

2021 ANNUAL

FINANCIAL
REPORT

July 1, 2020 - June 30, 2021



KU

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*Director of Accounting and Financial Reporting,
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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

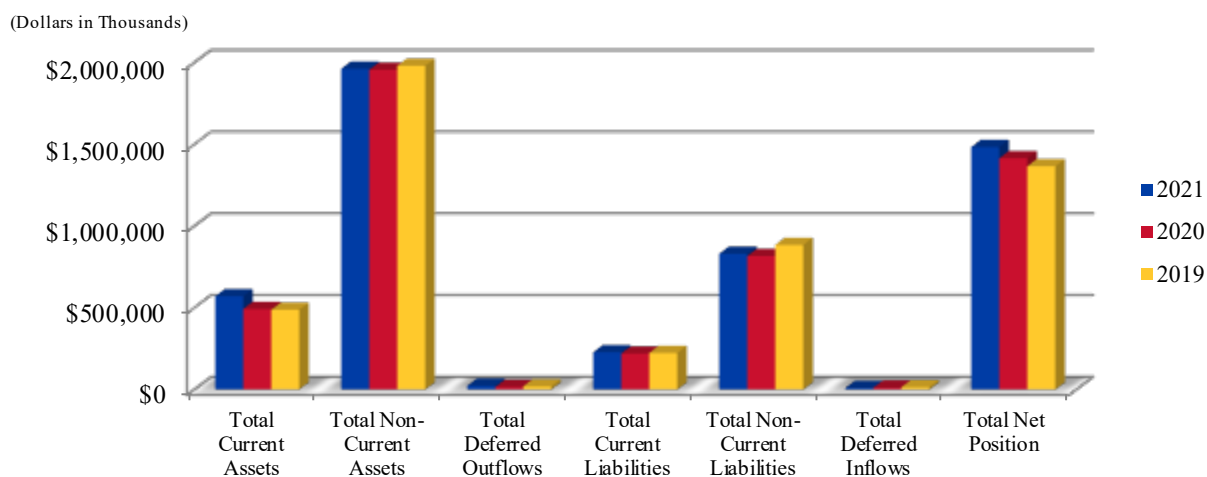
As of June 30

(Dollars in Thousands)

	<u>2021</u>	Restated <u>2020</u>	Restated <u>2019</u>
Assets:			
Current assets	\$ 570,271	\$ 492,607	\$ 479,297
Non-current assets	315,087	242,912	260,317
Non-current capital assets, net	<u>1,647,999</u>	<u>1,712,977</u>	<u>1,729,328</u>
Total assets	\$ 2,533,357	\$ 2,448,496	\$ 2,468,942
Deferred outflows	\$ 22,560	\$ 15,051	\$ 19,127
Liabilities:			
Current liabilities	\$ 228,507	\$ 220,307	\$ 220,844
Non-current liabilities	175,155	165,949	157,143
Non-current long-term debt	<u>655,803</u>	<u>650,820</u>	<u>730,563</u>
Total liabilities	\$ 1,059,465	\$ 1,037,076	\$ 1,108,550
Deferred inflows	\$ 12,634	\$ 11,866	\$ 13,464
Net position	\$ 1,483,818	\$ 1,414,605	\$ 1,366,055

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, 2021, 2020, and 2019:



Assets

On June 30, 2021, total assets were \$2.5 billion, an increase of \$84.9 million (3.5%) compared to 2020. On June 30, 2020, total assets were \$2.4 billion, a decrease of \$20.4 million (0.8%) compared to 2019. 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, 2021, total current assets increased \$77.7 million (15.8%) compared to 2020. This increase is attributed to an increase of (1) \$24.3 million (10.4%) in cash and cash equivalents primarily as a result of additional federal pandemic funding received to cover losses and prepayments received from certain grant sources, (2) \$37.1 million (37.6%) in short-term investments as a result of improved market conditions, and (3) \$17.0 million in accounts receivables as a result of grant receivables for expenses incurred but not yet received.

On June 30, 2020, total current assets increased \$13.3 million (2.8%) compared to 2019. This increase is attributed to an increase of (1) \$18.7 million (8.0%) in cash and cash equivalents primarily as a result of the first federal pandemic funding received in conjunction with other cost cutting measures instituted by the university, and (2) \$8.0 million (8.8%) in short-term investments because of additional investments purchased; offset by a decrease of (1) \$1.3 million (1.2%) in accounts receivable and (2) \$1.5 million (5.1%) pledges receivables because of increased collections on outstanding 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, 2021, noncurrent assets increased \$7.2 million (0.4%) compared to 2020. The change is primarily attributed to an increase of (1) \$46.0 million (28.0%) in long-term endowment investments as a result of improved market conditions, (2) \$42.4 million of new right of use assets related to the new Financial Accounting Standards Board ("FASB") lease accounting standard adopted by Kansas Athletics, Inc. ("Athletics") and KU Center for Research ("KUCR") (See New Accounting Standards section below); offset by a decrease in (1) \$65.0 million (3.8%) in capital assets as depreciation exceeded new

MANAGEMENT'S DISCUSSION AND ANALYSIS

capital asset purchases, and (2) \$13.2 million (54.7%) in pledges receivable as Athletics continued to collect on outstanding pledges.

On June 30, 2020, noncurrent assets decreased \$33.8 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%) from collection on pledges receivable; (3) \$3.2 million (9.7%) from continued collections on loans to students; and (4) \$3.3 million (2.0%) in long-term and endowment investments from a depressed market at the end of the fiscal year.

Liabilities

On June 30, 2021, total liabilities were \$1.1 billion, increasing \$22.4 million (2.2%) compared to 2020. On June 30, 2020, total liabilities were \$1.0 billion, decreasing \$71.5 million (6.4%) compared to 2019.

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, 2021, total current liabilities increased \$8.2 million (3.7%) when compared to 2020. This increase is primarily attributed to an increase of (1) \$8.0 million (11.2%) in accounts payable and accrued expenses because of the timing of payment of invoices to vendors as well as an increase in the accrued payroll for one more additional day, (2) \$6.7 million (13.6%) in deferred revenues as a result of the prepayments received on certain grant sources, and (3) \$2.3 million (39.3%) in the current portion of the capital leases as a result of the adoption of the FASB lease standard (see the New Accounting Standards section below); offset by a decrease in notes payable because of continued payments on lines of credit held by Athletics and KU Memorial Union Corporation ("KU Union").

On June 30, 2020, total current liabilities decreased \$0.5 million (0.2%) when compared to 2019. This decrease is primarily attributed to a decrease of (1) \$15.0 million (17.3%) in operating and construction payables, (2) \$2.5 million (8.1%) in bond liabilities due in the next fiscal year; offset by an increase of (1) \$10.8 million (779%) in the current portion of notes payable resulting from an increase in the lines of credit due within the next fiscal year, and (2) \$5.5 million (12.5%) in deferred revenues as a result of prepayment received on certain grant sources.

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.

On June 30, 2021, non-current liabilities increased \$14.2 million (1.7%) when compared to 2020. This increase primarily because of (1) \$36.2 million (394.6%) in capital leases because of the adoption of the new FASB accounting standard (see the New Accounting Standards section below), (2) \$8.3 million (12.4%) change in the pension as a result of a decrease in the discount rate used in the actuarial calculations; offset by a decrease of \$31.2 million (4.9%) in bonds payable as a result of payments and several bonds being refunded in the current and prior fiscal years (see Debt Administration section later for additional information).

On June 30, 2020, non-current liabilities decreased \$70.9 million (8.0%) 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2021, total deferred outflows were \$22.6 million, an increase of \$7.5 million (49.9%) compared to 2020 primarily attributed changes in assumptions and the projected to actual earnings used in the pension calculations. 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, 2021, total deferred inflows were \$12.6 million, an increase of \$0.8 million (6.5%) compared to 2020 primarily attributed to deferred savings from the refunding of bonds executed during the fiscal year, offset by a decrease in changes in the actuarial determined items related to the KPERS pension plan. On June 30, 2020, total deferred inflows were \$11.9 million, a decrease of \$1.6 million (12.1%), because of changes in the actuarial determined items related to the KPERS pension plan.

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, 2021, total net position was \$1.5 billion, an increase of \$69.2 million (4.9%) compared to 2020. On June 30, 2020, total net position was \$1.4 billion, an increase of \$48.5 million (3.6%) compared to 2019. The following breakout represents the composition of net position (in thousands) as of June 30:

	2021	2020	Restated 2019
Net investment in capital assets	\$ 940,965	\$ 972,771	\$ 916,225
Restricted for:			
Nonexpendable	46,267	42,137	42,934
Expendable:			
Scholarships, research, instruction and other	81,459	66,636	68,150
Loans	23,808	21,042	21,162
Capital projects	46,028	49,749	61,824
Debt service	7,809	7,631	8,769
Unrestricted	337,482	254,639	246,991
Total net position	<u>\$ 1,483,818</u>	<u>\$ 1,414,605</u>	<u>\$ 1,366,055</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

On June 30, 2021, the \$82.9 million (32.5%) increase in unrestricted net position is associated with the positive financial performance of KUCR and the University of Kansas Medical Center Research Institute, Inc. ("KUMCRI") related to the performance of the grant activity administered by both organizations. Restricted net position "expendable for scholarships, research, instruction and other" increased \$14.8 million (22.2%) primarily because of the improvement of the investments held for such purposes. Net investment in capital assets net position decreased \$31.8 million (3.3%) because of the decrease in capital assets from depreciation exceeding capital purchases less the reduction of related bonds and long-term debt liabilities.

