)	\$ 193,404	\$ 349,488

KANSAS UNIVERSITY ENDOWMENT ASSOCIATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

(CONTINUED)

	Year Ended June 30, 2020			Summarized Financial Information for the Year Ended June 30, 2019
	Without Donor Restrictions	With Donor Restrictions	Total Current Year	
	<i>(In Thousands)</i>			
Expenses:				
University support:				
Student support	\$ 41,929	\$ -	\$ 41,929	\$ 40,907
Faculty support and contractual services	47,432	-	47,432	39,969
Construction, furnishings, equipment and supplies	20,740	-	20,740	42,657
Program and other educational support	50,634	-	50,634	50,060
Total University support	160,735	-	160,735	173,593
Supporting services:				
Administrative and fundraising support	21,965	-	21,965	22,497
Asset management expense	270	-	270	962
Depreciation	1,182	-	1,182	1,191
Total supporting services	23,417	-	23,417	24,650
Total expenses	184,152	-	184,152	198,243
Excess (deficit) of revenues over expenses	9,713	(461)	9,252	151,245
Net interfund transfers	3,343	(3,343)	-	-
Change in net assets before amortization of pension adjustments	13,056	(3,804)	9,252	151,245
Amortization of unrecognized actuarial adjustments	(8,738)	-	(8,738)	(5,869)
Change in net assets	4,318	(3,804)	514	145,376
Net assets at beginning of year	200,547	1,870,791	2,071,338	1,925,962
Net assets at end of year	\$ 204,865	\$ 1,866,987	\$ 2,071,852	\$ 2,071,338

See accompanying notes

THE UNIVERSITY OF KANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	Restated 2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Tuition and fees	\$ 333,170,284	\$ 331,877,385
Sales and services of educational activities	99,697,540	91,751,076
Sales and services of medical and administrative activities	62,942,861	61,163,289
Auxiliary enterprises:		
Housing	13,962,782	15,951,578
Athletics	(6,214,694)	12,799,112
Parking and transit	12,265,764	14,912,442
Student unions	1,958,899	3,387,685
University health services	1,446,440	1,842,092
Other auxiliary enterprises	(1,219,398)	(93,217)
Grants and contracts	302,169,979	281,554,345
Payments to suppliers	(217,411,484)	(231,867,858)
Payments to utilities	(21,490,466)	(21,681,339)
Compensation and benefits	(823,026,169)	(776,319,436)
Payments for scholarships and fellowships	(26,138,916)	(16,532,918)
Loans issued to students	(6,798,242)	(8,889,009)
Collection of loans to students	3,705,639	4,479,009
Other receipts (payments)	10,052,330	3,500,923
Net cash used in operating activities	<u>(260,926,851)</u>	<u>(232,164,841)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
State appropriations	258,178,051	244,972,426
Local appropriations	12,451,430	12,167,376
Gifts	65,329,284	57,949,610
Federal education loan receipts	156,018,165	163,188,907
Federal education loan disbursements	(158,110,122)	(161,220,655)
Non-operating grants and contracts	29,601,929	19,183,050
Other	(946,463)	4,931,673
Net cash provided by non-capital financing activities	<u>362,522,274</u>	<u>341,172,387</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>		
Proceeds from revenue bond defeasance	97,105,603	-
Proceeds from capital debt	3,852,664	19,989,161
Capital appropriations	18,183,272	15,422,351
Capital grants and gifts	19,575,258	14,105,021
Purchases of capital assets	(58,528,745)	(80,230,726)
Proceeds from sale of capital assets	517,489	1,065,524
Principal paid by revenue bond defeasance	(96,235,000)	-
Principal paid on capital debt and leases	(49,131,916)	(41,316,676)
Interest paid on capital debt and leases	(32,014,485)	(34,154,839)
Other	1,324,033	1,083,180
Net cash used in capital financing activities	<u>(95,351,827)</u>	<u>(104,037,004)</u>

THE UNIVERSITY OF KANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

(CONTINUED)

	<u>2020</u>	<u>Restated 2019</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sales and maturities of investments	79,576,160	89,936,913
Interest on investments	10,443,306	11,294,575
Purchase of investments	<u>(87,608,928)</u>	<u>(105,374,246)</u>
Net cash provided by (used in) investing activities	<u>2,410,538</u>	<u>(4,142,758)</u>
Net increase (decrease) in cash	8,654,134	827,784
Cash - beginning of the year	<u>254,735,167</u>	<u>253,907,383</u>
Cash - end of year	<u>\$ 263,389,301</u>	<u>\$ 254,735,167</u>
<u>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES:</u>		
Operating loss	\$ (342,818,493)	\$ (329,546,078)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Non-cash expense	270,700	1,560,134
Depreciation expense	74,398,078	113,663,073
Changes in assets and liabilities:		
Accounts receivables, net	(288,446)	(7,436,570)
Pledges receivable, net	449,704	(3,596,764)
Loans to students, net	3,484,758	949,354
Inventories	(820,961)	(139,388)
Prepaid expenses and other assets	2,666,283	(2,032,398)
Accounts payable and accrued liabilities	(5,360,609)	(8,790,919)
Unearned revenue	5,471,105	8,675,400
Accrued compensated absences	8,072,092	1,706,686
Accrued other post-employment benefits	(480,410)	(414,309)
Accrued pension liability	(5,389,946)	(7,153,628)
Assets held in custody for others	(580,706)	390,566
Net cash provided used in operating activities:	<u>\$ (260,926,851)</u>	<u>\$ (232,164,841)</u>
Non-cash Investing, Capital and Financing Activities:		
Gifts-in-kind	\$ 12,795,434	\$ 13,845,739
Net change in unrealized gains and losses	(1,581,524)	(2,529,630)
Purchases of capital assets in accounts payable and accrued expenses	3,220,066	6,760,374

See accompanying notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). These financial statements have not been audited.

Organization. The University of Kansas (“KU”) is a comprehensive institution providing undergraduate, graduate, and professional education in a variety of academic programs. KU is a Public Doctoral/Research University - Extensive and is accredited by the Higher Learning Commission. KU is governed by the Kansas Board of Regents and is an agency of the State of Kansas. As an agency of the State of Kansas, KU is included in the audited Comprehensive Annual Financial Report of the State of Kansas.

KU conducts education, research, public service, and related activities at: the main campus in Lawrence, Kansas, the Edwards Campus in Overland Park, Kansas, Leavenworth, Kansas, and the Medical Center campuses in Kansas City, Kansas, Salina, Kansas, and Wichita, Kansas.

For fall 2019, the Lawrence, Edwards and Leavenworth campuses had an undergraduate enrollment of 19,059 and a graduate/first professional enrollment of 5,570. The Medical Center had an undergraduate enrollment of 593 and a graduate/first professional (including medical residents, fellows and trainees) enrollment of 4,082. Enrollment at all campuses was 28,423 students.

Financial Reporting Entity. As required by accounting principles generally accepted in the United States of America, these financial statements present the consolidated financial position and financial activities of all of KU’s campuses and the following blended component units for which KU is financially accountable: Kansas Athletics, Inc. (“Athletics”), the University of Kansas Center for Research, Inc. (“KUCR”), KU Campus Development Corporation (“KUCDC”), the University of Kansas Memorial Corporation (“KU Unions”), the University of Kansas Medical Center Research Institute Inc. (“KUMCRI”), the Student Union Corporation of the University of Kansas Medical Center, and Kansas University Health Partners, Inc.

The Kansas University Endowment Association (“KU Endowment”) is considered a component unit of KU according to the criteria in GASB Statement No. 61 and GASB Statement No. 80 and is discretely presented in KU’s financial statements. KU Endowment, an independent nonprofit organization, serves as the official fundraising and fund-management foundation for KU. KU Endowment partners with donors in providing philanthropic support to build a greater university. KU Endowment follows generally accepted accounting principles under the Financial Accounting Standards Board (FASB) and utilizes the full accrual basis of accounting. Additional details regarding KU Endowment are available in Note 24.

The financial activity and balances the Kansas University Alumni Association, the KU Medical School Alumni Association, Kansas University Physicians, Inc., the University of Kansas Hospital Authority and other immaterial related affiliated organizations are not included in the financial statements of KU as they are legally separate entities but do not meet the requirements of GASB Statement No. 61 and GASB Statement No. 80 to be included.

In preparing the financial statements, all significant transactions and balances between campuses and blended component units have been eliminated to avoid overstatement of 1) revenues and expenses on the Statement of Revenues, Expenses, and Changes in Net Position, and 2) balances on the Statement of Net Position.

Basis of Accounting. For financial reporting purposes, KU is considered a special-purpose government entity engaged only in business-type activities. Accordingly, KU’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Use of Estimates. In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

Cash Equivalents. For purposes of the Statement of Cash Flows, KU considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At certain times, some of KU's component units maintain cash balances in excess of FDIC limits. KU has a letter of credit for \$35 million that expires in July 2020 to provide additional security for amounts over the FDIC limit. Management has also evaluated the financial stability of component unit financial institutions and feels the risk to the component units is minimal.

Restricted cash and cash equivalents pertain to amounts restricted for funds held in custody for student organizations, payment of principal and interest on KU's bonds, and any unspent bond proceeds for which the bonds were issued.

Investments. KU accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* as amended by GASB 72, *Fair Value Measurement and Application*. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Fair Values. Fair values of fixed maturities are based on quoted market prices in active markets when available. Fair values of fixed maturities that are not actively traded are estimated using valuation methods that vary by asset class. Fair values for all securities are reviewed for reasonableness by considering overall market conditions and values for similar securities. See Note 4 for more information on KU's fair value policies.

Accounts Receivable. Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to KU's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories. Inventories are carried at cost.

Capital Assets. Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, KU's capitalization policy includes all items with a unit cost \$5,000 or more, and an estimated useful life greater than one year. Construction of or renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if the related project cost exceeds \$100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 25 years for land improvements, 12 years for buses, 8 years for non-IT equipment, 5 years for other vehicles, and 3 to 5 years for IT equipment. Depreciation for buildings and infrastructure is computed using a componentized building and infrastructure depreciation study. The estimated useful lives used by the blended component units for equipment, building improvements and buildings, range from 3 to 40 years, which vary slightly from KU's policy. The financial impact of the variation is considered to be immaterial to the financial statements as a whole.

