

KU



2023 Annual Financial Report

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KANSAS BOARD OF REGENTS

Blake Benson	John Dicus
Carl Ice	Alysia Jonston
Cynthia Lane	Diana Mendoza
Neelima Parasker	Jon Rolph
Wint Winter	

EXECUTIVE OFFICERS

Douglas A. Girod
Chancellor

Jeffrey S. DeWitt
Chief Financial Officer and Executive Vice Chancellor for Finance

Lawrence Campus

Barbara A. Bichelmeyer
Provost and Executive Vice Chancellor

Jason F. Hornberger
Vice Provost for Finance

Katrina Yoakum
Controller, Lawrence Campus

Jeffrey Hunter
Director for Financial Reporting Services, Lawrence Campus

Medical Center Campus

Dr. Robert D. Simari
Executive Vice Chancellor

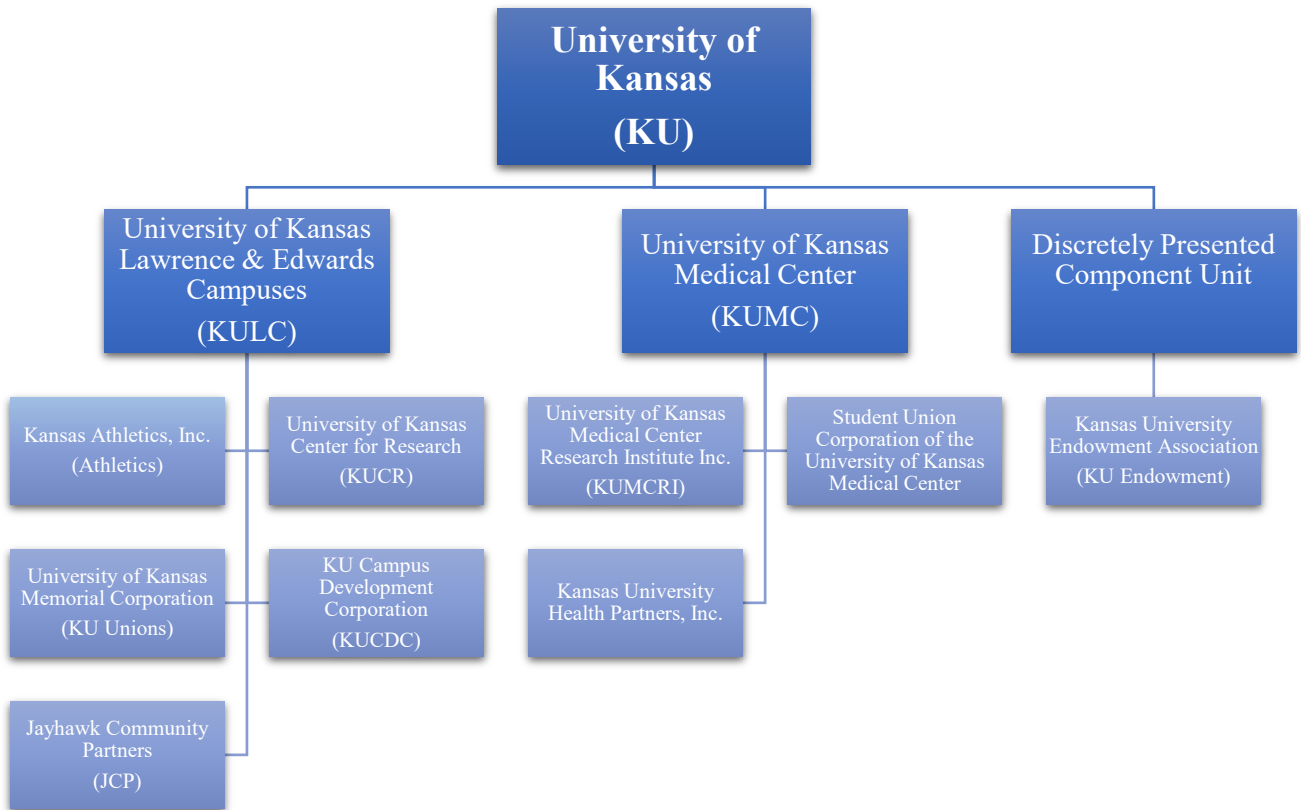
David Vranicar
Vice Chancellor for Finance and Chief Financial Officer

Adrienne Kordalski
Associate Vice Chancellor of Institutional Finance and Administration, Medical Center

Katherine Girgis
Director of Accounting and Financial Reporting, Medical Center

UNIVERSITY OF KANSAS

CONSOLIDATED REPORTING STRUCTURE

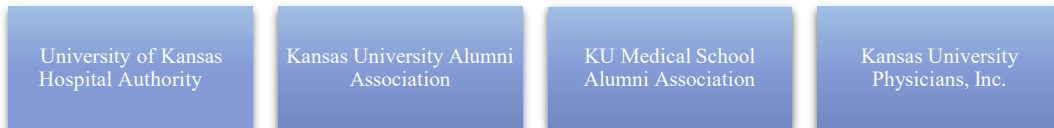


AUXILIARIES INCLUDED WITHIN KULC & KUMC



NON-CONSOLIDATED UNIVERSITY OF KANSAS AFFILIATES

* 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.



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 consolidated financial report includes three financial statements: the Consolidated Statement of Net Position; the Consolidated Statement of Revenues, Expenses, and Changes in Net Position; and the Consolidated Statement of Cash Flows. KU's consolidated 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.

CURRENT YEAR UNIVERSITY HIGHLIGHTS

KU had another year of significant achievements. The Lawrence Campus continued its focus on the implementation of its Jayhawks Rising strategic plan to shape the future of KU Lawrence Campus. The Jayhawks Rising strategic plan is organized around three institutional priorities: Student Success; Health & Vibrant Communities; and Research & Discovery. The Medical Center Campus also continued its focus on improving the lives and communities in Kansas and beyond through partnership and innovation in education, research, and health care.