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.

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)

	<u>2021</u>	Restated <u>2020</u>	Restated <u>2019</u>
Operating revenues	\$ 967,157	\$ 982,151	\$ 985,176
Operating expenses	<u>(1,340,262)</u>	<u>(1,325,572)</u>	<u>(1,314,727)</u>
Total operating gain (loss)	(373,105)	(343,421)	(329,551)
Non-operating revenues	450,413	376,483	350,940
Non-operating expenses	<u>(28,434)</u>	<u>(29,446)</u>	<u>(33,974)</u>
Net non-operating revenues (expenses)	421,979	347,037	316,966
Income (loss) before other revenues, expenses, gains and losses	48,874	3,616	(12,585)
Other revenues, expenses, gains and losses	<u>20,550</u>	44,934	30,076
Increase (decrease) in net position	69,424	48,550	17,491
Net position, beginning of year	1,414,605	1,366,055	1,348,028
Restatement of net position - beginning of year ⁽¹⁾	<u>(211)</u>	-	536
Net position, end of year	<u>\$ 1,483,818</u>	<u>\$ 1,414,605</u>	<u>\$ 1,366,055</u>

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2021	Restated 2020	Restated 2019
Tuition and fees	\$ 320,360	\$ 340,863	\$ 325,570
Grants and contracts	325,760	298,648	276,046
Sales and services	161,521	152,070	159,380
Auxiliary enterprises	152,843	185,252	215,383
Other operating revenues	6,673	5,318	8,797
Total operating revenues	<u>\$ 967,157</u>	<u>\$ 982,151</u>	<u>\$ 985,176</u>

For the year ended June 30, 2021, operating revenues at KU decreased \$15.0 million (1.5%) compared to 2020. The decrease in operating revenues is primarily a result of:

- Tuition and fees decreased \$20.5 million (6.0%) because of a decline in the headcount and number of hours enrolled by students as a result of the pandemic.
- Auxiliary enterprises decreased \$32.4 million (17.5%) because of (1) \$24.1 million reduction in Athletic revenues received from NCAA and conference distribution and ticket sales, and (2) \$9.0 million reduction in housing revenues from an approximate 25% decline in the number of beds occupied during the fiscal year and the issuance of housing refunds in connection with KU calendar change which extended winter break and reduced number of days the residence halls were open.
- Grants and contract increased \$27.1 million (9.1%) because of increases in grant funding from COVID related research, clinical trials, and general grant growth.

For the year ended June 30, 2020, operating revenues at KU decreased \$3.0 million (0.3%) compared to 2019. The decrease in operating revenues is primarily a result of:

- Auxiliary enterprises decreased \$30.1 million (14.0%) 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.
- Sales and services decreased \$7.3 million (4.6%) as a result of a reduction in services being performed for external entities as a result of the COVID-19 related pandemic.
- 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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:

	2021	Restated 2020	Restated 2019
State appropriations	\$ 253,428	\$ 258,178	\$ 244,972
Local appropriations	14,058	12,311	11,989
Gifts	61,871	65,327	57,941
Investment income	43,540	6,835	14,249
Non-operating federal grants and contracts	67,889	30,063	19,254
Other non-operating revenues	9,627	3,769	2,535
Total non-operating revenues	<u>\$ 450,413</u>	<u>\$ 376,483</u>	<u>\$ 350,940</u>

For the year ended June 30, 2021, non-operating revenues increased \$72.7 million (19.3%) compared to 2020. This increase in non-operating revenues is primarily a result of:

- Non-operating federal grants and contracts increased \$37.8 million (125.8%) because of KU receiving additional federal funding from the Higher Education Emergency Relief Fund (CARES Act and Coronavirus Response and Relief Supplemental Appropriations Act), the Coronavirus Relief Fund, and the Governor's Emergency Education Relief Fund.
- Investment income increased \$36.7 million (537.0%) principally because of unrealized gains experienced from an improvement in the investment market conditions during the fiscal year.

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 federal funding from the Higher Education Emergency Relief Fund (CARES Act) and Coronavirus Relief Fund.
- 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.

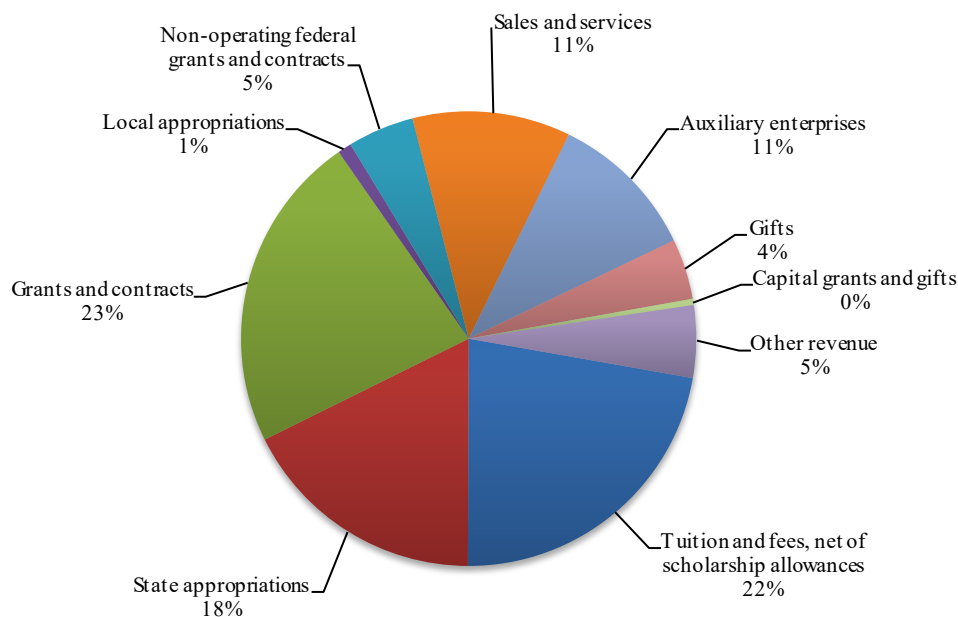
Other revenues, expenses, gains and losses include capital appropriations, capital grants and gifts, and additions to permanent endowments. These revenues will vary year to year based upon funding received for capital projects and endowment contributions.

For the year ended June 30, 2021, capital appropriations decreased \$18.0 million (56.0%) compared to 2020 because of (1) the State of Kansas refunding and assuming \$15.2 million of bonds in fiscal year 2020 which did not repeat during the current fiscal year, and (2) \$2.0 million decrease in general capital appropriations received from the State of Kansas for deferred maintenance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The composition of these revenues, including operating and non-operating, for the year ended June 30, 2021 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:

	2021	Restated 2020	Restated 2019
Instruction	\$ 418,407	\$ 440,237	\$ 428,445
Research	286,943	289,137	259,621
Public service	54,218	50,144	56,600
Academic support	76,957	66,475	65,298
Student services	46,880	40,801	41,150
Institutional support	86,415	74,996	63,895
Operations and maintenance of plant	100,689	90,743	88,015
Depreciation	97,976	74,398	113,663
Scholarships and fellowships	26,638	26,139	16,533
Auxiliary enterprises	144,376	171,901	180,785
Other operating expenses	763	601	722
Total operating expenses	\$ 1,340,262	\$ 1,325,572	\$ 1,314,727

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2021, operating expenses were \$1.3 billion, an increase of \$11.2 million (0.8%) compared to 2020. The increase in overall operating expenses is primarily a result of:

- Academic support expenses increased \$10.5 million (15.8%) because of (1) \$8.2 million of COVID-19 related expenses to provide a remote learning opportunity for the student, and (2) \$2.5 million increase for an enhanced functionalization of expenses driven by the implementation of a new reporting system.
- Student services expenses increased \$6.1 million (14.9%) because of COVID-19 related expenses sustained from additional student related testing and tracing.
- Institutional support expenses increased \$11.4 million (15.2%) because of (1) \$1.0 million pertaining to the timing of certain expenses from fiscal year 2020 not paid until 2021, (2) \$12.3 million increase for an enhanced functionalization of expenses driven by the implementation of a new reporting system.
- Operations and maintenance expenses increased \$9.9 million (11.0%) because of COVID-19 related expenses for personal protective equipment, facility enhancements, and quarantine rentals.
- Depreciation expense increased \$23.6 million (31.7%) because of a one-time true up adjustment done in fiscal year 2020 on capital asset useful lives used at the KU Medical Center.
- Auxiliary expenses decreased \$27.5 (16.0%) because of (1) \$17.3 million in reduction to Athletic expenses since team travel and operating expenses and management and general expenses declined resulting from the impact of COVID-19 on operations, (2) \$4.7 million reduction in housing expenses associated with the reduction in the number of students in the residence halls, and (3) \$5.6 million KU Union's expense reduction from the temporary closure of certain dining facilities on campus based on lower usage from fewer students on campus.

For the year ended June 30, 2020, operating expenses were \$1.3 billion, an increase of \$10.8 million (0.8%) compared to 2019. The increase in overall operating expenses is primarily a result of:

- Instruction expenses increased \$12.8 million (2.8%) because of a pay increase initiated in October 2020.
- 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.
- 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 expense 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 completed in fiscal year 2020.
- 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.