Unearned Revenues. Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include summer school tuition not earned during the current year and amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences. Employee unused vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position, and as an expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Assets Held In Custody for Others. Assets held in custody for others consist primarily of student organizations' money administered by KU, and assets loaned to KU for use in performing work on certain grants and contracts. In addition, KUCR bears administrative and fiduciary responsibilities over certain financial assets for the State of Kansas' Alternative Funding Program and Telework Program which is administered by a separate community-based organization (see Note 23)

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

Non-current Liabilities. Non-current liabilities include principal amounts and issuance premiums of notes and revenue bonds payable; capital lease obligations with contractual maturities greater than one year; estimated amounts for accrued compensated absences, accrued other postemployment benefits; accrued pension obligations that will not be paid within the next fiscal year; estimated asset retirement obligation; and estimated amounts to be repaid to the federal government related to the closing of the Federal Perkins Loan Revolving Fund program.

Pensions. In accordance with the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*, KU has reported its proportional share of the entire Kansas Public Employees Retirement System (KPERS) pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. 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.

Other Postemployment Benefit Plan. In accordance with the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, KU has reported its proportional share of the entire KPERS other postemployment benefit (OPEB) liability. For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows/Outflows. In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, deferred outflows and deferred inflows result from the consumption or acquisition of net position in one period that is applicable to future periods. These items are reported separately from assets and liabilities.

Net Position. KU's net position is classified as follows:

Net investment in capital assets: This represents KU's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of "net investment in capital assets."

Restricted net position – non-expendable: Restricted non-expendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted net position – expendable: Restricted expendable net position includes resources for which KU is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of KU, and may be used at the discretion of KU to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Tax Status. As a state institution of higher education, the income of KU is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code; however, income generated from activities unrelated to KU's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

Classification of Revenues. KU has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as: 1) student tuition and fees, net of scholarship allowances, 2) sales and services of auxiliary enterprises, 3) most federal, state, and local grants and contracts, and 4) interest on institutional student loans.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

Scholarship Allowances. Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by KU, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or non-governmental programs, are recorded as either operating or non-operating revenues in KU's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, KU has recorded a scholarship allowance.

Contributions. Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received.

Reclassifications. Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation.

NOTE 2 – DEPOSITS

The carrying values of deposits and investments shown below are included in the Statement of Net Position as of June 30:

	<u>2020</u>	<u>2019</u>
Carrying value:		
Deposits	\$ 253,117,640	\$ 243,599,609
Investments	273,473,291	269,713,553
	<u>\$ 526,590,931</u>	<u>\$ 513,313,162</u>

The amounts above are included in the following line items of the Statement of Net Position:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 242,684,861	\$ 232,284,633
Restricted cash and cash equivalents	9,753,252	10,651,704
Investments	98,770,309	90,816,592
Restricted cash and cash equivalents (non-current)	10,951,188	11,798,830
Endowment investments (non-current)	89,077,748	90,368,689
Other investments (non-current)	75,353,573	77,392,714
	<u>\$ 526,590,931</u>	<u>\$ 513,313,162</u>

KU carried the following deposits as of June 30:

<u>Deposit Type</u>	<u>2020</u>	<u>2019</u>
Cash deposits with State Treasury	\$ 172,401,357	\$ 166,379,121
Cash deposits with financial institutions	80,424,007	76,837,009
Certificates of deposit	292,276	383,479
	<u>\$ 253,117,640</u>	<u>\$ 243,599,609</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

The deposits reflected above were held by the following entities as of June 30:

	<u>2020</u>	<u>2019</u>
KU Lawrence and Edwards Campuses	\$ 110,273,927	\$ 112,261,579
Kansas Athletics, Inc.	15,850,157	19,492,338
KU Campus Development Corporation	7,723,103	7,766,624
KU Center for Research, Inc.	27,293,651	25,229,207
KU Memorial Corporation*	568,776	(86,862)
KU Medical Center	81,096,873	75,056,329
KU Medical Center Research Institute	9,855,304	3,245,494
Student Union Corporation of KUMC	407,208	458,689
Kansas University Health Partners, Inc.	48,641	176,211
	<u>\$ 253,117,640</u>	<u>\$ 243,599,609</u>

* - The KU Memorial Corporation utilizes an overnight repurchase agreement for its bank deposits to maximize investment return. At June 30, 2020 and 2019, the overnight repurchase agreement amounted to \$1,723,106 and \$3,171,339, respectively, and its carrying value is included in investments above. The repurchase agreement balance is included in "cash and cash equivalents" on the Statement of Net Position at year-end.

State law requires KU (Lawrence Campus, Edwards Campus, Leavenworth, and the Medical Center campuses - in Kansas City, Salina and Wichita) to deposit the majority of its cash balances with the State Treasurer, who holds and invests the funds. The exceptions to this law are any funds maintained in KU's imprest fund, organizational safekeeping, revenue bond project and reserve funds, and any funds held by external entities on behalf of KU.

Cash balances maintained by the State Treasurer are pooled and are held in a general checking account and other special purpose bank accounts. The available cash balances beyond immediate need are pooled for short-term investment purposes by the Pooled Money Investment Board (PMIB) and are reported at fair value, based on quoted market prices.

NOTE 3 - INVESTMENTS

KU carried the following investments as of June 30:

<u>Investment Type</u>	<u>2020</u> <u>Fair Value</u>	<u>2019</u> <u>Fair Value</u>
US Treasury obligations	\$ 2,777,737	\$ 6,316,043
US Agency obligations	115,682	1,020,394
Municipal bonds	-	2,612,214
Corporate bonds	3,129,977	3,441,087
Collateralized mortgage obligations	64,009,046	58,334,097
Domestic stock	5,139,623	4,832,354
Foreign stock	336,841	431,968
Mutual funds	73,208,386	64,015,418
Limited liability companies	2,008,094	1,246,650
Repurchase agreements	1,723,106	3,171,339
Guaranteed investment contracts	1,419,475	1,419,475
Other	16,483,788	17,259,410
External investment pools		
KUEA Short-term Investment Program	39,100,708	40,483,957
KUEA Long-term Investment Program	64,020,828	65,129,147
	<u>\$ 273,473,291</u>	<u>\$ 269,713,553</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

The investments reflected above were held by the following entities as of June 30:

	<u>2020</u>	<u>2019</u>
KU Lawrence and Edwards Campuses	\$ 64,266,335	\$ 65,833,175
Kansas Athletics, Inc.	54,602,765	55,236,043
KU Center for Research, Inc.	75,110,983	65,564,791
KU Memorial Corporation	1,843,355	3,289,147
KU Medical Center	5,286,863	5,400,393
KU Medical Center Research Institute	72,362,990	74,390,004
	<u>\$ 273,473,291</u>	<u>\$ 269,713,553</u>

INVESTMENT POLICY

State statutes govern KU's investment policies. For investments related to KU's Kansas Development Finance Authority (KDFA) revenue bonds, state statutes authorize cash balances to be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits, and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

State statutes also govern the investment policies of the PMIB. The primary objectives are to attain safety, liquidity, and yield. Allowable investments for State pooled moneys are as follows:

- Certificates of deposit in Kansas banks as authorized by K.S.A. 75-4237
- Direct obligations of, or obligations that are insured as to principal and interest by, the U.S. Government or any direct agency thereof
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Loans as mandated by the Kansas Legislature limited to not more than the lesser of 10 percent or \$140 million of total investments
- Certain Kansas agency and SKILL Act projects and bonds
- High grade commercial paper that does not exceed 270 days to maturity
- High grade corporate bonds that does not exceed two years in maturity

The Finance Committee of the KU Endowment Board of Trustees oversees investments in the KU Endowment's investment programs. The Finance Committee develops guidelines and procedures for investment programs, in accordance with the policies established by the Executive Committee.

KU Endowment has investment policies that attempt to provide a predictable stream of funding to programs supported by operations, as well as endowment donations. Assets are invested in a manner intended to produce results that match or exceed

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

the respective benchmark while also seeking to control investment risk. The primary long-term financial objective of the portfolio managed by KU Endowment is to preserve the real value (purchasing power) of the principal (the gift value) and of its spending distributions, while providing a relatively stable source of funding for participants. Since the KU Endowment Long-term Investment Program's 1988 inception, KU Endowment has met its objective though actual returns in any given year may vary from this amount.

The KU Endowment Short-term Investment Program is designed for short-term, highly liquid investing needs. KU Endowment invests excess cash balances in individual fund accounts by pooling them into a short-term investment program to produce a net investment yield. The total investment yield, less distributions of earnings to certain accounts, is retained by KU Endowment and is allocated to the unrestricted net asset classification to defray administrative costs.

The KU Endowment Long-term Investment Program is designed for investing endowed funds and other types of funds with similar long-term objectives. These funds are collectively invested in a diversified long-term portfolio that is professionally managed by firms chosen by KU Endowment for their expertise in specialized portfolio management. Funds participating in the long-term investment portfolio receive regular distributions that are available for immediate spending in accordance with KU Endowment's established spending policy. Except as specified by the donor, KU Endowment has adopted a constant growth spending policy. The target spending rate is 5.5% of the market value of participating funds, less a 0.9% administrative fee charged by KU Endowment. To avoid potential under-distributions or unsustainable over-distributions in any given year, the policy is subject to a 4.5% "floor" and a 6.5% "cap" of the trailing four quarter average market value. Every month, participating funds receive a distribution. The spending amount is recalculated annually based on values ending September 30th of the year preceding each spending year and is effective for one year beginning February 1 and ending the following January 31. In establishing this policy, KU Endowment considered the long-term expected return on its endowment. Accordingly, over the long term, KU Endowment expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with KU Endowment's objective to maintain the purchasing power of its endowment assets held in perpetuity, as well as to provide additional growth new gifts.