Some of KU's key achievements during the fiscal year ended June 30, 2023 were:

- The KU Cancer Center at the Medical Center earned the most prestigious national designation from the National Cancer Institute. This designation capped a 15-year effort and is the result of one of the most remarkable regional partnerships of any kind in recent memory.
- KU was awarded more than \$150 million from the State of Kansas for a new health education campus in Wichita. This campus will train health care practitioners for Kansas communities. The new health education campus will be a partnership between the Medical Center and Wichita State University.
- KU Medical Center received a \$27 million grant renewal from the National Institutes of Health ("NIH") for its Frontiers Clinical and Translational Science Institute.
- KU welcomed the largest freshman class since 2008, and the most talented and diverse freshman class in KU history. This was achieved despite the fact many other universities in the region continue to experience enrollment declines.
- In January 2023, KU added an incredible new asset to our student recruitment efforts when the Jayhawk Welcome Center was opened. The Jayhawk Welcome Center will serve as the "first stop" for prospective students and families and is among the best such centers nationally.
- In the fall of 2022, KU celebrated prestigious accolades for two outstanding faculty members: the dean of the medical school was elected to the National Academy of Medicine; and a faculty member, in the Department of Physics & Astronomy, was named a MacArthur Fellow.
- KU launched a significant capital project known as the campus gateway project. This project will be a transformational enhancement to the Lawrence campus at the intersection of 11th and Mississippi streets. This project will:
 - provide a new front door (Gateway) to welcome prospective students and guests,
 - designed as a multiuse facility with a conference center allowing for year around use,
 - provide new facilities for Kansas Football and gameday guests.
- KU had another strong year in the athletics program that benefits our university by driving enrollment, alumni engagement, and revenue for academic programming. Under the leadership of Coach Lance Leipold, the KU football team had its best season in 13 years, resulting in three stadium sellouts, a chance to host ESPN College GameDay, and an invitation to the Liberty Bowl. KU's basketball program continued its success through the women's basketball team winning the WNIT championship during the year, and the men's basketball team won another Big 12 Championship.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED STATEMENT OF NET POSITION

The Consolidated 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 Consolidated 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 Consolidated 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

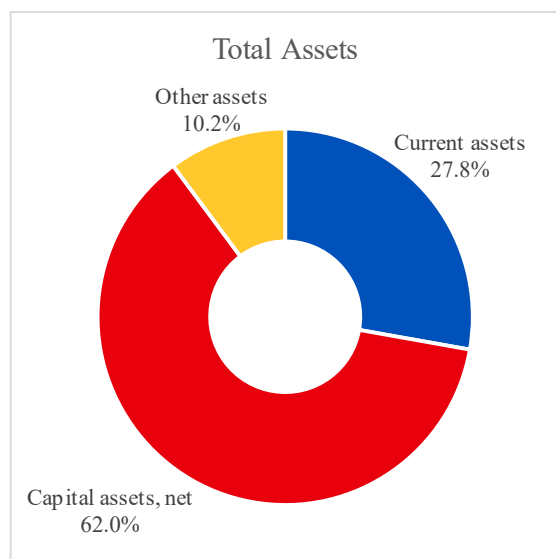
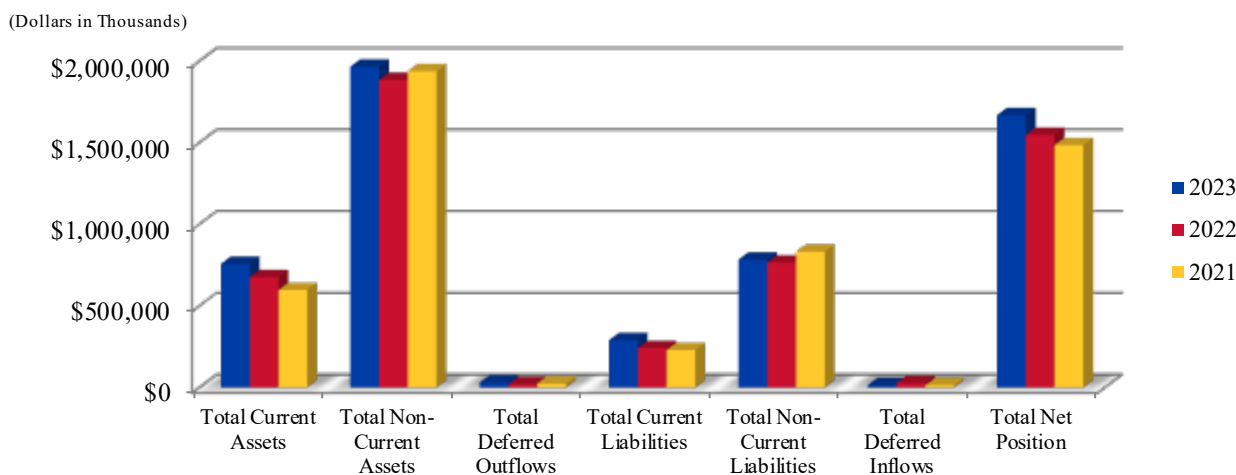
As of June 30

(Dollars in Thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current assets	\$ 756,406	\$ 675,311	\$ 596,040
Capital assets, net	1,688,149	1,641,348	1,690,372
Other assets	277,140	242,733	246,945
Total assets	<u>2,721,695</u>	<u>2,559,392</u>	<u>2,533,357</u>
Deferred outflows of resources	29,691	19,404	22,560
Liabilities:			
Current liabilities	288,955	240,842	228,507
Long-term debt	642,141	627,244	655,803
Other liabilities	139,466	137,194	175,155
Total liabilities	<u>1,070,562</u>	<u>1,005,280</u>	<u>1,059,465</u>
Deferred inflows of resources	13,602	26,238	12,634
Net Position:			
Net investment in capital assets	955,331	927,397	940,965
Restricted	312,153	210,157	205,371
Unrestricted	399,738	409,724	337,482
Total net position	<u>\$ 1,667,222</u>	<u>\$ 1,547,278</u>	<u>\$ 1,483,818</u>

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, 2023, 2022, and 2021:



Assets

On June 30, 2023, total assets were \$2.7 billion, an increase of \$162 million (6.3%) compared to 2022. On June 30, 2022, total assets were \$2.6 billion, an increase of \$26.0 million (1.0%) compared to 2021. 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, 2023, current assets increased \$81.1 million (12.0%) compared to 2022. This change is attributed to:

- \$27.8 million (8.4%) increase in current unrestricted and restricted cash and cash equivalents because of (1) donations received and held at Kansas University Endowment Association (“KU Endowment”) for the Medical Center and (2) increase in ticket sales at athletic events.
- \$38.4 million (24.7%) increase in liquid investments, of which \$36.4 million pertained to donations received by Kansas Athletics, Inc. (“Athletics”).
- \$7.8 million (5.2%) increase in accounts receivables stemming from (1) \$4.0 million in receivables from students for tuition and fees, and (2) \$3.5 million in receivables associated with sponsored research.
- \$6.8 million (27.1%) increase in the amount to be collected in the next fiscal year from pledges received by Athletics for general pledges, Allen Fieldhouse renovations, and the campus gateway and stadium renovation project.