Non-operating Expenses

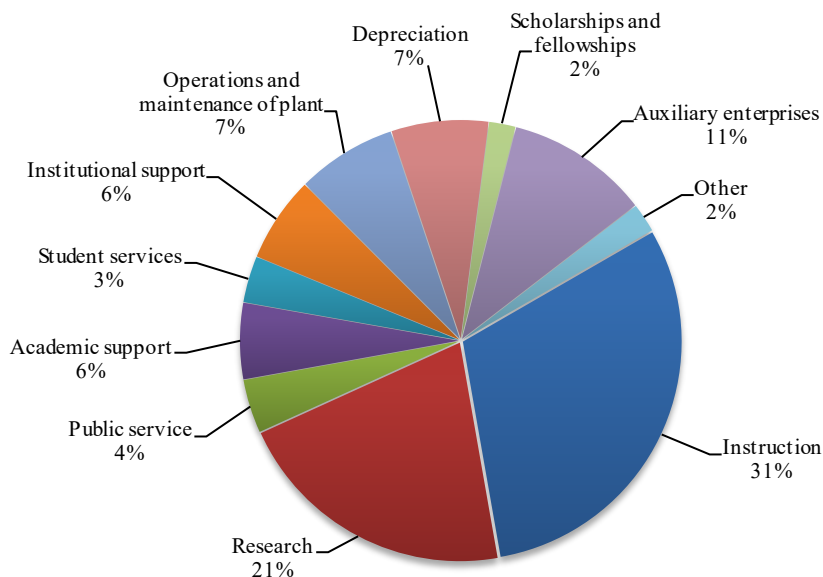
Non-operating expenses include interest paid on capital asset related debt, losses on the disposal of capital assets, and other expenses not directly attributable to the normal operations of KU.

For the year ended June 30, 2021, non-operating expenses, which consist of interest expense and other non-operating expenses, decreased \$1.0 million (3.4%) as a result of a reduction of interest expense because of the consistent paydown of long-term debt.

For the year ended June 30, 2020, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The composition of total expenses, including operating and non-operating, for the year ended June 30, 2021 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>2021</u>	<u>2020</u>	<u>2019</u>
Net cash provided by (used in):			
Operating activities	\$ (265,856)	\$ (260,927)	\$ (232,165)
Noncapital financing activities	400,351	362,522	341,173
Capital and related financing activities	(71,990)	(95,352)	(104,037)
Investing activities	<u>(35,474)</u>	<u>2,411</u>	<u>(4,143)</u>
Net increase (decrease) in cash and cash equivalents	27,031	8,654	828
Beginning cash and cash equivalents	<u>263,389</u>	254,735	253,907
Ending cash and cash equivalents	<u>\$ 290,420</u>	<u>\$ 263,389</u>	<u>\$ 254,735</u>

EXTRAORDINARY ITEMS

KU did not have any special and/or extraordinary items in 2021, 2020, and 2019.

NEW ACCOUNTING STANDARDS

KUCR and Athletics implemented the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-2, *Leases (Topic 842)*. This adoption resulted in a \$46,300,878 increase in right of use assets, a \$46,511,704 increase in capital leases, and a \$210,826 decrease to net position as of July 1, 2020.

KUCR and KUMCRI implemented FASB 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.

ENDOWMENT EXPENSES PAID ON BEHALF OF THE UNIVERSITY

The Kansas University Endowment Association ("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 \$156.6 million, \$174.1 million, and \$166.3 million for the years ended June 30, 2021, 2020, and 2019, respectively.

The following support items totaling \$56.0 million are reflected in KU's statements for 2021:

- **Capital Projects.** KU Endowment sponsored many capital projects throughout 2021 at a cost of \$2.0 million, a decrease of \$4.8 million from 2019. Various other building upgrades and remodeling, as well as various equipment purchases benefited from KU Endowment's fundraising efforts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- **Salaries and other operating expenses.** KU Endowment reimbursed KU approximately \$53.9 million, an increase of \$14.8 million from 2020, 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 2021 fiscal year. Additional information regarding capital asset additions, retirements, and depreciation is available in Note 9 to the financial statements.

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 2022.

DEBT ADMINISTRATION

On June 30, 2021, KU and its affiliated corporations had \$634.7 million in revenue bond debt outstanding, and \$60.5 million in capital leases and notes payable. In fiscal year 2021, KU entered into \$103.7 million in new revenue bonds and \$3.6 million in new notes payable. The composition of the new debt was:

- \$103.7 million par value of three bond issuances to refund four existing bond issuances for KU and its component units. See Note 14 for additional information.
- \$2.5 million in other notes from KU Endowment for operating purposes for KU Unions.
- \$1.1 million in an operating line of credit for KU Memorial Union Corporation ("KU Union").

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").

KU and its affiliated corporations paid \$76.5 million, \$81.1 million, and \$75.5 million in principal and interest payments related to all outstanding capital debt and capital leases in 2021, 2020, and 2019, respectively.

On April, 6, 2021, Moody's Investor Service reaffirmed KU's overall rating of Aa2 with a stable outlook. On March 17, 2021, Standard and Poor's changed KU's rating to AA-, with a negative outlook from AA-, with a stable outlook. More detailed information about KU's revenue bonds is available in Notes 13 and 14 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, campus physical facilities were limited to only essential operational and research activities and all travel was suspended.

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 years ended June 30, 2021 and 2020.

During fiscal year 2021, KU received federal assistance awards of \$99.2 million, which includes \$64.2 million from the U.S. Department of Education under the Higher Education Emergency Relief Fund (Coronavirus Response and Relief Supplemental Appropriations Act and American Rescue Plan), \$21.8 million as a subaward from the State of Kansas under the Coronavirus Relief Fund (CRF), \$11.0 million as a subaward from the State of Kansas under the Governor's Emergency Education Relief (GEER), and \$1.6 million as a CRF subaward from a variety of counties that KU operates in, and \$0.6 million as a CRF subaward from the Kansas Department of Commerce. 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 Higher Education Emergency Relief Fund (CARES Act) and \$1.2 million as a subaward from the State of Kansas under the Coronavirus Relief Fund (CRF). As of June 30, 2021, KU still had \$51.9 million in unexpended federal funds.

ECONOMIC OUTLOOK

For the Fall 2021 semester, KU experienced a slight increase in the headcount of students attending the university. The university was able to maintain an 85% retention rate of the first-time freshmen class from the prior year. KU enrollment increased by 66 students (0.2%), bringing KU's total enrollment to 27,685 across all campuses. The slight uptick can be attributed largely to a 7.6% jump in first-time freshmen and an 11.6% increase in transfer students. For fiscal year 2022, tuition and campus fees were purposely held flat to minimize the financial impact to KU families.

As a state supported higher education institution, KU's economic position is impacted by the State of Kansas. Fiscal year 2022, state appropriations are currently budgeted to be \$271.9 million, an increase of \$18.5 million more than fiscal year 2021. Of this increase, \$11.0 million is the result of the reinstatement of state funding that was cut and replaced with federal funding in the fiscal year 2021. The remaining \$7.5 million increase in state funds is the result of federal maintenance of effort requirement.

Beginning in fall 2019, KU Lawrence Campus launched the next strategic planning process to develop its next strategic plan, "Jayhawks Rising", to shape the future of KU. The Jayhawk Rising strategic plan is organized around three institutional priorities: Creating a clear and ambitious direction to fulfill our mission to educate leaders; Build healthy communities; and Make discoveries that change the world. Each priority comes with its specific objectives to which assessments can be made

MANAGEMENT'S DISCUSSION AND ANALYSIS

and evaluated. KU has started developing teams that will focus on each objective and will report back to senior leadership periodically throughout the process.

Since Spring 2021, KU Lawrence Campus has also started to develop a five-year financial forecast which will allow KU to plan and more easily adapt to the changing environment that impacts the university. The five-year forecast will be integrated into a more rigorous budget planning process and a new budget model as well as align with the strategic objectives that come from the Jayhawk Rising strategic plan. The five-year forecast will also be used to analyze the impact of the Kansas Board of Regents' new Maintenance Assessment policy which address deferred maintenance. The new policy, beginning in fiscal year 2023, will be phased in over six years and focuses on regents universities spending 2% of current replacement value of mission critical buildings on an annual basis. The exact calculations connected with this new policy are still in development.