The Executive Committee, as well as the Finance and Audit Committee of KUCR, oversees KUCR investments. In accordance with KUCR investment policy, eligible investments include money market funds, FDIC insured bank accounts, U.S. Treasury obligations (Bills, Notes, Bonds), U.S. Government Agency obligations, corporate obligations, mutual funds, exchange traded funds, domestic and international stocks, and fully collateralized repurchase agreements. Asset allocation targets are reviewed semi-annually by the Finance and Audit Committee.

Athletics does not have a formal investment policy. The majority of the Athletics investments are held at KU Endowment in the Short-term Investment Program and Long-term Investment Program.

KUCDC does not have a formal investment policy. Certain unspent project and interest funds are invested in eligible securities as defined in the bond indenture such as U.S. Treasury obligations (Bills, Notes, Bonds), U.S. Government Agency obligations, and corporate obligations with a rating of BBB or higher.

KU Unions does not have a formal investment policy. Operational reserves are invested in short-term certificates of deposit or government securities as directed by the Executive Board.

The Board of Directors and Executive Committee of KUMCRI oversee the KUMCRI's investment policy. Per KUMCRI investment policy, investments are actively managed in collaboration with investment industry professionals with direct ownership of the financial investments held by the KUMCRI or within a mutual fund. Financial advisors are selected by the Executive Committee and approved by the Board of Directors. Approved financial advisors make regular presentations to the Executive Committee, and overall performance is reviewed at each Executive Committee and Board of Directors meeting. KUMCRI investment policy also sets investment quality standards for specific investments (i.e. U.S. Treasury and Agency Obligations; including Callable, Non- Callable, Step-Ups, Mortgage-Backed Securities and Collateralized Mortgage Obligations; also, Certificates of Deposit, Secured Municipal Bonds, Corporate Debt Securities; rated A- or better by two rating agencies, and Money Market Funds).

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. KU does not have a formal investment policy that leverages investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. KU anticipates holding fixed income securities until maturity, thus limiting KU's interest rate risk exposure.

For revenue bond investments managed by KDFA, because of the tax-exempt status of the bonds, it is generally the practice of KDFA and KU management to match reserve fund interest rates to the arbitrage yield on the bonds, and the term of the investments to the maturity of the bonds. For invested loan funds, KDFA generally invests to maximize the interest rate and sets a term of investment based on estimated expenditures, which is generally 3 to 5 years.

KU had the following investments and maturities on June 30, 2020:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Investments with Maturity Date:					
US Treasury obligations	\$ 2,777,737	\$ 2,499,675	\$ 123,561	\$ 61,208	\$ 93,293
US Agency obligations	115,682	-	-	-	115,682
Corporate bonds	3,129,977	407,125	2,570,280	-	152,572
Collateralized mortgage obligations	64,009,046	85,400	1,617,909	3,590,504	58,715,233
Repurchase agreements	1,723,106	1,723,106	-	-	-
Guaranteed investment contracts	1,419,475	-	-	-	1,419,475
Other	7,916,958	5,311,385	2,605,573	-	-
External investment pools					
KUEA Short-term Investment Program	39,100,708	39,100,708	-	-	-
	<u>120,192,689</u>	<u>49,127,399</u>	<u>6,917,323</u>	<u>3,651,712</u>	<u>60,496,255</u>
Investments not subject to maturity dates:					
Domestic stock	5,139,623				
Foreign Stock	336,841				
Mutual funds	73,208,386				
Limited liability companies	2,008,094				
Other	8,566,830				
External investment pools					
KUEA Long-term Investment Program*	64,020,828				
	<u>153,280,602</u>				
	<u>\$ 273,473,291</u>				

* KU Endowment's Long-term investment program is invested in approximately 80% equities and other investments which do not have a maturity date.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

KU had the following investments and maturities on June 30, 2019:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Investments with Maturity Date:					
US Treasury obligations	\$ 6,316,043	\$ 55,884	\$ 95,891	\$ 80,999	\$ 6,083,269
US Agency obligations	1,020,394	16,138	862,447	-	141,809
Municipal bonds	2,612,214	751,268	265,000	1,595,946	-
Corporate bonds	3,441,087	215,280	2,635,402	446,457	143,948
Collateralized mortgage obligations	58,334,097	428	1,605,557	3,762,915	52,965,197
Repurchase agreements	3,171,339	3,171,339	-	-	-
Guaranteed investment contracts	1,419,475	-	-	-	1,419,475
Other	12,901,693	5,989,028	6,667,641	245,024	-
External investment pools					
KUEA Short-term Investment Program	40,483,957	40,483,957	-	-	-
	129,700,299	50,683,322	12,131,938	6,131,341	60,753,698
Investments not subject to maturity dates:					
Domestic stock	4,832,354				
Foreign Stock	431,968				
Mutual funds	64,015,418				
Limited liability companies	1,246,650				
Other	4,357,717				
External investment pools					
KUEA Long-term Investment Program*	65,129,147				
	140,013,254				
	<u>\$ 269,713,553</u>				

* KU Endowment's Long-term investment program is invested in approximately 80% equities and other investments which do not have a maturity date.

CREDIT RISK

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. KU holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. Certain investments have an underlying collateral agreement.

As of June 30, 2020, KU held the following investments as rated by Standard and Poor's and/or Moody's:

S&P Credit Rating	Moody's Credit Rating	Fair Value	% of Total
AAA	Aaa	\$ 410,722	0.2%
AA+/AA/AA-	Aa1/Aa2/Aa3	5,151,776	1.9%
A+/A/A-	A1/A2/A3	2,728,851	1.0%
BBB+/BBB/BBB-	Baa1/Baa2/Baa3	543,467	0.2%
BB+/BB/BB-	Ba1/Ba2/Ba3	2,257,435	0.8%
C+/C/C-		226,925	0.1%
Not Rated		262,154,115	95.9%
		<u>\$ 273,473,291</u>	<u>100.0%</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

As of June 30, 2019, KU held the following investments as rated by Standard and Poor's and/or Moody's:

<u>S&P Credit Rating</u>	<u>Moody's Credit Rating</u>	<u>Fair Value</u>	<u>% of Total</u>
AAA	Aaa	\$ 1,183,684	0.4%
AA+/AA/AA-	Aa1/Aa2/Aa3	8,306,003	3.1%
A+/A/A-	A1/A2/A3	3,511,130	1.3%
BBB+/BBB/BBB-	Baa1/Baa2/Baa3	2,442,757	0.9%
BB+/BB/BB-	Ba1/Ba2/Ba3	183,660	0.1%
Not Rated		254,086,319	94.2%
		<u>\$ 269,713,553</u>	<u>100.0%</u>

The investments in the "Not Rated" category include investments in KU Endowment's Short-term and Long-term Investment Programs (external investment pools are not required to be rated), mutual funds, guaranteed investment contracts and repurchase agreements.

CUSTODIAL CREDIT RISK

The custodial credit risk for investments is the risk that, in the event of the failure of the counter party, KU will not be able to recover the value of the investments that are in the possession of an outside party. Custodial credit risk should not be confused with market risk, which is the risk that the market value of a security may decline. KU's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent but not in KU's name.

The investment policies of KU and its component units do not formally address custodial credit risk. Nonetheless, KU's custodial credit risk is estimated to be minimal because of several factors. First, investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence are not evidenced by securities that exist in physical or book entry form. As noted above, the majority of KU's investments are invested within KU Endowment's Short-term and Long-term Investment Programs. Second, management has evaluated the stability of the financial institutions through which other investments are made. Generally, the financial institutions are members of the Depository Trust Company (DTC), the world's largest depository and a member of the Federal Reserve System. DTC holds and provides asset servicing for securities deposited with the DTC by DTC participants. DTC facilitates settlement of transactions through electronic book-entry transfers and pledges between the DTC participants' accounts. This eliminates the need for physical movement of securities certificates. Additionally, the financial institutions hold the assets in custody or trust so that they would not be available to the institution's creditors because they are excluded from the assets of the custodian.

The KUMCRI has made investments directly in limited partnerships, which would have some custodial risk. The balance of these investments as of June 30, 2020 and 2019 was \$2,008,094 and \$1,246,650, respectively.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. KU does not have a formal policy regarding the concentration of credit risk. However, management has evaluated the financial stability of the financial institutions involved and believes the credit risk is minimal.

Of KU's total investments of \$271,473,291 and \$269,713,553 as of June 30, 2020 and 2019, respectively, KU Endowment administers \$103,121,536 and \$105,613,104, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

KU investments also include \$5,612,388 and \$5,745,875 of investments administered by U.S. Trust Bank of America Private Wealth Management as of June 30, 2020 and 2019, respectively, and \$19,444,532 and \$19,493,668 of investments administered by Frost Wealth Advisors as of June 30, 2020 and 2019, respectively. These investments consist of three accounts: 1) the Gertrude S. Pearson Trust, 2) the Elizabeth M. Watkins Trust for Watkins and Miller Scholarship Halls, and 3) the Elizabeth M. Watkins Trust for Watkins Hospital.

The Gertrude S. Pearson Trust had a reported market value of \$19,444,532 and \$19,493,668 on June 30, 2020 and 2019, respectively.

The Elizabeth M. Watkins Trust for Watkins and Miller Scholarship Halls had a reported market value of \$3,607,153 and \$3,710,243 on June 30, 2020 and 2019, respectively.

The Elizabeth M. Watkins Trust for Watkins Hospital had a reported market value of \$2,005,235 and \$2,035,632 on June 30, 2020 and 2019, respectively.

KU did not have any other investments which exceeded 5 percent of the investment portfolio on June 30, 2020 and 2019.

The remaining investments as of June 30, 2020 and 2019 of \$143,294,835 and \$138,860,906, respectively, are invested in a combination of short-term and long-term investments, primarily U.S. Agency obligations, corporate obligations, and collateralized mortgage obligations which no individual issuer exceeded 5 percent of the total investment portfolio.

NOTE 4 – FAIR VALUE

Fair value is based on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As not all financial instruments are actively traded, various valuation methods may be used to estimate fair value. These methods rely on observable market data and where observable market data is not available, the best information available. Significant judgment may be required to interpret the data and select the assumptions used in the valuation estimates, particularly when observable market data is not available.