MANAGEMENT'S DISCUSSION AND ANALYSIS

On June 30, 2022, current assets increased \$79.3 million (13.3%) compared to 2021. This change is attributed to:

- \$39.4 million (15.8%) increase in cash and cash equivalents primarily because of federal COVID-19 funding received to cover losses.
- \$25.2 million (20.5%) increase in accounts receivable stemming from (1) \$5.5 million in receivables associated with sponsored research; (2) \$4.8 million in athletic receivables related to trademark licensing and royalty receivables; (3) \$3.7 million in appropriation receivables from the State of Kansas; and (4) \$3.1 million in receivables from students for tuition and fees.
- \$15.2 million (10.8%) increase in investments from \$46.0 million investment purchases offset by \$26.4 million in unrealized losses on investments.

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.

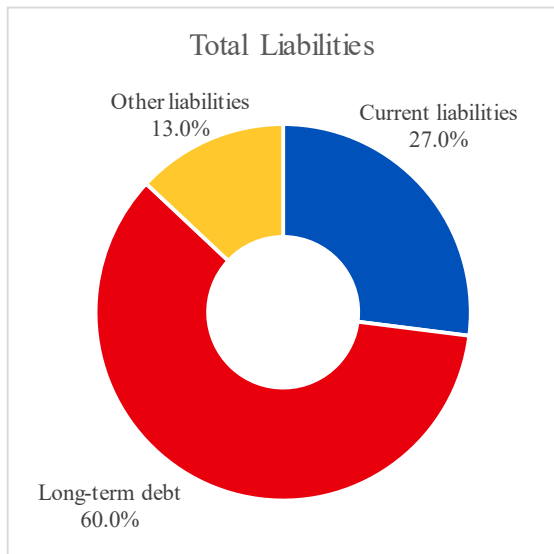
On June 30, 2023, noncurrent assets increased \$81.2 million (4.3%) compared to 2022. This change is attributed to:

- \$46.8 million (2.9 %) increase in capital assets and right of use assets. KU recognized new right of use assets related to the adoption of Governmental Accounting Standards Board (“GASB”) subscription-based information technology arrangements (“SBITA”) (see New Accounting Standard section below).
- \$19.0 million (623.4%) increase in pledges receivables received by Athletics for the Allen Fieldhouse renovations and the campus gateway and stadium renovation project expected to be collected in future years.
- \$8.9 million (765.4%) increase in restricted cash received which has been earmarked for capital project construction purposes.
- \$8.3 million (4.0%) increase in long-term investments.

On June 30, 2022, noncurrent assets decreased \$53.2 million (2.7%) compared to 2021. This change is attributed to:

- \$49.0 million (2.9%) decrease in capital assets as depreciation exceeded new capital asset purchases offset by the recognition of in the right of use asset related to the adoption of the GASB lease accounting standard adopted by KU (see New Accounting Standards section below).
- \$7.9 million (72.2%) decrease in pledges receivable as Athletics continued to collect outstanding pledges.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Liabilities

On June 30, 2023, total liabilities were \$1.1 billion, increasing \$65.3 million (6.5%) compared to 2022. On June 30, 2022, total liabilities were \$1.0 billion, decreasing \$54.2 million (5.1%) compared to 2021. See a further breakout and discussion of the changes of liabilities below.

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, 2023, current liabilities increased \$48.1 million (20.0%) when compared to 2022. This change is attributed to:

- \$21.2 million (22.8%) increase in accounts payable and accrued expenses because of the timing of invoice payments to vendors for operating and capital related expenditures as well as an increase in accrued payroll for one additional day.
- \$20.5 million (38.4%) increase in unearned revenues because of (1) \$15.7 million received from certain granting authorities in advance of performing services, and (2) \$4.8 million received by Athletics for future sporting events.
- \$6.2 million (16.9%) increase in the current portion of long-term debt items stemming from KU entering new leases during the current year, adopting the GASB SBITA standard, and the principal portion of existing revenues bonds continue to increase.

On June 30, 2022, current liabilities increased \$12.3 million (5.4%) when compared to 2021. This change is attributed to:

- \$13.6 million (17.2%) increase in accounts payable and accrued expenses because of the timing of invoice payments to vendors as well as an increase in accrued payroll for one additional day.
- \$6.6 million (19.8%) increase in compensated absences stemming from an increase in unused vacation leave by employees.
- \$2.6 million (6.6%) decrease in current portion of long-term debt items as KU issued less debt than principal paid in the current year.
- \$2.5 million (4.5%) decrease in deferred revenue because KU recognized grant revenue collected in prior years.

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, 2023, noncurrent liabilities increased \$17.2 million (2.2%) when compared to 2022. This change is attributed to:

- \$43.1 million (91.4%) increase in leases because KU Medical Center entered into a new lease agreement with University of Kansas Hospital Authority (\$45.5 million) which was offset by scheduled payments on other lease agreements.
- \$11.8 million (22.3%) increase in the net pension liability resulting from a decline in market investment results in 2022 which did not impact the liability until the 2023 actuarial calculation, as well as a decrease in the discount rate from 7.25% in June 2021 to 7.0% in June 2022.
- \$30.5 million (5.3%) decrease in revenue bonds as KU has continued to pay on existing debt while limiting the issuance of new debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- \$9.2 million (13.9%) decrease in other long-term liabilities resulting from the continued amortization of bond premiums and a continued reduction in the Perkins loan liabilities because of payments and assignment of loans to the U.S. Department of Education.

On June 30, 2022, noncurrent liabilities decreased \$66.5 million (8.0%) when compared to 2021. This change is attributed to:

- \$28.6 million (4.4%) decrease in long-term debt as KU continued to limit the issuance of new debt.
- \$22.2 million (29.6%) decrease in the net pension liability from better-than-expected investments results in 2021 which did not impact the pension calculation until the 2022 actuarial calculation.
- \$9.4 million (42.9%) decrease in compensated absences as split calculation between current and noncurrent shifted majority of the balance to current portion.

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 18), the other postemployment benefit liability (see note 20), deferred charges on the refunding of capital debt, and deferred lease resources.

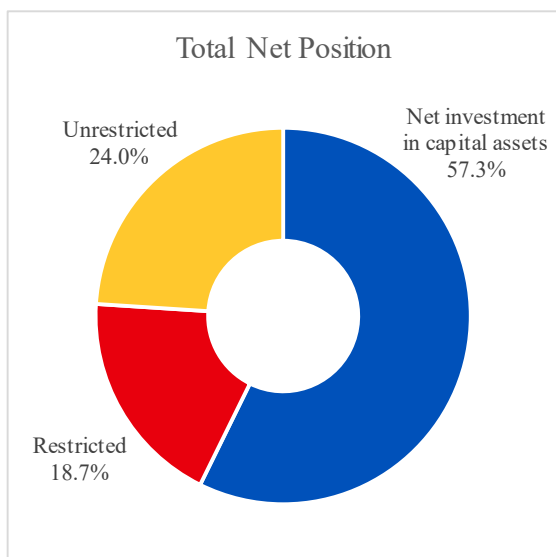
On June 30, 2023, total deferred outflows were \$29.7 million, an increase of \$10.3 million (53.0%) compared to 2022. This increase is primarily because of a deterioration in pension investment earnings compared to projected earnings as well as a change in assumptions in the pension calculation. On June 30, 2022, total deferred outflows were \$19.4 million, a decrease of \$3.2 million (14.0%) compared to 2021 primarily because of an improvement in pension investment earnings compared to projected earnings and change in assumptions in the pension calculation.