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 continued competition in direct and indirect federal research opportunities in 2022 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, 2021 AND 2020

	2021	Restated 2020
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 258,512,369	\$ 234,231,216
Restricted cash and cash equivalents	9,614,893	9,753,252
Investments	135,871,813	98,770,309
Accounts receivable, net	123,096,916	106,136,809
Pledges receivable, net	27,244,374	27,600,431
Loans to students, net	3,895,682	2,801,107
Inventories	8,984,714	7,961,787
Other assets	3,050,001	5,351,548
Total current assets	<u>570,270,762</u>	<u>492,606,459</u>
Non-current assets:		
Restricted cash and cash equivalents	22,292,637	19,404,833
Accounts receivable, net	503,666	4,555,076
Pledges receivable, net	10,948,423	24,148,031
Investments	210,409,571	164,431,321
Loans to students, net	28,559,668	30,372,990
Capital assets, net	1,647,998,824	1,712,977,087
Right of use assets	42,373,222	-
Total non-current assets	<u>1,963,086,011</u>	<u>1,955,889,338</u>
Total assets	<u>2,533,356,773</u>	<u>2,448,495,797</u>
<u>DEFERRED OUTFLOWS</u>		
Deferred OPEB expense	1,914,875	1,705,904
Asset retirement obligations	645,825	714,245
Deferred pension expense	19,999,947	12,630,583
Total deferred outflows	<u>22,560,647</u>	<u>15,050,732</u>

THE UNIVERSITY OF KANSAS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021 AND 2020

(CONTINUED)

	2021	Restated 2020
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 79,319,683	\$ 71,325,665
Unearned revenue	55,822,916	49,148,168
Assets held in custody for others	10,735,653	9,134,809
Accrued compensated absences – current portion	33,446,363	34,503,657
Capital leases payable - current portion	8,152,866	5,854,771
Notes payable – current portion	4,042,157	12,238,311
Revenue bonds payable - current portion	27,200,000	28,470,000
Other liabilities	9,787,608	9,631,931
Total current liabilities	<u>228,507,246</u>	<u>220,307,312</u>
Non-current liabilities:		
Accrued compensated absences	21,878,793	18,174,709
Accrued other post-employment benefits	5,645,788	5,417,590
Accrued pension liability	75,138,849	66,854,072
Capital leases payable	45,326,678	9,163,442
Notes payable	3,011,566	2,961,336
Revenue bonds payable	607,465,000	638,695,000
Other long-term liabilities	72,491,382	75,502,215
Total non-current liabilities	<u>830,958,056</u>	<u>816,768,364</u>
Total liabilities	<u>1,059,465,302</u>	<u>1,037,075,676</u>
<u>DEFERRED INFLOWS</u>		
Unamortized gain on bond refunding	2,965,766	51,802
Deferred OPEB expense	156,417	182,689
Deferred pension expense	9,511,637	11,631,426
Total deferred inflows	<u>12,633,820</u>	<u>11,865,917</u>
<u>NET POSITION</u>		
Net investment in capital assets	940,965,017	972,771,345
Restricted for:		
Nonexpendable	46,267,456	42,136,809
Expendable:		
Scholarships, research, instruction and other	81,458,834	66,635,327
Loans	23,808,431	21,041,996
Capital projects	46,028,005	49,748,854
Debt service	7,808,755	7,631,280
Unrestricted	337,481,800	254,639,325
Total net position	<u>\$ 1,483,818,298</u>	<u>\$ 1,414,604,936</u>

See accompanying notes to financial statements.

KANSAS UNIVERSITY ENDOWMENT ASSOCIATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 7,796	\$ 10,020
Receivables:		
Receivables from investing activities	680	479
Other receivables	9,711	8,396
Student loans receivable, less allowance of \$971 and \$1,100 in 2021 and 2020, respectively	21,770	23,197
Contributions pledged, less allowance of \$2,103 and \$1,752 in 2021 and 2020, respectively	67,843	86,992
Real estate loans receivable	1,465	6,927
Total receivables	<u>101,469</u>	125,991
Investments:		
Securities	2,580,671	1,955,245
Trust held by others	55,761	45,589
Interest in other KU Endowment entities	3,437	3,943
Real estate	21,642	18,700
Total investments	<u>2,661,511</u>	2,023,477
Property and facilities:		
Land	16,812	16,828
Buildings	28,980	28,859
Equipment and furnishings	4,162	4,105
	<u>49,954</u>	49,792
Less accumulated depreciation	<u>(18,988)</u>	(17,487)
Net property and facilities	<u>30,966</u>	32,305
Deposits and other assets	5,109	5,464
Total assets	<u>\$ 2,806,851</u>	<u>\$ 2,197,257</u>

KANSAS UNIVERSITY ENDOWMENT ASSOCIATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

(CONTINUED)

	<u>2021</u>	<u>2020</u>
	<i>(In Thousands)</i>	
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 31,686	\$ 31,959
Payables from investment activities	350	419
Trust payable	218	197
Life income gifts payable	22,818	22,599
Agency funds	90,592	70,231
Total liabilities	<u>145,664</u>	125,405
Net assets:		
Without donor restrictions	305,603	204,865
With donor restrictions	2,355,584	1,866,987
Total net assets	<u>2,661,187</u>	2,071,852
Total liabilities and net assets	<u>\$ 2,806,851</u>	<u>\$ 2,197,257</u>

See accompanying notes

THE UNIVERSITY OF KANSAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>Restated 2020</u>
<u>OPERATING REVENUES</u>		
Tuition and fees (net of scholarship allowances of \$28,155,328 in 2021 and \$31,221,754 in 2020)	\$ 320,359,776	\$ 340,863,151
Federal grants and contracts	203,269,007	186,550,040
State and local grants and contracts	48,634,859	38,457,391
Nongovernmental grants and contracts	73,855,959	73,641,128
Sales and services of educational departments	82,426,559	78,924,030
Sales and services of medical and administrative activities	79,094,783	73,145,738
Auxiliary enterprises:		
Housing	21,471,834	30,439,267
Athletics	76,657,607	100,759,963
Parking and transit	16,951,457	17,338,967
Student unions	27,966,182	26,350,273
University health services	7,925,923	8,466,689
Other auxiliary enterprises	1,869,652	1,896,696
Other operating revenues	<u>6,673,538</u>	<u>5,317,659</u>
Total operating revenues	<u>967,157,136</u>	<u>982,150,992</u>
<u>OPERATING EXPENSES</u>		
Instruction	418,406,504	440,237,070
Research	286,943,443	289,136,753
Public service	54,218,175	50,144,325
Academic support	76,956,803	66,475,360
Student services	46,879,816	40,801,016
Institutional support	86,415,348	74,995,751
Operations and maintenance of plant	100,688,712	90,743,195
Depreciation	97,976,451	74,398,078
Scholarships and fellowships	26,638,163	26,138,916
Auxiliary enterprises:		
Housing	12,672,195	17,389,428
Athletics	85,337,776	102,618,345
Parking and transit	8,755,955	8,675,613
Student unions	25,653,011	31,242,511
University health services	8,159,769	8,364,685
Other auxiliary enterprises	3,797,375	3,610,694
Other operating expenses	<u>762,856</u>	<u>600,659</u>
Total operating expenses	<u>1,340,262,352</u>	<u>1,325,572,399</u>
 Total operating income (loss)	 <u>(373,105,216)</u>	 <u>(343,421,407)</u>

THE UNIVERSITY OF KANSAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

(CONTINUED)

	<u>2021</u>	Restated <u>2020</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
State appropriations	\$ 253,428,437	\$ 258,178,051
Local appropriations	14,058,578	12,311,350
Gifts	61,870,560	65,327,100
Investment income	43,540,353	6,834,587
Federal grants and contracts	67,888,748	30,063,486
Other non-operating revenues	9,627,061	3,769,022
Interest expense	(26,665,530)	(27,991,316)
Other non-operating expenses	<u>(1,768,646)</u>	<u>(1,454,813)</u>
Net non-operating revenues (expenses)	<u>421,979,561</u>	<u>347,037,467</u>
 Income (loss) before other revenues, expenses, gains or losses	 48,874,345	 3,616,060
<u>OTHER REVENUES, EXPENSES, GAINS AND LOSSES</u>		
Capital appropriations	14,139,702	32,135,852
Capital grants and gifts	6,408,637	12,795,434
Additions to permanent endowments	<u>1,504</u>	<u>2,184</u>
Total other revenues, expenses, gains or losses	<u>20,549,843</u>	<u>44,933,470</u>
 Increase (decrease) in net position	 69,424,188	 48,549,530
<u>NET POSITION</u>		
Net position - beginning of year	1,414,604,936	1,366,055,406
Restatement of net position - beginning of year	<u>(210,826)</u>	<u>-</u>
Net position - end of year	<u>\$ 1,483,818,298</u>	<u>\$ 1,414,604,936</u>

See accompanying notes to financial statements.

KANSAS UNIVERSITY ENDOWMENT ASSOCIATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Year Ended June 30, 2021			Summarized Financial Information for the Year Ended June 30, 2020
	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	\$ 4,563	\$ 144,636	\$ 149,199	\$ 125,074
Bequests	4,037	18,395	22,432	16,629
Life income gifts	-	1,747	1,747	2,313
Change in value of life income gifts	(40)	1,919	1,879	(863)
Change in net interest in KU Endowment entities	-	(506)	(506)	90
Total fundraising	8,560	166,191	174,751	143,243
Income (loss) from asset holdings:				
Investment income	13,167	40,341	53,508	46,287
Realized and unrealized gain (loss) on investments and trusts held by others	98,403	454,804	553,207	(5,876)
Loan interest income	525	877	1,402	1,861
Agricultural and mineral income	1,235	1,148	2,383	2,101
Rental, gain on sale of assets, and other income	1,093	38	1,131	889
Total income (loss) from asset holdings	114,423	497,208	611,631	45,262
Other receipts	300	862	1,162	4,899
Net assets released from restrictions:				
Satisfaction of program restrictions	177,162	(177,162)	-	-
Total revenues, gains and other support	\$ 300,445	\$ 487,099	\$ 787,544	\$ 193,404

KANSAS UNIVERSITY ENDOWMENT ASSOCIATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

(CONTINUED)