In the discussion that follows, KU has ranked financial instruments by the level of judgment used in the determination of the fair values presented above. The levels are defined as follows:

Level 1 – Input included quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Inputs include 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 – Inputs include 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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. KU's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. From time to time there may be movements between levels as inputs become more or less observable, which may depend on several factors including the activity of the market for the specific security, the activity of the market for similar securities, the level of risk spreads and the source from which KU obtains the information. Transfers in or out of any level are measured as of the end of the period.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

The following methods and assumptions were used in estimating the fair value of KU's financial instruments:

Fixed maturities:

Level 1 fixed maturities consist of U.S. Treasury issues that are actively traded, allowing KU to use current market prices as an estimate of their fair value.

Level 2 fixed maturities consist of United States Government agencies, corporate bonds, commercial paper, and other investments, such as bank notes and certificates of deposits. When quoted prices of identical assets in active markets are not available, KU's first priority is to obtain prices from the trustee or third-party pricing vendors. KU has regular interaction with the trustees to understand their pricing methodologies and to confirm they are utilizing observable market information. The methodologies may vary by asset class and include inputs such as estimated cash flows, benchmark yields, reported trades, credit quality, industry events and economic events.

Equity securities and mutual funds

Level 1 equity securities consist of various exchange traded equity securities which market prices are used as an estimate for fair value.

Repurchase agreements

Level 1 repurchase agreements consist of cash and cash equivalents which are swept into an overnight investment account investing in a Goldman Sachs Financial Square Prime Obligation Fund, which is a money market fund.

Other investments

Level 1 other investments consist of cash and cash equivalents that are held in short-term money market funds for which market prices are used as an estimate for fair value.

Level 2 other investments consists of commercial paper, bank notes and certificates of deposits.

Level 3 other investments consists of mineral and natural resource investments for which fair value is based on the income recognized over a given period of time.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

As of June 30, 2020, KU had the following investments by fair value hierarchy levels:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Maturity Securities:				
US treasury obligations	\$ 2,777,737	\$ 2,777,737	\$ -	\$ -
US agency obligations	115,682	-	115,682	-
Corporate bonds	3,129,977	-	3,129,977	-
Collateralized mortgage obligations	64,009,046	-	64,009,046	-
Total fixed maturity securities	<u>70,032,442</u>	<u>2,777,737</u>	<u>67,254,705</u>	<u>-</u>
Equity Securities:				
Consumer discretionary	1,281,263	1,281,263	-	-
Energy	104,992	104,992	-	-
Financials	940,234	940,234	-	-
Healthcare	658,388	658,388	-	-
Industrials	617,628	617,628	-	-
Information technology	1,648,343	1,648,343	-	-
Materials	132,837	132,837	-	-
Telecommunications services	92,779	92,779	-	-
Total equity securities	<u>5,476,464</u>	<u>5,476,464</u>	<u>-</u>	<u>-</u>
Repurchase agreements	1,723,106	1,723,106	-	-
Guaranteed investment contracts	1,419,475	-	1,419,475	-
Mutual funds	73,208,386	73,208,386	-	-
Other	16,483,788	8,043,959	6,345,850	2,093,979
External investment pools:				
KUEA Short-term Investment Program	39,100,708	-	39,100,708	-
KUEA Long-term Investment Program	64,020,828	-	64,020,828	-
Total investments by fair value level	<u>\$ 271,465,197</u>	<u>\$ 91,229,652</u>	<u>\$ 178,141,566</u>	<u>\$ 2,093,979</u>
Investments with no determinable fair value:				
Limited liability company	\$ 2,008,094			

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

As of June 30, 2019, KU had the following investments by fair value hierarchy levels:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Maturity Securities:				
US treasury obligations	\$ 6,316,043	\$ 6,316,043	\$ -	\$ -
US agency obligations	1,020,394	-	1,020,394	-
Municipal bond	2,612,214	-	2,612,214	-
Corporate bonds	3,441,087	-	3,441,087	-
Collateralized mortgage obligations	58,334,097	-	58,334,097	-
Total fixed maturity securities	<u>71,723,835</u>	<u>6,316,043</u>	<u>65,407,792</u>	<u>-</u>
Equity Securities:				
Consumer discretionary	1,180,737	1,180,737	-	-
Energy	160,260	160,260	-	-
Financials	1,041,083	1,041,083	-	-
Healthcare	573,672	573,672	-	-
Industrials	717,575	717,575	-	-
Information technology	1,230,517	1,230,517	-	-
Materials	138,712	138,712	-	-
Telecommunications services	106,344	106,344	-	-
Utilities	24,560	24,560	-	-
Other	90,862	90,862	-	-
Total equity securities	<u>5,264,322</u>	<u>5,264,322</u>	<u>-</u>	<u>-</u>
Repurchase agreements	3,171,339	3,171,339	-	-
Guaranteed investment contracts	1,419,475	-	1,419,475	-
Mutual funds	64,015,418	64,015,418	-	-
Other	17,259,410	3,299,610	11,318,458	2,641,342
External investment pools:				
KUEA Short-term Investment Program	40,483,957	-	40,483,957	-
KUEA Long-term Investment Program	65,129,147	-	65,129,147	-
Total investments by fair value level	<u>\$ 268,466,903</u>	<u>\$ 82,066,732</u>	<u>\$ 183,758,829</u>	<u>\$ 2,641,342</u>
Investments with no determinable fair value:				
Limited liability company	\$ 1,246,650			

Investments include interest in limited partnerships that have no readily determinable fair value, and thus are recorded using the cost method of accounting and evaluated and adjusted for impairment on an annual basis. Certain investments may convert to having a readily determinable fair value, such as after an initial public offering. No impairment losses were recognized during the years ended June 30, 2020 and 2019. At June 30, 2020 and 2019, limited partnership investments totaled \$2,008,094 and \$1,246,650, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable net of estimated uncollectible amounts, consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Tuition and Fees	\$ 26,229,544	\$ 24,367,037
Auxiliary	9,329,908	7,740,435
Grants and Contracts	47,301,702	45,459,091
Other	33,926,479	38,565,787
	<u>116,787,633</u>	<u>116,132,350</u>
Less:		
Allowance for uncollectible amounts	<u>(6,095,748)</u>	<u>(4,668,893)</u>
	<u>\$ 110,691,885</u>	<u>\$ 111,463,457</u>

NOTE 6 – PLEDGES RECEIVABLE

Pledges receivable consist of the following unconditional promises to give:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 29,834,524	\$ 30,291,134
Due in one to five years	24,590,337	35,402,757
Due in greater than five years	187,501	-
	<u>54,612,362</u>	<u>65,693,891</u>
Less		
Unamortized discount	629,807	1,454,442
Allowance for uncollectible amounts	2,234,093	1,208,555
	<u>\$ 51,748,462</u>	<u>\$ 63,030,894</u>

Pledges receivable are recorded on the accompanying statements of financial position as follows:

	<u>2020</u>	<u>2019</u>
Pledges receivable - current	\$ 27,600,431	\$ 29,082,579
Pledges receivable - non-current	24,148,031	33,948,315
	<u>\$ 51,748,462</u>	<u>\$ 63,030,894</u>

NOTE 7 – INVENTORIES

Inventories consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Bookstore	\$ 2,653,555	\$ 2,237,979
Food service	225,216	203,754
Physical plant	2,096,230	2,173,130
Professional and scientific supplies	307,065	441,205
Other	2,679,721	2,084,758
	<u>\$ 7,961,787</u>	<u>\$ 7,140,826</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

NOTE 8 – LOANS TO STUDENTS

Student loan receivable net of estimated uncollectible amounts, consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Federal Perkins Loan Program	\$ 13,885,008	\$ 16,319,740
Kansas Medical Scholarships	15,120,222	14,715,881
Other	5,736,955	5,749,296
	<u>34,742,185</u>	<u>36,784,917</u>
Less:		
Allowance for uncollectible amounts	<u>(1,568,088)</u>	<u>(126,062)</u>
	<u>\$ 33,174,097</u>	<u>\$ 36,658,855</u>

Student loans made through the Federal Perkins Loan Program provide for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. As KU determines that Perkins loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off or assigned to the U.S. Department of Education.

The Kansas Medical Scholarships provide for a portion of the balances to be forgiven upon performance of certain requirements by the student subsequent to graduation.