On June 30, 2023, total deferred inflows were \$13.6 million, a decrease of \$12.6 million (48.2%) compared to 2022. The decrease is primarily attributed to the deterioration of pension investment earnings compared to projected earnings. On June 30, 2022, total deferred inflows were \$26.2 million, an increase of \$13.6 million (107.7%) compared to 2021 primarily attributed to better investment performance compared to projected earnings in the pension plan as well as the adoption of the new GASB lease accounting standard.

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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

On June 30, 2023, total net position was \$1.7 billion, an increase of \$119.9 million (7.8%) compared to 2022. On June 30, 2022, total net position was \$1.5 billion, an increase of \$63.5 million (4.3%) compared to 2021. The following breakout represents the composition of net position (in thousands) as of June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net investment in capital assets	\$ 955,331	\$ 927,397	\$ 940,965
Restricted for:			
Nonexpendable	45,559	46,496	46,267
Expendable:			
Scholarships, research, instruction and other	91,126	77,960	81,459
Loans	25,840	24,061	23,808
Capital projects	142,661	55,354	46,028
Debt service	6,967	6,286	7,809
Unrestricted	399,738	409,724	337,482
Total net position	<u>\$ 1,667,222</u>	<u>\$ 1,547,278</u>	<u>\$ 1,483,818</u>

KU's increase of \$119.9 million (7.8%) in net position as of June 30, 2023, is attributed to the following:

- \$27.9 million (3.0%) increase in investment in capital assets is associated with KU investing more in capital projects to address rehabilitation and repairs on existing buildings and infrastructure on campus.
- \$13.2 million (16.9%) increase in expendable net assets for scholarships, research, instruction, and other purposes stems from a growth of donations received by Athletics designated for scholarships.
- \$87.3 million (157.7%) increase in expendable net assets for capital projects stems from a growth of donations received by KU Athletics for the Allen Fieldhouse renovations and the upcoming campus gateway and stadium renovation project.
- \$10.0 million (2.4%) decrease in unrestricted net position is associated with the planned use of reserves to address the KU Lawrence campus' structural deficit while several financial initiatives are implemented.

KU's increase of \$63.5 million (4.3%) in net position as of June 30, 2022, is attributed to the following:

- \$77.3 million (22.9%) increase in unrestricted net position is associated with the positive financial results of KU Lawrence and KU Medical Center campuses.
- \$9.3 million (20.3%) increase in restricted net position "expendable for capital projects" is because of revenues and other resources earmarked for construction activities that had not been spent yet.
- \$18.6 million (2.0%) decrease in net investment in capital assets net position is the result of the decrease in capital assets from depreciation exceeded capital purchases less the reduction of related bonds and long-term debt liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Consolidated 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>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 1,125,052	\$ 1,062,655	\$ 967,152
Operating expenses	<u>(1,541,600)</u>	<u>(1,417,228)</u>	<u>(1,340,257)</u>
Total operating loss	(416,548)	(354,573)	(373,105)
Non-operating revenues	444,044	408,418	450,413
Non-operating expenses	<u>(23,092)</u>	<u>(26,678)</u>	<u>(28,434)</u>
Net non-operating revenues (expenses)	420,952	381,740	421,979
Income (loss) before other revenues, expenses, gains and losses	4,404	27,167	48,874
Other revenues, expenses, gains and losses	<u>115,317</u>	<u>36,284</u>	<u>20,550</u>
Increase (decrease) in net position	119,721	63,451	69,424
Net position, beginning of year	1,547,278	1,483,818	1,414,605
Restatement of net position - beginning of year ⁽¹⁾	<u>223</u>	9	(211)
Net position, end of year	<u>\$ 1,667,222</u>	<u>\$ 1,547,278</u>	<u>\$ 1,483,818</u>

¹ See New Accounting Standard Section

Revenues

Operating Revenues

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Tuition and fees	\$ 320,300	\$ 323,822	\$ 320,020
Grants and contracts	400,231	345,232	325,760
Sales and services	172,865	175,548	161,521
Auxiliary enterprises	224,695	205,576	153,177
Other operating revenues	<u>6,961</u>	<u>12,477</u>	<u>6,674</u>
Total operating revenues	<u>\$ 1,125,052</u>	<u>\$ 1,062,655</u>	<u>\$ 967,152</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2023, operating revenues at KU increased \$62.4 million (5.9%) compared to 2022. The change in operating revenues is primarily a result of:

- \$55.0 million (15.9%) increase in grants and contracts from the continued growth of research opportunities and initiatives on campus. KU has continued to experience a growth in the number and amount of sponsored grants and clinical trials compared to prior years.
- \$19.1 million (9.3%) increase in auxiliary enterprises primarily from (1) \$9.6 million associated with Athletics from a successful men's football season and women's WNIT basketball championship, and (2) \$5.7 million in KU Memorial Corporation ("KU Union") revenues from increasing sales as physical presence of students, faculty, and staff returns on campus.

For the year ended June 30, 2022, operating revenues at KU increased \$95.5 million (9.9%) compared to 2021. The increase in operating revenues is primarily a result of:

- \$52.4 million (34.2%) increase in auxiliary enterprises revenues because of an increase of (1) \$34.8 million in Athletic revenues received from NCAA and conference distributions and ticket sales because sporting events were held again in 2022, and (2) \$12.9 million in housing revenues from an increase back to pre-COVID bed occupancy during the fiscal year.
- \$19.5 million (6.0%) increase in grants and contracts because of (1) \$10.3 million grant received from the State of Kansas for the KUMC Cancer Center Trust Fund that previously was recognized as a state appropriation, and (2) general increase in the number and amount of sponsored grants and clinical trials when compared to the prior year.
- \$14.0 million (8.7%) increase in sales and service revenues because KU began to return to pre-COVID levels of providing services to customers.