	Year Ended June 30, 2021			Summarized Financial Information for the Year Ended June 30, 2020
	Without Donor Restrictions	With Donor Restrictions	Total Current Year	
	<i>(In Thousands)</i>			
Expenses:				
University support:				
Student support	\$ 40,984	\$ -	\$ 40,984	\$ 41,929
Faculty support and contractual services	43,204	-	43,204	47,432
Construction, furnishings, equipment and supplies	47,634	-	47,634	20,740
Program and other educational support	52,036	-	52,036	50,634
Total University support	183,858	-	183,858	160,735
Supporting services:				
Administrative and fundraising support	22,285	-	22,285	21,965
Asset management expense	997	-	997	270
Depreciation	1,219	-	1,219	1,182
Total supporting services	24,501	-	24,501	23,417
Total expenses	208,359	-	208,359	184,152
Excess (deficit) of revenues over expenses	92,086	487,099	579,185	9,252
Net interfund transfers	(1,498)	1,498	-	-
Change in net assets before amortization of pension adjustments	90,588	488,597	579,185	9,252
Amortization of unrecognized actuarial adjustments	10,150	-	10,150	(8,738)
Change in net assets	100,738	488,597	589,335	514
Net assets at beginning of year	204,865	1,866,987	2,071,852	2,071,338
Net assets at end of year	\$ 305,603	\$ 2,355,584	\$ 2,661,187	\$ 2,071,852

See accompanying notes

THE UNIVERSITY OF KANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>Restated 2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Tuition and fees	\$ 322,298,754	\$ 333,170,284
Sales and services of educational activities	85,017,216	99,697,540
Sales and services of medical and administrative activities	63,981,038	62,942,861
Auxiliary enterprises:		
Housing	9,619,969	13,962,782
Athletics	4,886,443	(6,214,694)
Parking and transit	11,100,784	12,265,764
Student unions	(1,927,372)	1,958,899
University health services	(432,566)	1,446,440
Other auxiliary enterprises	(1,498,394)	(1,219,398)
Grants and contracts	315,751,307	302,169,979
Payments to suppliers	(236,097,488)	(217,411,484)
Payments to utilities	(21,254,818)	(21,490,466)
Compensation and benefits	(813,855,675)	(823,026,169)
Payments for scholarships and fellowships	(26,638,163)	(26,138,916)
Loans issued to students	(7,929,247)	(6,798,242)
Collection of loans to students	4,159,977	3,705,639
Other receipts (payments)	26,961,798	10,052,330
Net cash used in operating activities	<u>(265,856,437)</u>	<u>(260,926,851)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
State appropriations	253,428,437	258,178,051
Local appropriations	13,457,579	12,451,430
Gifts	61,872,063	65,329,284
Federal education loan receipts	139,743,734	156,018,165
Federal education loan disbursements	(140,135,875)	(158,110,122)
Non-operating grants and contracts	68,846,232	29,601,929
Other	3,138,903	(946,463)
Net cash provided by non-capital financing activities	<u>400,351,073</u>	<u>362,522,274</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>		
Proceeds from revenue bond defeasance	115,677,722	97,105,603
Proceeds from capital debt	-	3,852,664
Capital appropriations	9,278,961	18,183,272
Capital grants and gifts	17,631,966	19,575,258
Purchases of capital assets	(32,803,554)	(58,528,745)
Proceeds from sale of capital assets	3,959,840	517,489
Principal paid by revenue bond defeasance	(109,560,000)	(96,235,000)
Principal paid on capital debt and leases	(44,879,377)	(49,131,916)
Interest paid on capital debt and leases	(31,649,542)	(32,014,485)
Other	353,656	1,324,033
Net cash used in capital financing activities	<u>(71,990,328)</u>	<u>(95,351,827)</u>

THE UNIVERSITY OF KANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

(CONTINUED)

	<u>2021</u>	<u>Restated 2020</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sales and maturities of investments	85,055,136	79,576,160
Interest on investments	8,298,798	10,443,306
Purchase of investments	<u>(128,827,644)</u>	<u>(87,608,928)</u>
Net cash provided by (used in) investing activities	<u>(35,473,710)</u>	<u>2,410,538</u>
 Net increase (decrease) in cash	 27,030,598	 8,654,134
 Cash - beginning of the year	 <u>263,389,301</u>	 <u>254,735,167</u>
Cash - end of year	<u>\$ 290,419,899</u>	<u>\$ 263,389,301</u>
 <u>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES:</u>		
Operating loss	\$ (373,105,216)	\$ (342,818,493)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Non-cash expense	(6,384,137)	270,700
Depreciation expense	97,976,451	74,398,078
Changes in assets and liabilities:		
Accounts receivables, net	(11,440,788)	(288,446)
Pledges receivable, net	2,220,209	449,704
Loans to students, net	718,747	3,484,758
Inventories	(1,022,927)	(820,961)
Prepaid expenses and other assets	2,301,547	2,666,283
Accounts payable and accrued liabilities	7,418,651	(5,360,609)
Unearned revenue	6,024,300	5,471,105
Accrued compensated absences	2,646,790	8,072,092
Accrued other post-employment benefits	1,287,378	(480,410)
Accrued pension liability	3,786,536	(5,389,946)
Assets held in custody for others	1,716,022	(580,706)
Net cash provided used in operating activities:	<u>\$ (265,856,437)</u>	<u>\$ (260,926,851)</u>
 Non-cash Investing, Capital and Financing Activities:		
Gifts-in-kind	\$ 6,408,637	\$ 12,795,434
Net change in unrealized gains and losses	24,063,352	(1,581,524)
Purchases of capital assets in accounts payable and accrued expenses	 (1,498,674)	 6,760,374

See accompanying notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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 Annual Comprehensive 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 2020, the Lawrence, Edwards and Leavenworth campuses had an undergraduate enrollment of 18,518 and a graduate/first professional enrollment of 5,446. The Medical Center had an undergraduate enrollment of 602 and a graduate/first professional (including medical residents, fellows and trainees) enrollment of 3,053. Enrollment at all campuses was 27,619 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”), Jayhawk Community Partners (“JCP”), 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, 2021 and 2020

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 2021 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 22).

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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 endowed 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, 2021 and 2020

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 2020 financial statements to conform to the 2021 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>2021</u>	<u>2020</u>
Carrying value:		
Deposits	\$ 277,730,799	\$ 253,117,640
Investments	358,970,484	273,473,291
	<u>\$ 636,701,283</u>	<u>\$ 526,590,931</u>

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 258,512,369	\$ 234,231,216
Restricted cash and cash equivalents	9,614,893	9,753,252
Investments	135,871,813	98,770,309
Restricted cash and cash equivalents (non-current)	22,292,637	19,404,833
Investments (non-current)	210,409,571	164,431,321
	<u>\$ 636,701,283</u>	<u>\$ 526,590,931</u>

KU carried the following deposits as of June 30:

<u>Deposit Type</u>	<u>2021</u>	<u>2020</u>
Cash deposits with State Treasury	\$ 191,256,795	\$ 172,401,357
Cash deposits with financial institutions	86,189,004	80,424,007
Certificates of deposit	285,000	292,276
	<u>\$ 277,730,799</u>	<u>\$ 253,117,640</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
KU Lawrence and Edwards Campuses	\$ 132,081,251	\$ 110,273,927
Kansas Athletics, Inc.	12,211,425	15,850,157
KU Campus Development Corporation	7,567,381	7,723,103
KU Center for Research, Inc.	37,198,498	27,293,651
KU Memorial Corporation*	211,842	568,776
KU Medical Center	82,173,734	81,096,873
KU Medical Center Research Institute	5,937,289	9,855,304
Student Union Corporation of KUMC	328,485	407,208
Kansas University Health Partners, Inc.	20,894	48,641
	<u>\$ 277,730,799</u>	<u>\$ 253,117,640</u>

* - The KU Memorial Corporation utilizes an overnight repurchase agreement for its bank deposits to maximize investment return. At June 30, 2021 and 2020, the overnight repurchase agreement amounted to \$3,831,979 and \$1,723,106, 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>2021</u> <u>Fair Value</u>	<u>2020</u> <u>Fair Value</u>
US Treasury obligations	\$ 311,705	\$ 2,777,737
US Agency obligations	70,289	115,682
Corporate bonds	3,068,175	3,129,977
Foreign bonds	217,080	-
Collateralized mortgage obligations	94,752,366	64,009,046
Domestic stock	7,012,105	5,139,623
Foreign stock	316,599	336,841
Mutual funds	102,174,755	73,208,386
Limited liability companies	1,673,089	2,008,094
Repurchase agreements	3,831,979	1,723,106
Guaranteed investment contracts	-	1,419,475
Other	7,014,286	16,483,788
External investment pools		
KUEA Short-term Investment Program	57,522,549	39,100,708
KUEA Long-term Investment Program	81,005,507	64,020,828
	<u>\$ 358,970,484</u>	<u>\$ 273,473,291</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
KU Lawrence and Edwards Campuses	\$ 76,840,715	\$ 64,266,335
Kansas Athletics, Inc.	76,537,552	54,602,765
KU Center for Research, Inc.	96,024,910	75,110,983
KU Memorial Corporation	4,122,281	1,843,355
KU Medical Center	6,711,369	5,286,863
KU Medical Center Research Institute	98,733,657	72,362,990
	<u>\$ 358,970,484</u>	<u>\$ 273,473,291</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:

- Direct obligations of, or obligations except mortgage back securities, that are insured as to principal and interest by the U.S. Government, or any direct agency thereof, with maturities up to four years
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Loans as mandated by the Kansas Legislature limited to not more than the greater of 10 percent or \$140 million of total investments
- Certain Kansas agency and IMPACT Act projects and bonds
- Linked deposit loans for agricultural production not to exceed \$60 million
- Linked deposit loans for Kansas Housing Loan Deposit Program, Designated and Undesignated not to exceed \$60 million
- Loans to Local Taxing Districts (K.S.A. 79-2005) not to exceed \$50 million
- High grade commercial paper
- High grade corporate bonds

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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 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 for 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 and KU Union's investments are held through KU Endowment, and therefore follow KU Endowment's investment policy.