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Non-depreciable capital assets</u>				
Land	\$ 33,937,936	\$ -	\$ -	\$ 33,937,936
Land improvements	165,607	-	-	165,607
Construction in progress	62,860,634	51,497,743	(84,302,210)	30,056,167
Software	5,163,758	-	-	5,163,758
Works of Art	24,038,185	175,622	(10,000)	24,203,807
Total non-depreciable capital assets	<u>126,166,120</u>	<u>51,673,365</u>	<u>(84,312,210)</u>	<u>93,527,275</u>
<u>Depreciable capital assets</u>				
Buildings	2,307,469,320	66,950,772	(2,577,762)	2,371,842,330
Leasehold Improvements	2,092,576	3,402,581	-	5,495,157
Infrastructure	183,632,270	7,730,941	-	191,363,211
Equipment	324,482,642	11,902,923	(5,597,648)	330,787,917
Vehicles	29,322,482	2,055,025	(201,258)	31,176,249
Total depreciable capital assets	<u>2,846,999,290</u>	<u>92,042,242</u>	<u>(8,376,668)</u>	<u>2,930,664,864</u>
Total capital asset cost	<u>2,973,165,410</u>	<u>143,715,607</u>	<u>(92,688,878)</u>	<u>3,024,192,139</u>
<u>Accumulated depreciation</u>				
Buildings	907,838,349	49,452,990	(2,139,073)	955,152,266
Leasehold Improvements	588,645	235,311	-	823,956
Infrastructure	60,759,728	6,213,454	-	66,973,182
Equipment	250,248,030	19,191,954	(4,680,159)	264,759,825
Vehicles	24,402,713	(695,631)	(201,259)	23,505,823
Total accumulated depreciation	<u>1,243,837,465</u>	<u>74,398,078</u>	<u>(7,020,491)</u>	<u>1,311,215,052</u>
Capital assets, net	<u>\$ 1,729,327,945</u>	<u>\$ 69,317,529</u>	<u>\$ (85,668,387)</u>	<u>\$ 1,712,977,087</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Non-depreciable capital assets</u>				
Land	\$ 34,009,936	\$ -	\$ (72,000)	\$ 33,937,936
Land improvements	165,607	-	-	165,607
Construction in progress	33,478,197	68,815,152	(39,432,715)	62,860,634
Software	5,163,758	-	-	5,163,758
Works of Art	23,699,090	446,451	(107,356)	24,038,185
Total non-depreciable capital assets	<u>96,516,588</u>	<u>69,261,603</u>	<u>(39,612,071)</u>	<u>126,166,120</u>
<u>Depreciable capital assets</u>				
Buildings	2,279,750,254	31,756,537	(4,037,471)	2,307,469,320
Leasehold Improvements	2,064,723	27,853	-	2,092,576
Infrastructure	178,952,527	4,679,743	-	183,632,270
Equipment	327,896,615	14,629,625	(18,043,598)	324,482,642
Vehicles	28,398,455	1,687,742	(763,715)	29,322,482
Total depreciable capital assets	<u>2,817,062,574</u>	<u>52,781,500</u>	<u>(22,844,784)</u>	<u>2,846,999,290</u>
Total capital asset cost	<u>2,913,579,162</u>	<u>122,043,103</u>	<u>(62,456,855)</u>	<u>2,973,165,410</u>
<u>Accumulated depreciation</u>				
Buildings	826,130,929	82,344,179	(636,759)	907,838,349
Leasehold Improvements	402,900	185,745	-	588,645
Infrastructure	54,584,691	6,175,037	-	60,759,728
Equipment	244,611,110	21,531,117	(15,894,197)	250,248,030
Vehicles	21,587,684	3,426,995	(611,966)	24,402,713
Total accumulated depreciation	<u>1,147,317,314</u>	<u>113,663,073</u>	<u>(17,142,922)</u>	<u>1,243,837,465</u>
Capital assets, net	<u>\$ 1,766,261,848</u>	<u>\$ 8,380,030</u>	<u>\$ (45,313,933)</u>	<u>\$ 1,729,327,945</u>

KU elected not to capitalize its library book collections. These collections adhere to KU's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep encumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at the time of purchase rather than be capitalized.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

NOTE 10 – ASSET RETIREMENT OBLIGATION

KU measures its asset retirement obligations (AROs) based on the best estimates of the current value of costs associated with future retirement activities that are legally required when retiring certain assets. KU measures its estimate based on recent historical cost for similar retirement activities, costs estimates provided by vendors, and other inputs based on a review of similar transactions internally and at other institutions.

KU does not have any legally required funding and assurance provisions associated with the identified AROs.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

The following summary provides a general description of the major AROs reported on June 30, 2020 as well as reference to the legal requirements that generated the ARO and the average remaining useful life of the associated tangible capital asset:

Description	Legal Requirements	Average Remaining Useful Life (in years)	ARO Measured
Decontamination of biosafety cabinets	Biosafety practices & guidelines	9.38	\$ 231,000
Decontamination of fume hoods	Biosafety practices & guidelines	6.18	1,420,500
Disposal and fill-in of storage tanks	EPA & KDHE UST Regulations	1.36	275,000
Disposal of x-ray & radiation devices	EPA RoHS rules	1.44	59,000
Total asset retirement obligation			<u>\$ 1,985,500</u>

The following summary provides a general description of the major AROs reported on June 30, 2019 as well as reference to the legal requirements that generated the ARO and the average remaining useful life of the associated tangible capital asset:

Description	Legal Requirements	Average Remaining Useful Life (in years)	ARO Measured
Decontamination of biosafety cabinets	Biosafety practices & guidelines	12	\$ 228,000
Decontamination of fume hoods	Biosafety practices & guidelines	6.81	1,420,500
Disposal and fill-in of storage tanks	EPA & KDHE UST Regulations	1.45	275,000
Disposal of x-ray & radiation devices	EPA RoHS rules	1.81	59,000
Total asset retirement obligation			<u>\$ 1,982,500</u>

Deferred outflows of resources related to AROs on June 30, 2020 and 2019 totaled \$714,245 and \$783,715, respectively. The expected future expense recognition associated with deferred outflows of resources related to AROs over the next five years and thereafter is as follows:

Year Ending June 30:	Total
2021	\$ 72,420
2022	69,495
2023	67,195
2024	63,895
2025	55,420
Thereafter	385,820
	<u>\$ 714,245</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

NOTE 11 - CHANGES IN NON-CURRENT LIABILITIES

Non-current liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	\$ 44,606,274	\$ 33,340,491	\$ (25,268,399)	\$ 52,678,366	\$ 34,503,657
Accrued other post-employment benefits	5,665,501	533,081	(780,992)	5,417,590	-
Accrued pension liability	71,182,592	606,480	(4,935,000)	66,854,072	-
Capital leases payable	20,286,722	578,612	(5,847,121)	15,018,213	5,854,771
Notes payable	23,521,778	3,852,664	(12,174,795)	15,199,647	12,238,311
Revenue bonds payable	724,830,000	84,965,000	(142,630,000)	667,165,000	28,470,000
Other long-term liabilities	78,813,100	16,871,052	(10,550,006)	85,134,146	14,622,038
Total	\$ 968,905,967	\$ 140,747,380	\$ (202,186,313)	\$ 907,467,034	\$ 95,688,777

Non-current liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	\$ 42,899,588	\$ 29,139,221	\$ (27,432,535)	\$ 44,606,274	\$ 35,398,814
Accrued other post-employment benefits	6,186,629	613,908	(1,135,036)	5,665,501	-
Accrued pension liability	78,007,342	5,789,160	(12,613,910)	71,182,592	-
Capital leases payable	24,672,358	1,233,279	(5,618,915)	20,286,722	5,718,543
Notes payable	8,005,938	19,989,161	(4,473,321)	23,521,778	1,392,229
Revenue bonds payable	756,054,439	-	(31,224,439)	724,830,000	30,965,000
Other long-term liabilities	81,539,106	1,762,817	(4,488,823)	78,813,100	10,875,085
Total	\$ 997,365,400	\$ 58,527,546	\$ (86,986,979)	\$ 968,905,967	\$ 84,349,671

NOTE 12 – FEDERAL OBLIGATIONS UNDER STUDENT LOAN PROGRAMS

Campus based student loans are funded by allocations received from the federal government, as well as principal and interest collected from previous student loan recipients. The Federal Perkins Revolving Loan Fund program expired on September 30, 2017, thereby no new student loans will be issued from this program. On June 30, 2020 and 2019, KU established a liability of \$15,200,820 and \$17,856,174, respective, which will be required to be repaid over successive periods as payments are received from previous student loan recipients. This liability is included in other current and other non-current other liabilities in the Statement of Net Position.

NOTE 13 - REVENUE BONDS OUTSTANDING

Revenue bonds payable consist of the following:

	Principal Outstanding at June 30, 2020	Principal Outstanding at June 30, 2019
KU Lawrence and Edwards Campuses		
Series 2020B - Kansas Development Finance Authority Revenue Bonds (Refunding Revenue Bonds: University of Kansas Projects) \$33,250,000. Issued 3/03/20 with final maturity of 5/1/30. Principal is due in annual installments ranging from \$20,000 to \$5,945,000 beginning in 5/1/20 with interest ranging from 2.0% to 5.0% payable semi-annually. At the time of issuance, Moody's Investors Service assigned rating of Aa2.	\$ 33,230,000	\$ -

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

	Principal Outstanding at June 30, 2020	Principal Outstanding at June 30, 2019
<p>Series 2020A - Kansas Development Finance Authority Revenue Bonds (Sales Tax Refunding: University of Kansas Edwards Campus Building No. 4 Project) \$8,440,000. Issued 1/14/20 with final maturity of 9/01/2025. Principal is due in annual installments ranging from \$445,000 to \$1,660,000 beginning in 3/1/20 with interest rates of 2.02% payable semi-annually. At the time of issuance, Moody's Investor Service assigned a rating of Aa2.</p>	\$ 8,440,000	\$ -
<p>Series 2017A - Kansas Development Finance Authority Revenue Bonds (University of Kansas Projects: EEEEC, Corbin Hall, Refunding 2006B and 2007E Series) \$47,085,000. Issued 1/18/17 with final maturity of 5/1/42. Principal is due in annual installments ranging from \$1,380,000 to \$2,615,000 beginning in 5/1/17 with interest ranging from 3.0% to 5.0% payable semi-annually. At the time of issuance, Moody's Investor Service assigned a rating of Aa2.</p>	38,400,000	41,015,000
<p>Series 2014C - Kansas Development Finance Authority Revenue Bonds (University of Kansas Projects: McCollum Residence Hall replacement and refunding of a portion of the Series 2005E-1 Series) \$55,310,000. Issued 6/19/14 with final maturity of 5/01/39. Principal is due in annual installments ranging from \$35,000 to \$2,625,000 beginning in 5/1/15 with interest ranging from 3.5% to 5.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa2.</p>	46,615,000	48,610,000
<p>Series 2013G-1 - Kansas Development Finance Authority Revenue Bonds (University of Kansas School of Engineering Project) \$74,370,000. Issued 10/29/13 with final maturity of 5/1/38. Principal is due in annual installments ranging from \$1,905,000 to \$4,935,000 beginning in 5/1/16 with interest ranging from 4.0% to 5.0% payable semi-annually. At the time of issuance, Standard and Poor's assigned a rating of AA and Moody's Investors Service assigned rating of Aa1.</p>	63,845,000	66,160,000
<p>Series 2011C - Kansas Development Finance Authority Revenue Bonds (University of Kansas Housing System Project: Grace Sellards Pearson Residence Hall renovation) \$13,450,000. Principal is due in annual installments of \$385,000 to \$830,000 beginning 5/1/12. Issued 5/18/11 with final maturity on 5/1/36 with interest ranging from 2.0% to 5.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa1.</p>	9,850,000	10,290,000
<p>Series 2010M-2 - Kansas Development Finance Authority Revenue Bonds (University of Kansas Edwards Campus Building No. 4 -Build America Bonds) \$14,865,000. Due in annual installments of \$1,305,000 to \$1,700,000. Issued 5/5/10 with final maturity on 9/1/25. Interest ranging from 2.0% to 5.1% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.</p>	-	10,850,000
<p>Series 2010K-1 - Kansas Development Finance Authority Revenue Bonds (University of Kansas Refund of Edwards Campus 2002K) \$3,615,000. Due in annual installments of \$40,000 to \$530,000. Issued 5/12/10 with final maturity on 5/1/23. Interest ranging from 2.0% to 3.5% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.</p>	-	2,025,000