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:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
State appropriations	\$ 301,271	\$ 259,586	\$ 253,428
Local appropriations	16,523	15,234	14,058
Gifts	90,901	71,324	61,871
Investment income (loss)	12,723	(17,387)	43,540
Non-operating federal grants and contracts	19,725	72,298	67,889
Other non-operating revenues	2,901	7,363	9,627
Total non-operating revenues	<u>\$ 444,044</u>	<u>\$ 408,418</u>	<u>\$ 450,413</u>

For the year ended June 30, 2023, non-operating revenues increased \$35.6 million (8.7%) compared to 2022. This change is primarily a result of:

- \$41.7 million (16.1%) increase in state appropriations as the State of Kansas and the Kansas Board of Regents provided an increase in general appropriations and one-time appropriated funds for information technology, and facility deferred maintenance.
- \$30.1 million (173.2%) increase in investment income because of improved market conditions experienced during the fiscal year.
- \$19.6 million (27.4%) increase in gift income stemming from additional funding provided by KU Endowment for faculty and staff compensation and other operating expenditures.
- \$52.6 million (72.7%) decrease in non-operating federal grants and contracts as KU received federal pandemic funding in fiscal year 2022 that did not occur again in the current fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2022, non-operating revenues decreased \$42.0 million (9.3%) compared to 2021. This change is primarily a result of:

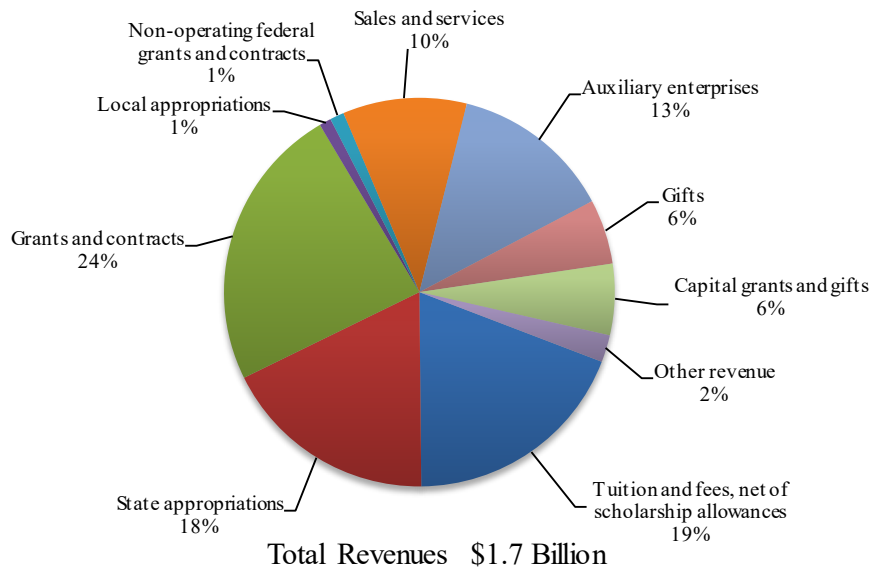
- \$60.9 million (139.9%) decrease in investment income principally because of unrealized losses experienced from a decline in the investment market conditions during the fiscal year.
- \$9.5 million (15.3%) increase in gift income principally because of funds provided by KU Endowment to cover KU's operating expenses.
- \$6.2 million (2.4%) increase in state appropriations because the State of Kansas increased the amount allocated to KU for operational funds during the current fiscal year.
- \$4.4 million (6.5%) increase in non-operating federal grants and contracts because KU received additional federal funding from the Higher Education Emergency Relief Fund (American Rescue Plan Act).

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, 2023, capital grants and gifts increased \$78.8 million (372.7%) because KU initiated more privately funded construction projects on the Lawrence and Medical Center campuses. Additionally, Athletics received more contributions earmarked for the campus gateway and stadium renovation project during 2023 when compared to 2022.

For the year ended June 30, 2022, capital grants and gifts increased \$14.7 million (229.9%) like 2023, KU initiated several privately funded construction projects and Athletics received multiple contributions earmarked for construction.

The composition of these revenues, including operating and non-operating, for the year ended June 30, 2023, is displayed in the following graph:



MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses

Operating Expenses

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Instruction	\$ 460,508	\$ 425,266	\$ 416,558
Research	375,493	334,750	286,135
Public service	71,472	50,903	55,347
Academic support	81,703	67,780	76,640
Student services	46,344	43,465	46,896
Institutional support	91,337	93,570	86,330
Operations and maintenance of plant	104,767	96,857	100,404
Depreciation	105,893	98,282	100,643
Scholarships and fellowships	23,397	43,624	28,088
Auxiliary enterprises	180,320	162,674	142,453
Other operating expenses	366	57	763
Total operating expenses	<u>\$ 1,541,600</u>	<u>\$ 1,417,228</u>	<u>\$ 1,340,257</u>

For the year ended June 30, 2023, operating expenses were \$1.5 billion, an increase of \$124.4 million (8.8%), compared to 2022. This change is primarily a result of:

- The KU Lawrence Campus invested resources into its faculty and staff by providing a minimum 5% pay increase, while the Medical Center campus has continued to invest in its faculty and staff by maintaining market supported compensation.
- \$40.7 million (12.2%) and \$20.6 million (40.4%) increase in research and public service expenses, respectively, primarily a result of the continued growth in research opportunities and initiatives on both campuses.
- \$35.2 million (8.3%) increase in instruction expenses stemming from pay increases and other operating expenditures geared toward enhancing the student experience on campus.
- \$13.9 million (20.5%) increase in academic support expenses arising from a realignment of academic advising expenses to provide more focus and support for the students, and compensation increases experienced by academic administration areas on campus.
- \$20.2 million (46.4%) decrease in scholarships and fellowships driven by Higher Education Emergency Relief funding KU provided to students in the prior year not provided during the current year.
- \$17.6 million (10.8%) increase in auxiliary enterprises expenses primarily stemming from increases in compensation and grants provided to student athletes.