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, 2021 and 2020

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 K DFA, because of the tax-exempt status of the bonds, it is generally the practice of K DFA 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, K DFA 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 as of June 30, 2021:

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	\$ 311,705	\$ 43,867	\$ 181,319	\$ 12,042	\$ 74,477
US Agency obligations	70,289	-	-	-	70,289
Corporate bonds	3,068,175	1,024,691	1,993,960	-	49,524
Foreign bonds	217,080	-	217,080	-	-
Collateralized mortgage obligations	94,752,366	26,016	2,352,225	4,558,754	87,815,371
Repurchase agreements	3,831,979	3,831,979	-	-	-
Other	3,961,985	2,910,704	1,051,281	-	-
External investment pools					
KUEA Short-term Investment Program	57,522,549	57,522,549	-	-	-
	163,736,128	65,359,806	5,795,865	4,570,796	88,009,661
Investments not subject to maturity dates:					
Domestic stock	7,012,105				
Foreign Stock	316,599				
Mutual funds	102,174,755				
Limited liability companies	1,673,089				
Other	3,052,301				
External investment pools					
KUEA Long-term Investment Program*	81,005,507				
	195,234,356				
	<u>\$ 358,970,484</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, 2021 and 2020

KU had the following investments and maturities as of 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	-	-	-
	120,192,689	49,127,399	6,917,323	3,651,712	60,496,255
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				
	153,280,602				
	<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.

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, 2021, 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	\$ 441,772	0.1%
AA+/AA/AA-	Aa1/Aa2/Aa3	1,131,132	0.3%
A+/A/A-	A1/A2/A3	4,697,770	1.3%
BBB+/BBB/BBB-	Baa1/Baa2/Baa3	991,527	0.3%
BB+/BB/BB-	Ba1/Ba2/Ba3	92,556	0.0%
B+/B/B-	B1/B2/B3	3,197,962	0.9%
C+/C/C-	Caa	173,003	0.1%
Not Rated		348,244,762	97.0%
		<u>\$ 358,970,484</u>	<u>100.0%</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

As of June 30, 2020, 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	\$ 410,722	0.1%
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-	Caa	226,925	0.1%
Not Rated		262,154,115	95.9%
		<u>\$ 273,473,291</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, 2021 and 2020 was \$1,673,089 and \$2,008,094, 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. Management has evaluated the stability of the financial institutions involved, the concentration of credit risk, and has determined the credit risk is minimal.

Of KU's total investments of \$358,970,484 and \$271,473,291 as of June 30, 2021 and 2020, respectively, KU Endowment administers \$138,528,056 and \$103,121,536, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

KU investments also include \$22,058,475 and \$19,444,532 of investments administered by Frost Wealth Advisors as of June 30, 2021 and 2020, respectively, and \$6,958,149 and \$5,612,388 of investments administered by U.S. Trust Bank of America Private Wealth Management as of June 30, 2021 and 2020, 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 \$22,058,475 and \$19,444,532 on June 30, 2021 and 2020, respectively.

The Elizabeth M. Watkins Trust for Watkins and Miller Scholarship Halls had a reported market value of \$4,459,827 and \$3,607,153 on June 30, 2021 and 2020, respectively.

The Elizabeth M. Watkins Trust for Watkins Hospital had a reported market value of \$2,498,322 and \$2,005,235 on June 30, 2021 and 2020, respectively.

KU did not have any other investments which exceeded 5 percent of the investment portfolio on June 30, 2021 and 2020.

The remaining investments as of June 30, 2021 and 2020 of \$191,425,804 and \$143,294,835, 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, 2021 and 2020

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, 2021 and 2020

As of June 30, 2021, 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	\$ 311,705	\$ 311,705	\$ -	\$ -
US agency obligations	70,289	-	70,289	-
Corporate bonds	3,068,175	-	3,068,175	-
Foreign bonds	217,080	-	217,080	-
Collateralized mortgage obligations	94,752,366	-	94,752,366	-
Total fixed maturity securities	98,419,615	311,705	98,107,910	-
Equity Securities:				
Consumer discretionary	1,568,908	1,568,908	-	-
Energy	117,190	117,190	-	-
Financials	1,315,110	1,315,110	-	-
Healthcare	817,088	817,088	-	-
Industrials	836,435	836,435	-	-
Information technology	2,261,337	2,261,337	-	-
Materials	188,628	188,628	-	-
Telecommunications services	224,008	224,008	-	-
Total equity securities	7,328,704	7,328,704	-	-
Repurchase agreements	3,831,979	3,831,979	-	-
Guaranteed investment contracts	-	-	-	-
Mutual funds	102,174,755	102,174,755	-	-
Other	7,014,286	3,109,702	2,308,202	1,596,382
External investment pools:				
KUEA Short-term Investment Program	57,522,549	-	57,522,549	-
KUEA Long-term Investment Program	81,005,507	-	81,005,507	-
Total investments by fair value level	<u>\$ 357,297,395</u>	<u>\$ 116,756,845</u>	<u>\$ 238,944,168</u>	<u>\$ 1,596,382</u>
Investments with no determinable fair value:				
Limited liability company	\$ 1,673,089			

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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	70,032,442	2,777,737	67,254,705	-
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	5,476,464	5,476,464	-	-
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			

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, 2021 and 2020. As of June 30, 2021 and 2020, limited partnership investments totaled \$1,673,089 and \$2,008,094, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

NOTE 5 – ACCOUNTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Tuition and Fees	\$ 27,983,617	\$ 26,229,544
Auxiliary	11,519,190	9,329,908
Grants and Contracts	60,602,952	47,301,702
Other	31,822,438	33,926,479
	<u>131,928,197</u>	<u>116,787,633</u>
Less:		
Allowance for uncollectible amounts	<u>(8,327,615)</u>	<u>(6,095,748)</u>
	<u>\$ 123,600,582</u>	<u>\$ 110,691,885</u>

NOTE 6 – PLEDGES RECEIVABLE

Pledges receivable consist of the following unconditional promises to give as of June 30:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 28,617,883	\$ 29,834,524
Due in one to five years	10,893,806	24,590,337
Due in greater than five years	150,000	187,501
	<u>39,661,689</u>	<u>54,612,362</u>
Less		
Unamortized discount	95,383	629,807
Allowance for uncollectible amounts	<u>1,373,509</u>	<u>2,234,093</u>
	<u>\$ 38,192,797</u>	<u>\$ 51,748,462</u>

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

	<u>2021</u>	<u>2020</u>
Pledges receivable - current	\$ 27,244,374	\$ 27,600,431
Pledges receivable - non-current	10,948,423	24,148,031
	<u>\$ 38,192,797</u>	<u>\$ 51,748,462</u>

NOTE 7 – INVENTORIES

Inventories consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Bookstore	\$ 2,030,141	\$ 2,653,555
Food service	164,009	225,216
Physical plant	3,244,023	2,096,230
Professional and scientific supplies	234,206	307,065
Other	3,312,335	2,679,721
	<u>\$ 8,984,714</u>	<u>\$ 7,961,787</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

NOTE 8 – LOANS TO STUDENTS

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

	<u>2021</u>	<u>2020</u>
Federal Perkins Loan Program	\$ 11,285,622	\$ 13,885,008
Kansas Medical Scholarships	17,518,622	15,120,222
Other	<u>5,401,634</u>	<u>5,736,955</u>
	34,205,878	34,742,185
Less:		
Allowance for uncollectible amounts	<u>(1,750,528)</u>	<u>(1,568,088)</u>
	<u>\$ 32,455,350</u>	<u>\$ 33,174,097</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.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Non-depreciable capital assets</u>				
Land	\$ 33,937,936	\$ -	\$ -	\$ 33,937,936
Land improvements	165,607	-	-	165,607
Construction in progress	30,056,167	20,370,884	(29,535,912)	20,891,139
Software	5,163,758	-	-	5,163,758
Works of Art	24,203,807	171,607	-	24,375,414
Total non-depreciable capital assets	<u>93,527,275</u>	<u>20,542,491</u>	<u>(29,535,912)</u>	<u>84,533,854</u>
<u>Depreciable capital assets</u>				
Buildings	2,371,842,330	22,323,854	(297,647)	2,393,868,537
Leasehold Improvements	5,495,157	31,722	-	5,526,879
Infrastructure	191,363,211	5,255,051	-	196,618,262
Equipment	330,787,917	12,947,618	(11,569,412)	332,166,123
Vehicles	31,176,249	1,866,625	(657,478)	32,385,396
Total depreciable capital assets	<u>2,930,664,864</u>	<u>42,424,870</u>	<u>(12,524,537)</u>	<u>2,960,565,197</u>
Total capital asset cost	<u>3,024,192,139</u>	<u>62,967,361</u>	<u>(42,060,449)</u>	<u>3,045,099,051</u>
<u>Accumulated depreciation</u>				
Buildings	955,152,266	72,113,002	(225,521)	1,027,039,747
Leasehold Improvements	823,956	285,069	-	1,109,025
Infrastructure	66,973,182	6,353,298	-	73,326,480
Equipment	264,759,825	17,788,946	(11,240,644)	271,308,127
Vehicles	23,505,823	1,436,136	(625,111)	24,316,848
Total accumulated depreciation	<u>1,311,215,052</u>	<u>97,976,451</u>	<u>(12,091,276)</u>	<u>1,397,100,227</u>
Capital assets, net	<u>\$ 1,712,977,087</u>	<u>\$ (35,009,090)</u>	<u>\$ (29,969,173)</u>	<u>\$ 1,647,998,824</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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