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

	Principal Outstanding at June 30, 2020	Principal Outstanding at June 30, 2019
<p>Series 2010B - Kansas Development Finance Authority Revenue Bonds (University of Kansas Energy Conservation Program) \$21,650,000. Due in annual installments of \$275,000 to \$1,815,000. Issued 1/7/10 with final maturity on 11/1/26. Interest ranging from 2.5% to 3.8% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.</p>	\$ -	\$ 11,950,000
<p>Series 2010A - Kansas Development Finance Authority Revenue Bonds (University of Kansas Housing System Projects: Jayhawker Renovation, current refunding of 1998D Series and advance refunding 2002A-1 Series) \$23,700,000. Principal due in annual installments of \$610,000 to \$2,030,000 beginning 11/1/10. Issued 1/28/10 with final maturity on 11/1/29 with interest ranging from 2.0% to 4.1% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa2.</p>	-	15,550,000
<p>Series 2009M - Kansas Development Finance Authority Revenue Bonds (State of Kansas Project – Pharmacy) \$31,650,000. Due in annual installments of \$1,115,000 to \$2,350,000. Issued 8/13/09 with final maturity on 11/1/29. Interest ranging from 3.0% to 6.3% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.</p>	-	16,855,000
KU Medical Center		
<p>Series 2020B - Kansas Development Finance Authority Revenue Bonds (Refunding Revenue Bonds: University of Kansas Projects) \$43,275,000. Issued 3/03/20 with final maturity of 5/1/35. Principal is due in annual installments ranging from \$125,000 to \$4,845,000 beginning in 5/1/20 with interest ranging from 2.0% to 5.0% payable semi-annually. At the time of issuance, Moody's Investors Service assigned rating of Aa2.</p>	43,150,000	-
<p>Series 2017A - Kansas Development Finance Authority Revenue Bonds (University of Kansas Medical Center Project: Health Education Building) \$20,425,000. Issued 1/18/17 with final maturity of 5/1/42. Principal is due in annual installments ranging from \$470,000 to \$1,210,000 beginning in 5/1/17 with interest ranging from 3.0% to 5.0% payable semi-annually. At the time of issuance, Moody's Investor Service assigned a rating of Aa2.</p>	18,950,000	19,465,000
<p>Series 2016C - Kansas Development Finance Authority Revenue Bonds (University of Kansas Medical Center Parking Garage 5) \$45,330,000. Issued 3/3/16 with final maturity of 5/1/41. Principal is due in annual installments ranging from \$1,280,000 to \$2,690,000 beginning 5/1/18 with interest ranging from 2% to 4% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of A1.</p>	41,405,000	42,740,000

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

	Principal Outstanding at June 30, 2020	Principal Outstanding at June 30, 2019
<p>Series 2014C - Kansas Development Finance Authority Revenue Bonds (University of Kansas Project: Refund a portion of the 2005E-2 Series Medical Center Parking Garage 3) \$1,345,000. Issued 6/19/14 with final maturity of 5/1/24. Principal is due in annual installments ranging from \$140,000 to \$195,000 beginning 5/1/17 with interest of 5% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa2.</p>	\$ 740,000	\$ 900,000
<p>Series 2012D-2.2 - Kansas Development Finance Authority Revenue Bonds (University of Kansas Projects: Medical Center Energy Conservation partial refund of 2003J Series) \$5,265,000. Issued 3/7/12 with final maturity of 5/1/25. Principal is due in annual installments ranging from \$5,000 to \$995,000 beginning 5/1/15 with interest ranging from 2.0% to 4.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Services assigned a rating of Aa1.</p>	-	5,240,000
<p>Series 2012D-2.1 - Kansas Development Finance Authority Refunding Revenue Bonds (University of Kansas Projects: Medical Center Scientific Research and Development refund 2003C Series) \$36,565,000. Issued 3/7/12 with final maturity of 5/1/29. Principal is due in annual installments ranging from \$2,200,000 to \$3,475,000 beginning 5/1/17 with interest ranging from 2.0% to 4.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Services assigned a rating of Aa1.</p>	-	29,705,000
<p>Series 2010P-2 - Kansas Development Finance Authority Revenue Bonds (University of Kansas Medical Center Clinical Research Center Project - Build America Bonds) \$11,980,000. Due in annual installments ranging from \$725,000 to \$1,025,000. Issued 10/7/10 with final maturity in 9/1/30. Interest ranging from 2.6% to 5.0% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.</p>	9,760,000	10,515,000
<p>Series 2010K-2 - Kansas Development Finance Authority Revenue Bonds (University of Kansas Medical Center Parking Build America Bonds) \$7,190,000. Due in annual installments of \$265,000 to \$495,000. Issued 5/12/10 with final maturity on 5/1/35. Interest ranging from 3.6% to 6.2% payable semi-annually. A rating of Aa2 was assigned by Moody's Investor Service and AA by Standard & Poor's.</p>	-	6,095,000
<p>KU Medical Center Research Institute</p>		
<p>Series 2010N - Kansas Development Finance Authority Revenue Bonds (University of Kansas Medical Center Research Institute, Inc. Project: Wahl Hixon renovation, refund 1999B Series and refund 2001U Series (2001T-1 portion)) \$30,160,000. Principal is due in annual installments ranging from \$490,000 to \$2,550,000 beginning 4/1/11. Issued 10/14/10 with final maturity 4/1/30 and interest ranging from 3.5% to 5.0% payable semi-annually. At the time of issuance Standard & Poor's issued a rating of AA and Moody's Investor Service issued a rating of Aa1.</p>	-	12,680,000

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

	Principal Outstanding at June 30, 2020	Principal Outstanding at June 30, 2019
Kansas Athletics, Inc.		
<p>Series 2014F - Kansas Development Finance Authority Refunding Revenue Bonds (Kansas Athletics, Incorporated: Refund the 2004K and 2008C Series) \$39,430,000. Principal is due in annual installments of \$1,495,000 to \$2,825,000 beginning 2/1/15. Issued 6/26/14 with final maturity on 6/01/33 and interest ranging from 3.0% to 4.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of A and Moody's Investors Service assigned a rating of A1.</p>	29,765,000	31,520,000
KU Center for Research, Inc.		
<p>Series 2014E - Kansas Development Finance Authority Refunding Revenue Bonds (University of Kansas Center for Research, Inc. Project: Advance refund a portion of 2006G Series) \$10,580,000. Principal is due in annual installments of \$90,000 to \$4,045,000 beginning 2/1/15. Issued 6/19/14 with final maturity on 2/1/25 and interest ranging from 2.0% to 3.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa2.</p>	7,670,000	8,520,000
<p>Series 2012E - Kansas Development Finance Authority Refunding Revenue Bonds (University of Kansas Center for Research, Inc. Project: Refund 2005B Series) \$29,675,000 (\$14,075,000 tax-exempt and \$15,600,000 taxable). Principal is due in annual installments of \$2,190,000 to \$2,950,000 beginning 2/1/13. Issued 3/15/12 with final maturity on 2/1/24 and interest ranging from 2.0% to 5.0% payable semi-annually. At the time of issuance, Standard & Poor's assigned a rating of AA and Moody's Investor Service assigned a rating of Aa1.</p>	-	13,620,000
KU Campus Development Corporation		
<p>Series 2016 - Public Financial Authority Lease Development Revenue Bonds (KU Campus Develop Corporation - Central District Development Project) \$326,945,000. Principal is due in annual installment of \$1,620,000 to \$20,445,000 beginning 3/1/18. Issued 1/7/16 with final maturity on 3/1/46 and interest ranging from 4.0% to 5.0% payable semi-annually. At the time of issuance, Moody's Investor Service assigned a rating of Aa2.</p>	\$ 315,345,000	\$ 320,525,000
Total	\$ 667,165,000	\$ 724,830,000

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

NOTE 14 - REVENUE BONDS MATURITY SCHEDULE

Maturities of principal and interest requirements on general obligation revenue bonds payable are as follows:

Year Ending June 30:	Principal	Interest	Total
2021	\$ 26,930,000	\$ 29,775,939	\$ 56,705,939
2022	27,940,000	28,497,671	56,437,671
2023	29,410,000	27,167,458	56,577,458
2024	30,420,000	25,805,813	56,225,813
2025	32,005,000	24,395,491	56,400,491
2026-2030	142,720,000	102,145,588	244,865,588
2031-2035	125,385,000	73,658,394	199,043,394
2036-2040	124,695,000	45,748,951	170,443,951
2041-2045	98,775,000	19,366,063	118,141,063
2046	20,445,000	1,022,250	21,467,250
	\$ 658,725,000	\$ 377,583,618	\$ 1,036,308,618

Maturities of principal and interest requirements on direct placement revenue bonds payable are as follows:

Year Ending June 30:	Principal	Interest	Total
2021	\$ 1,540,000	\$ 155,062	\$ 1,695,062
2022	1,565,000	123,703	1,688,703
2023	1,600,000	91,740	1,691,740
2024	1,630,000	59,236	1,689,236
2025	1,660,000	25,893	1,685,893
2026-2030	445,000	4,531	449,531
	\$ 8,440,000	\$ 460,165	\$ 8,900,165

In prior years, KU defeased certain revenue bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the defeased bonds and the related trust balances are not reflected in KU's financial statements. During the years ended June 30, 2020, KU refunded eight series in conjunction with two new bond issuances, and one series in conjunction with a bond issued by the State of Kansas. As of June 30, 2020 and 2019, KU had no outstanding amount of defeased issuances held in irrevocable trusts.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

The defeased bonds are as follows:

Series	Amount Defeased	Outstanding at June 30, 2020
Series 2009M - University of Kansas - Pharmacy	\$ 15,285,000	\$ -
Series 2010M-2 - University of Kansas - Edwards Campus Building No. 4 - Build America Bonds	9,435,000	-
Series 2010A - University of Kansas - Housing System Projects: Jayhawker Renovation, current refunding of 1998D and advance refunding 2002A-1	14,295,000	-
Series 2010B - University of Kansas - Energy Conservation Program	10,565,000	-
Series 2010K-1 - University of Kansas - Refund of Edwards Campus 2002K	1,545,000	-
Series 2010K-2 - University of Kansas Medical Center - Parking Build America Bonds	5,800,000	-
Series 2012D - University of Kansas Medical Center - Energy Conservation, and Scientific Research and Development refund 2003C	31,710,000	-
Series 2010N - University of Kansas Medical Center Research Institute - Wahl Hixon renovation, refund 1999B, and refund 2001U	11,740,000	-
Series 2012E - University of Kansas Center for Research, Inc. Project: Refund 2005B	11,145,000	-
Total	<u>\$ 111,520,000</u>	<u>\$ -</u>

In August 2019, the State of Kansas issued \$74,450,000 in revenues bonds, Series 2019FG, with interest ranging from 3.0% to 5.0%, the proceeds of which were used refund \$15,285,000 of KU's Series 2009M bonds in addition to other State of Kansas department bonds. The State of Kansas refunded the 2009M bonds to maximize the immediate budgetary savings without increasing principal and interest payments. KU recognized a gain of \$16.0 million related to this transaction, which is included in capital appropriations in the State of Revenues, Expenses, and Changes in Net Position.

In January 2020, the Kansas Development Finance Authority (KDFA) issued for KU \$8,440,000 in direct placement revenues bonds, Series 2020A, with an interest rate of 2.02%, which refunded all the outstanding Series 2010M-2 bonds. The refunding reduced the future debt service payments over the next 6 years, and obtained an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$300,000.

In March 2020, the Kansas Development Finance Authority (KDFA) issued for KU \$76,525,000 in revenues bonds, Series 2020B, with interest ranging from 2.0% to 5.0%, which refunded all the outstanding Series 2010A, Series 2010B, Series 2010K-1 (except for the March 2020 payment), Series 2010K-2, Series 2012D, Series 2010N (except for the April 2020 payment), and Series 2012E bonds. The refunding reduced the future debt service payments over the next 6 years and obtained an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$9,700,000.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

NOTE 15 - LEASE OBLIGATIONS

KU is obligated for the purchase of certain equipment funded through the issuance of blanket financing agreements in the amount of \$15,018,213 and \$20,286,722 as of June 30, 2020 and 2019, respectively. Payments to liquidate these obligations are scheduled as follows:

Year Ending June 30:	Total
2021	\$ 6,012,027
2022	5,679,978
2023	1,987,003
2024	867,229
2025	529,465
2026 and thereafter	337,802
	<u>15,413,504</u>
Less: Capital lease interest	(395,291)
	<u>\$ 15,018,213</u>

As of June 30, the cost and accumulated depreciation on related assets was:

	<u>2020</u>	<u>2019</u>
Cost	\$ 40,473,507	\$ 40,473,507
Accumulated Depreciation	(15,919,202)	(12,511,977)
Net Book Value	<u>\$ 24,554,305</u>	<u>\$ 27,961,530</u>

Included in this balance is the Master Lease Purchase agreement between KU and the State of Kansas for KU's Energy Performance Contract. KU's Energy Performance Contract consists of approximately 100 energy saving measures that were completed in fiscal year 2004 and were expected to result in annual utility and maintenance savings of \$1,700,000. The projects were funded through a Master Lease Purchase Agreement between the State of Kansas and Citibank, N.A. KU is responsible for repaying the State for the 20-year term of the lease. The remaining principal balance of the master lease agreement as of June 30, 2020 and 2019 is \$3,467,740 and \$4,766,466, respectively.

NOTE 16 – NOTES PAYABLE

KU Unions had a line of credit with a bank in the amount of \$2,500,000. As of June 30, 2010, the outstanding balance on the line of credit was \$1,000,000. As of June 30, 2019, there was no balance outstanding on the line of credit. The line of credit carried a variable interest rate, which was 3.25% and 5.5% as of June 30, 2020 and 2019 respectively. The line of credit was secured by accounts receivable, inventory and equipment. The line of credit expires on January 11, 2021.

Athletics has a note payable to a bank with an outstanding balance of \$4,908 and \$14,475 as of June 30, 2020 and 2019, respectively. The note bears at 3.34%, matures in August 2019, and is secured by property and equipment.

Athletics has a line of credit with a bank in the amount of \$20,000,000. As of June 30, 2020 and 2019, there was a \$9,809,260 and \$17,739,161, respectively, borrowed against this line. The line of credit carries a variable interest rate of LIBOR plus 1.13%, which was 1.3% and 3.6% as of June 30, 2020 and 2019, respectively. The line of credit expires in May 2021.

During the year ended June 30, 2018, KUCR entered into a note agreement with KU Endowment for \$7,124,684. As of June 30, 2020 and 2019, the outstanding balance on the note was \$4,385,480 and \$5,768,142. The note carries a fixed interest rate of 3.0% and matures in June 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

Future maturities of the notes payable are as follows:

Year Ending June 30:	Total
2021	\$ 12,238,311
2022	1,466,867
2023	1,494,469
	\$ 15,199,647

NOTE 17– PENSION PLAN

GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan description. KU participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS’ financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737. The amounts presented below include the KPERS State of Kansas and KPERS police and fire participants located at the Lawrence, Edwards and Medical Center campuses.

Benefits provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the Kansas Legislature. Member employees with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee’s combined age and years of credited service equal 85 “points” (Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees chose one of seven payment options for their monthly retirement benefits. At retirement, a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee’s lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions. K.S.A. 74-4919 and K.S.A. 74-4920 establish the KPERS member-employee contributions rates. Effective July 1, 2009, KPERS has two benefit structures and contribution rates depend on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing member hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 member and 6% of covered salary for Tier 2 members through December 31, 2014. On January 1,

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

2015, Kansas law increased the KPERS member-employee contribution rate to 6% of covered salary for Tier 1 members; however, the Tier 2 member-employee contribution rate remained at 6% of covered salary. Member employee's contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rates for the year ended June 30, 2019 are as follows:

	Actuarial employer rate	Statutory employer capped rate
State employees	8.28%	13.21%
Police and fire fighters	22.13	22.13

Contributions to the pension plan from KU were \$7,185,087 and \$7,046,807 for the years ended June 30, 2020 and 2019, respectively.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

On June 30, 2020 and 2019, KU reported a liability of \$66,854,072 and \$71,182,592, respectively, for its proportionate share of the net pension liability. The net pension liability as of June 30, 2020 was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30 2019. The net pension liability as of June 30, 2019 was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. KU's proportion of the net pension liability was based on the ratio of KU's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the State/School and Police and Fire subgroups within KPERS for the fiscal year ended June 30, 2019. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

At the June 30, 2019 measurement date, KU's proportion made to the State/School subgroup was 0.90%, which was a decrease of 0.06% from its proportion measured as of June 30, 2018. At the June 30, 2018 measurement date, KU's proportion made to the State/School subgroup was 0.97%, which was a decrease of 0.08% from its proportion measured as of June 30, 2017.

At the June 30, 2019 measurement date, KU's proportion made to the Police and Fire subgroup was 0.84%, which was a decrease of 0.01% from its proportion measured as of June 30, 2018. At the June 30, 2018 measurement date, KU's proportion made to the Police and Fire subgroup was 0.85%, which was an increase of 0.03% from its proportion measured as of June 30, 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

For the years ended June 30, 2020 and 2019, KU recognized pension expense of \$2,137,103 and \$1,595,992, respectively. On June 30, 2020 and 2019, KU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 988,870	\$ 1,524,195	\$ 499,198	\$ 2,773,138
Net difference between projected and actual earnings on pension plan investments	1,141,091	-	1,293,519	-
Change in proportion	1,446,974	10,076,335	1,649,352	10,404,759
Change of assumptions	1,868,561	30,896	2,801,326	76,993
Contributions subsequent to measurement date	7,185,087	-	7,046,807	-
	\$ 12,630,583	\$ 11,631,426	\$ 13,290,202	\$ 13,254,890

KU reported \$7,185,087 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Total
2021	\$ (1,642,342)
2022	(2,707,414)
2023	(1,289,308)
2024	(480,581)
2025	(66,285)
	\$ (6,185,930)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Actual Cost Method	Entry age normal
Inflation	2.75%
Salary Increase	3.50% to 12.00%, including price inflation
Investment Rate of Return	7.75% compounded annually, net of investment expense, including price inflation

Mortality rates were based on the RP2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016. Different adjustments apply to pre-retirement versus post-retirement versus post-disability mortality tables.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 through December 31, 2015. The experience study is dated November 18, 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

The long-term expected rate of return on pension plan investments was determined using a building block method 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47.0%	6.80%
Fixed income	13.0	1.25
Yield driven	8.0	6.55
Real return	11.0	1.71
Real estate	11.0	5.05
Alternative	8.0	9.85
Short-term investments	2.0	(0.25)
Total	100.0%	

Discount rate. The discount rate used to measure the total pension liability was 7.75%.

Based on State/School employer contribution history, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been in the past few years, between 11 to 12 percent. Using this assumption, actuarial modeling indicated that employer contribution rates for the State/School group are sufficient to avoid depletion date.

The Kansas Police and Firemen group is contributing at the full actuarial contribution rate.

Sensitivity of KU's proportionate share of the net pension liability to changes in the discount rate. The following presents KU's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what KU's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$ 91,936,074	\$ 66,854,072	\$ 45,812,978

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

NOTE 18 - RETIREMENT PLANS

Unclassified employees participate in the "Board of Regents 403(b) Retirement Program". This defined contribution program is funded through contributions by KU and the individual employees at rates established by state statute. KU contributed \$36,783,175 and \$39,146,301 during fiscal years 2020 and 2019, respectively.