For the year ended June 30, 2022, operating expenses were \$1.4 billion, an increase of \$77.0 million (5.7%), compared to 2021. The increase in overall operating expenses is primarily a result of:

- \$48.6 million (17.0%) increase in research expenses primarily because of compensation and other expenses incurred by KUCR and KUMCRI to perform direct research, clinic services, and research service center related activities.
- \$15.5 million (55.3%) increase in scholarship and fellowships principally from additional Higher Education Emergency Relief funding received that was provided as direct support to the students.
- \$20.2 million (14.2%) increase in auxiliary enterprise expenses primarily because housing and Athletic services returned to pre-COVID levels.
- Academic support, student services, and operations and maintenance expenses decreased a total of \$15.8 million primarily associated with a decline of COVID-19 related expenses supported by federal funding that were incurred in 2021 that were not repeated in 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

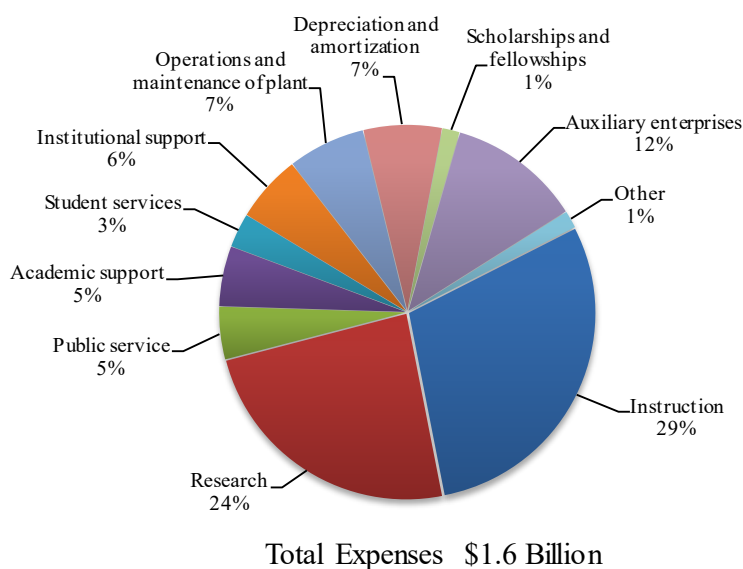
Non-operating Expenses

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, 2023, non-operating expenses decreased \$3.5 million because of a decline in interest expense related to continued payment on outstanding debt and a unique increase in 2022 expenses connected to an asset disposal loss associated with the razing of a residence hall on Lawrence campus.

For the year ended June 30, 2022, non-operating expenses, decreased \$1.8 million (6.2%) as a result of a \$4.1 million reduction in interest expense because a 2021 refunding that reduced the interest on two revenue bonds in conjunction with continued paydowns of existing debt, offset by a \$2.3 million asset disposal loss associated with the razing of a residence hall on the Lawrence campus.

The composition of total expenses, including operating and non-operating, for the year ended June 30, 2023, is displayed in the following graph:



CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated 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 Consolidated 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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:

Condensed Consolidated Statement of Cash Flows **For the year Ended June 30,** (Dollars in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net cash provided by (used in):			
Operating activities	\$ (290,142)	\$ (273,131)	\$ (264,905)
Noncapital financing activities	435,777	420,490	402,067
Capital and related financing activities	(72,540)	(69,414)	(74,657)
Investing activities	<u>(36,368)</u>	<u>(35,805)</u>	<u>(35,474)</u>
Net increase (decrease) in cash and cash equivalents	36,727	42,140	27,031
Beginning cash and cash equivalents	<u>332,560</u>	<u>290,420</u>	<u>263,389</u>
Ending cash and cash equivalents	<u>\$ 369,287</u>	<u>\$ 332,560</u>	<u>\$ 290,420</u>

EXTRAORDINARY ITEMS

KU did not have any special and/or extraordinary items in 2023, 2022, and 2021.

NEW ACCOUNTING STANDARDS

During 2023, KU implemented the Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"), effective July 1, 2022. This standard established a single model for subscription-based information technology arrangements ("SBITA") accounting based on the principle that SBITAs are arrangements of the right to use another entity's tangible capital asset. This adoption resulted in the following impacts:

<u>Financial statement line item</u>	<u>Increase</u>
Right of use asset	\$ 2,640,592
SBITA liability	2,417,379
Net position	223,213

MANAGEMENT'S DISCUSSION AND ANALYSIS

During 2022, KU implemented the GASB Statement No. 87, *Leases* (“GASB 87”), effective July 1, 2021. This standard established a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This adoption resulted in the following impacts:

<u>Financial statement line item</u>	<u>Increase</u>
Lease receivable asset	\$ 1,706,413
Right of use asset	1,116,702
Lease liability	1,131,941
Deferred inflow – lease	1,682,032
Net position	9,412

During 2021, 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.

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 \$194.4 million, \$152.2 million, and \$132.1 million for the years ended June 30, 2023, 2022, and 2021, respectively.

The following support items totaling \$89.0 million are reflected in KU’s consolidated financial statements for 2023:

- **Capital Projects.** KU Endowment sponsored multiple capital projects throughout 2023 at a cost of \$9.2 million, an increase of \$2.2 million from 2022. Various other building upgrades and remodeling, as well as various equipment purchases benefited from KU Endowment’s fundraising efforts. KU Endowment’s reimbursement for capital projects is reflected as a capital gift to KU within other revenues, expenses, gains and losses.
- **Salaries and other operating expenses.** KU Endowment reimbursed KU approximately \$79.8 million, an increase of \$18.7 million from 2022, for various faculty and staff salaries, including KU’s distinguished professors, and other operating expenses. The salary and other operating expenses are reflected in KU’s consolidated financial statements in its appropriate function to represent a more accurate reflection of KU’s operating expenses. KU Endowment’s reimbursement is reflected as a gift to KU within non-operating revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS

KU's capital assets are comprised of non-depreciable and depreciable assets. The following breakout represents the composition of KU's non-depreciable and depreciable assets, net of accumulated depreciation (in thousands) as of June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Non-depreciable capital assets			
Land and land improvements	\$ 34,104	\$ 34,104	\$ 34,104
Construction in progress	50,069	19,743	20,891
Software	5,164	5,164	5,164
Works of Art	25,502	25,537	24,375
Total non-depreciable capital assets	<u>114,839</u>	<u>84,548</u>	<u>84,534</u>
Capital assets, net of accumulated depreciation			
Buildings and leasehold improvements	1,272,561	1,321,385	1,371,246
Infrastructure	115,915	119,150	123,292
Equipment	70,647	56,142	60,858
Vehicles	14,263	12,964	8,069
Right of use - leased assets	94,743	47,159	42,373
Right of use - software	5,181	-	-
Total capital assets, net of accumulated depreciation	<u>1,573,310</u>	<u>1,556,800</u>	<u>1,605,838</u>
Total capital assets	<u>\$ 1,688,149</u>	<u>\$ 1,641,348</u>	<u>\$ 1,690,372</u>

KU made significant investments in capital during the 2023 fiscal year. Additional information regarding capital asset additions, retirements, and depreciation is available in Note 9 to the financial statements.