	Beginning Balance	Additions	Retirements	Ending Balance
<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	42,657,811	(75,462,278)	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>42,833,433</u>	<u>(75,472,278)</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>134,875,675</u>	<u>(83,848,946)</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>\$ 60,477,597</u>	<u>\$ (76,828,455)</u>	<u>\$ 1,712,977,087</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, cost 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, 2021 and 2020

The following summary provides a general description of the major AROs reported on June 30, 2021 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	8.33	\$ 234,000
Decontamination of fume hoods	Biosafety practices & guidelines	5.55	1,420,500
Disposal and fill-in of storage tanks	EPA & KDHE UST Regulations	1.27	275,000
Disposal of x-ray & radiation devices	EPA RoHS rules	1.36	53,000
Total asset retirement obligation			\$ 1,982,500

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			\$ 1,985,500

Deferred outflows of resources related to AROs on June 30, 2021 and 2020 totaled \$645,825 and \$714,245, 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
2022	\$ 69,995
2023	67,695
2024	64,395
2025	55,920
2026	55,145
Thereafter	332,675
	\$ 645,825

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

NOTE 11 - CHANGES IN NON-CURRENT LIABILITIES

Non-current liability activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	\$ 52,678,366	\$ 29,277,359	\$ (26,630,569)	\$ 55,325,156	\$ 33,446,363
Accrued other post-employment benefits	5,417,590	1,026,906	(798,708)	5,645,788	-
Accrued pension liability	66,854,072	12,870,917	(4,586,140)	75,138,849	-
Capital leases payable	15,018,213	47,564,713	(9,103,382)	53,479,544	8,152,866
Notes payable	15,199,647	3,600,000	(11,745,924)	7,053,723	4,042,157
Revenue bonds payable	667,165,000	103,705,000	(136,205,000)	634,665,000	27,200,000
Other long-term liabilities	85,134,146	9,072,930	(11,928,086)	82,278,990	9,787,608
Total	\$ 907,467,034	\$ 207,117,825	\$ (200,997,809)	\$ 913,587,050	\$ 82,628,994

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	9,631,931
Total	\$ 968,905,967	\$ 140,747,380	\$ (202,186,313)	\$ 907,467,034	\$ 90,698,670

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, 2021 and 2020, KU established a liability of \$12,264,333 and \$15,200,820, respectively, 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, 2021	Principal Outstanding at June 30, 2020
KU Lawrence and Edwards Campuses		
Series 2021D - Kansas Development Finance Authority Revenue Bonds (Refunding Revenue Bonds: University of Kansas Projects) \$63,795,000. Issued 4/30/21 with final maturity of 5/1/38. Principal is due in annual installments ranging from \$2,620,000 to \$4,720,000 beginning in 5/1/22 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.	\$ 63,795,000	\$ -

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

	Principal Outstanding at June 30, 2021	Principal Outstanding at June 30, 2020
<p>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.</p>	\$ 28,530,000	\$ 33,230,000
<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>	6,900,000	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>	36,625,000	38,400,000
<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>	44,120,000	46,615,000
<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
<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

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

	Principal Outstanding at June 30, 2021	Principal Outstanding at June 30, 2020
KU Medical Center		
Series 2020W - Kansas Development Finance Authority Revenue Bonds (University of Kansas Medical Clinical Research Center Project) \$8,410,000. Issued 12/29/20 with final maturity of 9/1/30. Principal is due in annual installments ranging from \$790,000 to \$895,000 beginning in 9/1/21 with interest rates of 1.38% payable semi-annually. At the time of issuance, Moody's Investors Service assigned rating of Aa2.	\$ 8,410,000	\$ -
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.	39,215,000	43,150,000
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.	18,405,000	18,950,000
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.	40,020,000	41,405,000
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.	565,000	740,000
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.	-	9,760,000

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

	Principal Outstanding at June 30, 2021	Principal Outstanding at June 30, 2020
Kansas Athletics, Inc.		
Series 2020 - Private placement bonds (Kansas Athletics, Incorporated: Refund 2014F Series) \$31,500,000. Principal is due in semi-annual installments of \$451,409 to \$985,413 beginning 4/27/23. Issued 10/27/20 with final maturity on 10/27/45 with interest rates of 3.5% payable semi-annually.	\$ 31,500,000	\$ -
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.	-	29,765,000
KU Center for Research, Inc.		
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.	6,805,000	7,670,000
KU Campus Development Corporation		
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.	\$ 309,775,000	\$ 315,345,000
Total	<u>\$ 634,665,000</u>	<u>\$ 667,165,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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
2022	\$ 24,845,000	\$ 27,639,087	\$ 52,484,087
2023	26,220,000	26,425,937	52,645,937
2024	27,165,000	25,179,888	52,344,888
2025	28,655,000	23,892,006	52,547,006
2026	24,950,000	22,474,670	47,424,670
2027-2031	120,720,000	94,939,189	215,659,189
2032-2036	118,680,000	69,665,613	188,345,613
2037-2041	120,185,000	41,526,600	161,711,600
2042-2046	96,435,000	14,712,800	111,147,800
	\$ 587,855,000	\$ 346,455,790	\$ 934,310,790

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

Year Ending June 30:	Principal	Interest	Total
2022	\$ 2,355,000	\$ 1,336,810	\$ 3,691,810
2023	2,851,409	1,293,876	4,145,285
2024	3,366,654	1,226,426	4,593,080
2025	3,444,371	1,149,084	4,593,455
2026	2,273,243	1,082,396	3,355,639
2027-2031	9,867,658	4,660,661	14,528,319
2032-2036	6,562,948	3,463,639	10,026,587
2037-2041	7,806,262	2,220,325	10,026,587
2042-2046	8,282,455	741,472	9,023,927
	\$ 46,810,000	\$ 17,174,689	\$ 63,984,689

During the years ended June 30, 2021, KU refunded four series in conjunction with three new bond issuances.

In April 2021, the Kansas Development Finance Authority (KDFA) issued for KU \$63,795,000 in revenues bonds, Series 2021D, with interest ranging from 2.0% to 5.0%, which refunded all the outstanding Series 2011C and Series 2013G-1. The refunding reduced the future debt service payments over the next 18 years and obtained an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$16,700,000.

In December 2020, the KDFA issued for KU \$8,410,000 in direct placement revenues bonds, Series 2020W, with an interest rate of 1.38%, which refunded all the outstanding Series 2010P-2 bonds. The refunding reduced the future debt service payments over the next 10 years and obtained an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$800,000.

In October 2020, Athletics issued \$31,500,000 in direct placement revenues bonds with an interest rate of 3.50%, which refunded all of the outstanding Series 2014F bonds. The refunding allowed Athletics to take advantage of the favorable interest rate environment, as well as reduce the annual debt service requirements needed.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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, 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, 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.

As of June 30, 2021 and 2020, KU had no outstanding amount of defeased issuances held in irrevocable trusts.

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 \$53,479,544 and \$15,018,213 as of June 30, 2021 and 2020, respectively. Payments to liquidate these obligations are scheduled as follows:

Year Ending June 30:	Total
2022	\$ 9,683,127
2023	5,491,262
2024	4,233,209
2025	3,775,337
2026	2,573,413
2027-2031	12,939,197
2032-2036	12,853,568
2037-2041	11,729,493
2042-2046	6,878,000
	<u>70,156,606</u>
Less: Capital lease interest	(16,677,062)
	<u>\$ 53,479,544</u>

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

	<u>2021</u>	<u>2020</u>
Cost	\$ 84,779,977	\$ 40,473,507
Accumulated Depreciation	(24,157,128)	(15,919,202)
Net Book Value	<u>\$ 60,622,849</u>	<u>\$ 24,554,305</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020 is \$1,399,712 and \$3,467,740, 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, 2021 and 2020, the outstanding balance on the line of credit was \$2,100,000 and \$1,000,000, respectively. The line of credit carried a variable interest rate, which was 3.25% as of June 30, 2021 and 2021. The line of credit was secured by accounts receivable, inventory and equipment. The line of credit expires on February 28, 2022.

In January 2021, KU Unions entered into a note agreement with KU Endowment in the amount of \$2,500,000. As of June 30, 2021, the outstanding balance on the note was \$2,500,000. The note carries a fixed interest rate of 4.25% and matures in February 2026.

In October 2020, Athletics entered into a new \$20,000,000 unsecured line of credit. As of June 30, 2021, there was \$0 borrowed against the line. The line of credit carries a variable interest rate of LIBOR plus 1.19, which was 1.4% as of June 30, 2021.

Athletics had a line of credit with a bank in the amount of \$20,000,000. As of June 30, 2021 and 2020, there was a balance of \$0 and \$9,809,260, respectively, borrowed against this line. The line of credit carried a variable interest rate of LIBOR plus 1.13%, which was 1.3% as of June 30, 2021 and 2020. The line of credit was closed in the fiscal year 2021.