Employees of Kansas Athletics, Inc. and the University of Kansas Memorial Corporation participate in defined contribution programs similar to the "Board of Regents 403(b) Retirement Program". The Corporations contributed \$1,956,282 and \$2,215,867 to their individual plans during fiscal years 2020 and 2019, respectively. Employees of University of Kansas Medical Center Research Institute became employees of the State of Kansas in December 2018 and became included into the State of Kansas benefit plans.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

NOTE 19 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB)

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description. KU participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan which is administered by KPERS. The Plan provides long-term disability benefits and life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. Because the trust's assets are used to pay employee benefits other than OPEB, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

Benefits provided. Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3%) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver premium provision.

Long-term disability benefit. Monthly benefit is 60% of the member's monthly compensation, with a minimum of \$100 and maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability occurs after age 60, benefits are payable while disability continues, for a period of 5 years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of living increase.

Group life waiver of premium benefit. Upon the death of an employee who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for 5 or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual life insurance plan.

Members covered by benefit terms. On June 30, 2020, the following members were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	77
Active employees	1,017
	<u>1,094</u>

OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

KU's total OPEB liability of \$5,417,590 was measured as of June 30, 2019 and was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise noted:

Inflation	2.75%
Payroll Growth	3.00%
Salary Increase	4.00% including price inflation
Discount Rate	3.50%
Health care cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on actuarial experience study for the period July 1, 2014 through June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2017 KPERS pension valuation.

The following table presents the changes in KU's total OPEB liability for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 5,665,501	\$ 6,186,629
Changes for the year:		
Service cost	208,636	206,666
Interest	206,500	208,155
Differences between expected and actual experience	341,730	301,151
Effect of assumption changes or inputs	81,975	(68,956)
Benefit payments	<u>(1,086,752)</u>	<u>(1,168,144)</u>
Net changes	<u>(247,911)</u>	<u>(521,128)</u>
Balance at end of year	<u>\$ 5,417,590</u>	<u>\$ 5,665,501</u>

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate decreased from 3.87% on June 30, 2018 to 3.50% on June 30, 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents KU's total OPEB liability using the discount rate of 3.87%, as well as what KU's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Proportionate share of the net OPEB liability	\$ 5,648,291	\$ 5,417,590	\$ 5,199,949

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS. Therefore, there is no sensitivity to a change in healthcare trend rates.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

For the year ended June 30, 2020 and 2019, KU recognized OPEB expense of \$463,489 and \$720,333, respectively. On June 30, 2020 and 2019, KU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 545,602	\$ -	\$ 270,072	\$ -
Change of assumptions	73,550	182,689	-	208,961
Contributions subsequent to measurement date	1,086,752	-	1,168,144	-
	<u>\$ 1,705,904</u>	<u>\$ 182,689</u>	<u>\$ 1,438,216</u>	<u>\$ 208,961</u>

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling \$1,086,752 consist of payments made to KPERS for benefits and administrative costs and will be recognized as a reduction in the total OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred outflows of sources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	Total
2021	\$ 48,353
2022	48,353
2023	48,353
2024	48,353
2025	48,353
Thereafter	194,698
	<u>\$ 436,463</u>

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES

All university buildings and contents were insured up to a limit of \$1,000,000,000 per occurrence subject to deductibles of \$500,000. Named equipment is covered up to the declared value with a \$5,000 deductible. State-owned automobiles are covered by liability coverage for bodily injury and property damage up to \$500,000 per occurrence. KU is not aware of any significant outstanding claims as of June 30, 2020.

In the normal course of operations, KU receives grants and other forms of reimbursement from various Federal and State agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing of such funds. University officials believe that the liability, if any, for any reimbursement that may arise as the result of audits, would not be material.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

NOTE 21 – NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

KU's operating expenses by functional and natural classification for 2020 are as follows:

Functional Classification	Natural Classification					Total
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	
Instruction	\$ 407,476,729	\$ -	\$ 275,733	\$ 32,872,590	\$ -	\$ 440,625,052
Research	195,686,649	-	7,160	93,102,659	-	288,796,468
Public service	36,199,024	-	8,484	15,532,957	-	51,740,465
Academic support	50,362,038	-	-	16,900,170	-	67,262,208
Student services	31,198,039	-	853,213	6,544,845	-	38,596,097
Institutional support	47,231,370	-	-	27,764,381	-	74,995,751
Operations and maintenance of plant	55,670,400	-	20,345,877	13,908,266	-	89,924,543
Depreciation	-	-	-	-	74,398,078	74,398,078
Scholarships and fellowships	-	26,138,916	-	-	-	26,138,916
Auxiliary enterprises:						
Housing	4,270,328	-	3,252,659	10,866,603	-	18,389,590
Athletics	40,562,214	-	573,794	61,482,337	-	102,618,345
Parking	7,086,860	-	325,242	5,748,625	-	13,160,727
Student unions	13,151,166	-	1,111,491	15,979,692	-	30,242,349
University health services	6,244,311	-	-	2,120,374	-	8,364,685
Other auxiliary enterprises	1,912,899	-	(542)	1,688,309	-	3,600,666
Other	362,138	-	-	238,521	-	600,659
Total	\$ 897,414,165	\$ 26,138,916	\$ 26,753,111	\$ 304,750,329	\$ 74,398,078	\$ 1,329,454,599

KU's operating expenses by functional and natural classification for 2019 are as follows:

Functional Classification	Natural Classification					Total
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	
Instruction	\$ 392,053,456	\$ -	\$ 278,736	\$ 36,112,871	\$ -	\$ 428,445,063
Research	173,716,440	-	-	85,904,240	-	259,620,680
Public service	30,507,125	-	7,142	26,085,304	-	56,599,571
Academic support	48,336,119	-	-	16,962,480	-	65,298,599
Student services	31,446,799	-	716,208	8,986,688	-	41,149,695
Institutional support	33,439,708	-	-	30,454,978	-	63,894,686
Operations and maintenance of plant	53,652,000	-	20,736,183	13,627,251	-	88,015,434
Depreciation	-	-	-	-	113,663,073	113,663,073
Scholarships and fellowships	-	16,532,918	-	-	-	16,532,918
Auxiliary enterprises:						
Housing	4,850,648	-	3,525,316	10,305,535	-	18,681,499
Athletics	45,939,940	-	1,846,605	55,982,505	-	103,769,050
Parking	7,048,265	-	329,094	4,591,691	-	11,969,050
Student unions	16,053,007	-	1,151,398	15,976,669	-	33,181,074
University health services	5,952,530	-	-	2,385,928	-	8,338,458
Other auxiliary enterprises	3,073,858	-	-	1,771,740	-	4,845,598
Other	314,261	-	909	407,506	-	722,676
Total	\$ 846,384,156	\$ 16,532,918	\$ 28,591,591	\$ 309,555,386	\$ 113,663,073	\$ 1,314,727,124

NOTE 22 – ASSETS HELD FOR OTHERS

KUCR has entered into an agreement with a community-based organization to administer the State of Kansas' Alternative Financing Program and Telework Program (the Program). In association with this agreement, KUCR will maintain certain administrative and fiduciary responsibilities related to certain financial assets of the Program. These financial assets primarily consist of investments. Accordingly, the amounts of financial assets administered by KUCR under the Program are also reported as assets held for others. On June 30, 2020 and 2019, these amounts totaled \$7,746,793 and \$8,327,499, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

KU holds funds on the behalf of certain student organizations. The amounts held by KU are recorded in restricted cash and cash equivalents and assets held in custody for others. As of June 30, 2020 and 2019, KU held \$964,611 and \$821,741, respectively, on behalf of the student organizations. In addition, KU holds certain capital assets loaned from other external organizations for which title has not transferred but are used in the research functions of the university. As of June 30, 2020 and 2019, KU held \$423,405 and \$518,895, respectively, on behalf of these other organizations.

NOTE 23 – DISCRETELY PRESENTED COMPONENT UNIT

The Kansas University Endowment Association (KU Endowment) is an independent, nonprofit organization serving as the official fund-raising and fund-management foundation for KU. Founded in 1891, KU Endowment is the oldest foundation of its kind and one of the largest at a public university in the United States. KU Endowment partners with donors in providing philanthropic support to build a greater university.

KU Endowment is a tax-exempt organization as described in Sections 501(c)(3) and 170(b)(1)(A)(iv) of the Internal Revenue Code (the Code) and has received an Internal Revenue Service (IRS) determination letter stating that its exempt function income is exempt from tax, pursuant to Section 501(a) of the Code.

KU Endowment's consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP).

To ensure observance of limitations and restrictions that donors have placed on the use of resources available to KU Endowment, the accounts of KU Endowment are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes, as specified by the resource donor, are classified for accounting and reporting purposes into separate fund accounts that are established according to their individual nature and purpose. However, these separate accounts that have similar characteristics have been combined into groups in KU Endowment's consolidated financial statements, and all financial transactions have been recorded and reported accordingly, by fund groups.

Funds have been grouped by classification into two categories: with donor restrictions and without donor restrictions. Funds without donor restrictions represent assets and contributions that are available for the broad benefit of KU but are not otherwise restricted by donors. Funds with donor restrictions represent assets and contributions with a donor-imposed restriction that permits the organization to use or expend the donated assets and income as specified, and the restriction is satisfied either by the passage of time or by accounts of the organization.

KU Endowment's complete Audit Report is available at:

<http://kuendowment.org/Resources/Financials-Forms>

NOTE 24 – RESTATEMENTS

NEW ACCOUNTING STANDARDS

Effective July 1, 2018, KU's component units implemented the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenues from Contracts with Customers (Topic 606)*. As a result of the adoption of this standard, accounts receivable was increased by \$634,222, deferred revenues were increased by \$97,676, and net assets were increased \$536,546 as of July 1, 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

NOTE 25 – SUBSEQUENT EVENT

In October 2020, Athletics issued \$31.5 million of private placement bond debt with an interest rate of 3.5% and matures in October 2045. The proceeds of the bonds were used to refund \$29.8 million outstanding principal of the Series 2014F Athletic bonds.

In October 2020, Athletics entered into a new \$20 million line of credit which bears interest at one-month LIBOR plus 1.19% and matures on December 31, 2021.