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

- *Templin Residence Hall Update* – The project included remodeling of the existing restroom, bathrooms and associated plumbing infrastructure; improvements and upgrades of the mechanical and electrical infrastructure systems; and improvements to interior walls, ceiling, and floor finishes. Additionally, the building's chilled water system was connected to the Lewis Hall district chilled water plant. The project was completed in 2023 with a total cost of \$3.0 million. Funding was provided by university housing resources and private gifts.
- *Sunnyside and Naismith Drive Update* – KU completed a phase of the project to replace existing asphalt pavement with concrete on Sunnyside Ave and Naismith Drive, beginning from the intersection with Sunflower Road on the east and extending west to Naismith Drive and north to 15th Street. The project included replacement of existing curbs and gutter, sidewalks, improved storm water management, landscaping additions and replacement of aged utilities as needed within the limits of construction. The project was completed with a total cost of \$1.5 million. Funding was provided by state capital appropriation and university parking resources.

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:

- *Strong Hall tuckpointing, and clean and seal* – This project includes tuckpointing the terra cotta, replacing damaged terra cotta, applying a fluid applied flashing system to the horizontal eyebrows, replacing sealant at all windows, replacing sealant joints on all parapet caps, parapet repairs and glazing repairs. The project is budgeted at \$2.3 million and will be funded by state capital appropriations and university funds. Construction is estimated to be completed in fiscal year 2024.
- *Parking lot reconstruction* – Transportation Services has initiated the full renovation of a couple of parking lots. The projects will include removing the existing pavement, providing a curb and gutter system, storm water management (with a detention basin), new LED lighting and asphalt paving with subgrade improvements. The projects are budgeted at \$3.3 million and will be funded by parking fees. Construction is estimated to be completed in fiscal year 2024.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- *Applegate Energy Center Boiler Plant System* – The project includes the replacement of three boilers, associated control systems, and exterior curtain at the Applegate Energy Center at the Medical Center. The project is budgeted at \$3.6 million. Construction is estimated to be completed in fiscal year 2024.
- *Wahl Hall East Morgue Renovation* – The proposed renovation will better utilize the existing space within the current morgue area. Donor storage will have increased capacity to serve the growing needs of campus and the hospital. Prep areas will also have increased capacity so that workflows are more efficient. The project is budgeted at \$2.1 million. Construction is estimated to be completed in fiscal year 2024.
- *Eaton Hall Infrastructure* –The project includes demolition of walls, ceiling, and flooring. Additionally, the project will consist of replacing heating, ventilation, air conditioning, and electrical. The project is budgeted at \$1.9 million. Construction is estimated to be completed in fiscal year 2024.
- *Reflection Center Construction* – The Medical Center is building a 4,819 square foot Reflection Center on the ground floor of the Orr Major building. The existing space is an unused area of the building that was designated as a bookstore several years ago. The project is budgeted at \$1.7 million. Construction is estimated to be completed in fiscal year 2024.
- *Delp Pavilion Remodeling* – The project involves remodeling the fourth floor of Delp Pavilion for the Internal Medicine department. Internal Medicine is a rapidly growing department, and this renovation is to support that growth over the coming years. The project is budgeted at \$1.6 million. Construction is estimated to be completed in fiscal year 2024.
- *Chilled Water District* – This project involves the installation of a district chilled water (CHW) plant to serve multiple buildings in the north district of the Lawrence campus. The configuration of chiller equipment in the CHW will provide redundant capacity by appropriately sizing chiller installations to provide primary and back-up capacity for a sizable portion of the peak load cooling for multiple buildings. The project is budgeted for \$14.5 million and will be funded by state capital appropriation and university resources. Construction is estimated to be completed in fiscal year 2025.
- *Robinson Center Renovation* – The project will provide better space utilization by moving Reserve Officers' Training Corps ("ROTC") to Robinson. This project will reduce the deferred maintenance needs on campus and provide the ability to raze the Military Science Building. The project is budgeted at \$15.0 million and will be funded by state capital appropriations, university funds, student fees, and private gifts. Construction is estimated to be completed in fiscal year 2025.
- *Lindley Hall Rooftop HVAC Units Replacement* – Lindley Hall has four cooling-only central station air handling units (AHU). This project's intent is to replace the AHUs with modern AHUs and add chilled water cooling to the building from the chilled water district project. The project is budgeted at \$3.5 million and will be funded by state capital appropriations. Construction is estimated to be completed in fiscal year 2025.
- *Campus Gateway Project* – This is a multiple phase project geared towards the corner of 11th and Mississippi becoming the north gateway to KU with direct access to the new Jayhawk Welcome Center, the Kansas Memorial Union, Dyche Hall, Spencer Museum of Art, and David Booth Kansas Memorial Stadium. As the north gateway to campus, KU plans to develop a multi-purpose venue with year-round use, that includes a conference center with plans to include entertainment capabilities, retail, dining, hospitality, health care services, or other facilities that support economic development and KU's academic mission. The new venue will be designed to drive economic development, provide services that help to recruit and retain students, and make the KU experience even greater. The project is budgeted at \$448.0 million and will be funded by State of Kansas grants, Athletic funds (including bonds), and private gifts. Construction on this phase is estimated to be completed in fiscal year 2025.
- *Allen Fieldhouse Renovations* – Athletics has developed expansion plans for the home of KU basketball programs, one of the most iconic campus buildings. This proposed expansion includes new suite areas, concessions, and improvements for a universally accessible facility with a requirement to address energy conservation and sustainability. In addition to updates to fan amenities and restrooms, areas for press/media and visitor locker rooms, the project addresses the need to replace several existing stairways to improve building circulation and safety. The project is budgeted at \$49.3 million and will be funded by Athletic funds and private gifts. Construction is estimated to be completed in fiscal year 2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- *Budig Hall/Hoch Auditoria Masonry Restoration, Tuckpoint, Clean and Seal* – This project will include tuckpointing the limestone, replacing and repairing damaged areas of stone, replacing sealant at all windows, replacing sealant joints on all parapet and gable stone caps, glazing repairs, stone cleaning and sealing. The project is budgeted at \$3.5 million and will be funded by state capital appropriations and university funds. Construction is estimated to be completed in fiscal year 2026.

DEBT ADMINISTRATION

On June 30, 2023, KU and its affiliated corporation had \$578.4 million in revenue bond debt outstanding, and \$102.0 million in leases and notes payable. During fiscal year 2023, KU did not issue any new capital debt, while the increase in the leases is a result of new lease agreements.

On June 30, 2022, KU and its affiliated corporation had \$607.5 million in revenue bond debt outstanding, and \$56.6 million in leases and notes payable. During fiscal year 2022, Athletics issued \$10 million on a line of credit, which was paid off prior to the end of the year.

KU and its affiliated corporations paid \$74.6 million, \$79.9 million, and \$76.5 million in principal and interest payments related to all outstanding capital debt and leases in 2023, 2022, and 2021, respectively.