Athletics had a note payable to a bank with an outstanding balance of \$0 and \$4,908 as of June 30, 2021 and 2020, respectively. The note bears interest at 3.34%, matured in August 2020, and is secured by property and equipment.

During the year ended June 30, 2018, KUCR entered into a note agreement with KU Endowment for \$7,124,684. As of June 30, 2021 and 2020, the outstanding balance on the note was \$2,453,723 and \$4,385,480, respectively. The note carries a fixed interest rate of 3.0% and matures in June 2023.

Future maturities of the notes payable are as follows:

Year Ending June 30:	Total
2022	\$ 4,042,157
2023	1,527,501
2024	535,109
2025	557,774
2026	391,182
	<u>\$ 7,053,723</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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. KPERS has two benefit structures and contribution rates depend on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member 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 for KPERS 1, KPERS 2, KPERS 3, and KP&F 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

The actuarially determined employer contribution rate (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rates for the year ended June 30, 2020 are as follows:

	Actuarial employer rate	Statutory employer capped rate
State employees	9.49%	14.41%
Police and fire fighters	21.93	21.93

Contributions to the pension plan from KU were \$6,623,137 and \$7,185,087 for the years ended June 30, 2021 and 2020, 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 \$75,138,849 and \$66,854,072, respectively, for its proportionate share of the net pension liability. The net pension liability as of June 30, 2021 was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30 2020. 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. 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, 2020. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments.

At the June 30, 2020 measurement date, KU's proportion made to the State/School subgroup was 0.86%, which was a decrease of 0.04% from its proportion measured as of June 30, 2019. 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, 2020 measurement date, KU's proportion made to the Police and Fire subgroup was 0.90%, which was an increase of 0.06% from its proportion measured as of June 30, 2019. 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.

For the years ended June 30, 2021 and 2020, KU recognized pension expense of \$3,874,848 and \$2,137,103, respectively. On June 30, 2021 and 2020, KU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,215,821	\$ 704,170	\$ 988,870	\$ 1,524,195
Net difference between projected and actual earnings on pension plan investments	6,752,179	-	1,141,091	-
Change in proportion	1,370,777	8,807,467	1,446,974	10,076,335
Change of assumptions	4,038,033	-	1,868,561	30,896
Contributions subsequent to measurement date	6,623,137	-	7,185,087	-
	<u>\$ 19,999,947</u>	<u>\$ 9,511,637</u>	<u>\$ 12,630,583</u>	<u>\$ 11,631,426</u>

KU reported \$6,623,137 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, 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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
2022	\$ (590,319)
2023	790,750
2024	1,593,570
2025	2,022,735
2026	48,437
	<u>\$ 3,865,173</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Actual Cost Method	Entry age normal
Price Inflation	2.75%
Wage Inflation	3.25%
Salary Increase	3.25% to 11.75%, including price inflation
Investment Rate of Return	7.50% 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.

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 January 7, 2020, as provided by KPERS' investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	23.50%	5.20%
Non-U.S. Equities	23.50	6.40
Private Equity	8.00	9.50
Private Real Estate	11.00	4.45
Yield Driven	8.00	4.70
Real Return	11.00	3.25
Fixed Income	11.00	1.55
Short-term investments	4.00	0.25
Total	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The discount rate used to measure total pension liability at the prior measure date of June 30, 2019 was 7.75%. The actuarial assumptions used in the calculation of the total pension liability were based on the results of the most recent actuarial experience study. It covered the three-year period of January 1, 2016 through December 31, 2018 and was dated January 7, 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 100,102,698	\$ 75,138,849	\$ 55,124,733

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 \$36,826,454 and \$36,783,175 during fiscal years 2021 and 2020, 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 \$1,582,683 and \$1,956,282 to their individual plans during fiscal years 2021 and 2020, respectively.

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

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For the Years Ended June 30, 2021 and 2020

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, 2021, the following members were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	77
Active employees	958
	1,035
	1,035

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

KU's total OPEB liability of \$5,645,788 was measured as of June 30, 2020 and was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise noted:

Price Inflation	2.75%
Payroll Growth	3.00%
Salary Increase	3.50% to 11.50%, including price inflation
Discount Rate	2.21%
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-2020.

The actuarial assumptions used in the June 30, 2020 valuation were based on actuarial experience study for the period July 1, 2016 through June 30, 2018. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the January 7, 2020 KPERS pension valuation.

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

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 5,417,590	\$ 5,665,501
Changes for the year:		
Service cost	207,929	208,636
Interest	183,036	206,500
Differences between expected and actual experience	327,682	341,730
Effect of assumption changes or inputs	308,259	81,975
Benefit payments	<u>(798,708)</u>	<u>(1,086,752)</u>
Net changes	<u>228,198</u>	<u>(247,911)</u>
Balance at end of year	<u>\$ 5,645,788</u>	<u>\$ 5,417,590</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 3.50% on June 30, 2019 to 2.21% on June 30, 2020.

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 2.21%, 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 (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Proportionate share of the net OPEB liability	\$ 5,901,018	\$ 5,645,788	\$ 5,406,374

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.

For the year ended June 30, 2021 and 2020, KU recognized OPEB expense of \$503,619 and \$463,489, respectively. On June 30, 2021 and 2020, KU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2021</u>		<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 773,952	\$ -	\$ 545,602	\$ -
Change of assumptions	342,215	156,417	73,550	182,689
Contributions subsequent to measurement date	798,708	-	1,086,752	-
	<u>\$ 1,914,875</u>	<u>\$ 156,417</u>	<u>\$ 1,705,904</u>	<u>\$ 182,689</u>

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling \$798,708 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, 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 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
2022	\$ 112,654
2023	112,654
2024	112,654
2025	112,654
2026	112,654
Thereafter	396,480
	<u>\$ 959,750</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.

NOTE 21 – NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

KU's operating expenses by functional and natural classification for 2021 are as follows:

Functional Classification	Natural Classification					Total
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	
Instruction	\$ 396,267,039	\$ -	\$ 267,618	\$ 21,871,847	\$ -	\$ 418,406,504
Research	197,416,447	-	6,419	89,520,577	-	286,943,443
Public service	32,091,893	-	9,221	22,117,061	-	54,218,175
Academic support	50,033,145	-	-	26,923,658	-	76,956,803
Student services	34,019,769	-	816,577	12,043,470	-	46,879,816
Institutional support	58,583,005	-	-	27,832,343	-	86,415,348
Operations and maintenance of plant	46,550,943	-	20,154,984	33,982,785	-	100,688,712
Depreciation	-	-	-	-	97,976,451	97,976,451
Scholarships and fellowships	-	26,638,163	-	-	-	26,638,163
Auxiliary enterprises:						
Housing	3,199,048	-	3,033,352	6,439,795	-	12,672,195
Athletics	41,192,181	-	946,402	43,199,193	-	85,337,776
Parking	3,642,416	-	280,699	4,832,840	-	8,755,955
Student unions	13,396,276	-	1,195,794	11,060,941	-	25,653,011
University health services	4,563,368	-	-	3,596,401	-	8,159,769
Other auxiliary enterprises	1,734,535	-	-	2,062,840	-	3,797,375
Other	-	-	-	762,856	-	762,856
Total	<u>\$ 882,690,065</u>	<u>\$ 26,638,163</u>	<u>\$ 26,711,066</u>	<u>\$ 306,246,607</u>	<u>\$ 97,976,451</u>	<u>\$ 1,340,262,352</u>

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For the Years Ended June 30, 2021 and 2020

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	\$ 32,484,608	\$ -	\$ 440,237,070
Research	195,686,649	-	7,160	93,442,944	-	289,136,753
Public service	36,199,024	-	8,484	13,936,817	-	50,144,325
Academic support	50,362,038	-	-	16,113,322	-	66,475,360
Student services	31,198,039	-	853,213	8,749,764	-	40,801,016
Institutional support	47,231,370	-	-	27,764,381	-	74,995,751
Operations and maintenance of plant	55,670,400	-	20,345,877	14,726,918	-	90,743,195
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	9,866,441	-	17,389,428
Athletics	40,562,214	-	573,794	61,482,337	-	102,618,345
Parking	3,827,972	-	325,242	4,522,399	-	8,675,613
Student unions	13,151,166	-	1,111,491	16,979,854	-	31,242,511
University health services	6,244,311	-	-	2,120,374	-	8,364,685
Other auxiliary enterprises	1,912,899	-	-	1,697,795	-	3,610,694
Other	362,138	-	-	238,521	-	600,659
Total	\$ 894,155,277	\$ 26,138,916	\$ 26,753,653	\$ 304,126,475	\$ 74,398,078	\$ 1,325,572,399

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, 2021 and 2020, these amounts totaled \$9,462,815 and \$7,746,793, respectively.

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, 2021 and 2020, KU held \$944,924 and \$964,611, 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, 2021 and 2020, KU held \$327,914 and \$423,405, 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

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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, 2020, KU's component units implemented the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-2, *Leases (Topic 842)*. As a result of the adoption of this standard, right of use assets increased by \$46,300,878, capital lease liabilities increased by \$46,511,704, and net assets were decreased \$210,826 as of July 1, 2020.

NOTE 25 – SUBSEQUENT EVENT

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2021. Management has performed their analysis through December 17, 2021 the date the financial statements were issued.