On May 10, 2023, Moody's Investor Service reaffirmed KU's overall rating of Aa2 with a stable outlook. On August 18, 2023, Standard and Poor's reaffirmed KU's rating to AA-, with a stable outlook. More detailed information about KU's revenue bonds is available in Notes 13 and 14 to the financial statements.

ECONOMIC OUTLOOK

For the Fall 2023 semester, KU experienced a significant increase in the headcount of students attending the university. KU enrollment increased by 1,717 students (6.2%), bringing KU's total enrollment to 29,355 across all campuses. KU experienced an 18% increase in first-time freshmen in Fall 2023, making it the largest class in KU history. Additionally, the university was able to maintain an 85% retention rate of the first-time freshmen class from the prior year. For fiscal year 2023, tuition and campus fees were increased by 5% to cover current and future needs of KU.

As a state supported higher education institution, KU's economic position is impacted by the State of Kansas. Fiscal year 2024, state appropriations are currently budgeted to be \$313.4 million, an increase of \$12.1 million more than fiscal year 2023. Of this increase, \$6.5 million relates to the Medical Center and Wichita State University health science education building (see below), and \$5.2 million provided for state financial aid.

KU Lawrence Campus has been implementing the Jayhawks Rising Strategic Alignment Model ("Jayhawks Rising") which is the culmination of a multi-year strategic planning process involving many groups and individuals who proposed hundreds of ideas for how to advance us toward our vision to be an exceptional learning community that lifts each member and advances society. The Jayhawks Rising strategic plan is organized around three institutional priorities: Student Success; Healthy & Vibrant Communities; and Research & Discovery. Each priority comes with its specific objectives to which assessments can be made and evaluated. The objective leaders continue to work on these strategies with key stakeholders across campus to receive input, move strategies into operation, and monitor progress and success. Strategies are revisited and revised every fiscal year, thus to maintain Jayhawks Rising as an evolving tool for guiding our activities and leading us to the fulfillment of KU's mission.

Some of the strategies for each of the three institutional priorities are:

Student Success

- Continue to develop and implement a Strategic Enrollment Management (SEM) Plan
- Enhance Jayhawk Global brand/operation to ensure academic quality and grow enrollment in online programs.
- Develop comprehensive, scalable financial literacy and financial wellness solution(s) for KU Lawrence and Edwards students.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Deploy streamlined academic program review process that links key institutional metrics for discovery, engaging educational experiences and service to budgetary allocations.

Healthy & Vibrant Communities

- Continue to develop five-year financial plan with a focus on operational spend, strategic sourcing and transparent cost accounting for university provided services.
- Work with unit leaders to embed Equity Advisors in all administrative units over time to provide in-house leadership, support structures, and accountability on diversity, equity, and inclusion.
- Develop and implement a strategy for hosting conventions, conferences, and events at KU, to be administered by Jayhawk Hospitality.
- Coordinate student mental health and wellness efforts across campus for students, staff and faculty and improved communication and training regarding services and support available.

Research & Discovery

- Investing in research to stimulate growth and continue the upward trajectory of research expenditures.
- Create a strategic, external communications plan to highlight KU's research impact.
- Finalize and disseminate models for industry research partnership and associated business processes.

The Medical Center is also expecting to modestly grow its faculty and staff into fiscal year 2024 to support growing research enterprise as well as modest growth in academic degree programs and enrollment. Cash revenues have exceeded cash expenditures in recent fiscal years, which has provided financial support to make the investments needed to continue to grow the Medical Center's core educational and research missions. There are two large capital projects currently in progress by the Medical Center:

- A new cancer research building in Kansas City. In June 2023, the Medical Center received a \$100 million gift to build a state-of-the-art cancer center. The new facility will be developed jointly with the Health System. The Medical Center's research portion has been approved at \$250 million by the Kansas Board of Regents. The clinical portion will be funded by the Health System and has yet to be determined.
- A new health sciences campus in Wichita, in partnership with Wichita State University, to replace the Medical Center's aging School of Medicine campus in Wichita. Funding for the project will be fully provided by the State of Kansas through future grant and appropriation funds.

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 all types of business operations.

*Consolidated
Financial
Statements*

THE UNIVERSITY OF KANSAS
CONSOLIDATED STATEMENTS OF NET POSITION
AS OF JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 308,079,911	\$ 288,436,941
Restricted cash and cash equivalents	51,145,286	42,960,302
Investments	194,032,661	155,660,811
Accounts receivable, net	156,056,568	148,296,750
Pledges receivable, net	32,044,088	25,208,560
Loans to students, net	3,083,125	2,946,086
Inventories	7,471,484	8,835,315
Other assets	4,492,499	2,965,762
Total current assets	<u>756,405,622</u>	<u>675,310,527</u>
Non-current assets:		
Restricted cash and cash equivalents	10,062,170	1,162,700
Accounts receivable, net	1,536,418	1,845,950
Pledges receivable, net	22,048,375	3,047,882
Investments	217,340,662	209,076,002
Loans to students, net	26,152,951	27,600,723
Capital assets, net	1,688,148,645	1,641,348,333
Total non-current assets	<u>1,965,289,221</u>	<u>1,884,081,590</u>
Total assets	<u>2,721,694,843</u>	<u>2,559,392,117</u>
<u>DEFERRED OUTFLOWS</u>		
Deferred OPEB expense	2,489,404	3,042,349
Asset retirement obligations	511,885	578,330
Deferred pension expense	26,689,983	15,783,279
Total deferred outflows	<u>29,691,272</u>	<u>19,403,958</u>

THE UNIVERSITY OF KANSAS
CONSOLIDATED STATEMENTS OF NET POSITION
AS OF JUNE 30, 2023 AND 2022

(CONTINUED)

	<u>2023</u>	<u>2022</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 114,139,508	\$ 92,924,304
Unearned revenue	73,842,302	53,337,774
Assets held in custody for others	9,072,963	9,148,815
Accrued compensated absences	40,421,828	40,082,848
Leases payable	10,098,956	5,932,873
SBITA liabilities	1,874,809	-
Notes payable	511,256	1,778,848
Revenue bonds payable	30,531,655	29,071,409
Other liabilities	8,461,739	8,564,912
Total current liabilities	<u>288,955,016</u>	<u>240,841,783</u>
Non-current liabilities:		
Accrued compensated absences	13,363,079	12,497,085
Accrued other post-employment benefits	4,802,498	6,033,306
Accrued pension liability	64,730,774	52,932,100
Leases payable	90,301,473	47,172,660
SBITA liabilities	2,888,711	-
Notes payable	1,088,744	1,678,053
Revenue bonds payable	547,861,936	578,393,591
Other long-term liabilities	56,569,865	65,731,287
Total non-current liabilities	<u>781,607,080</u>	<u>764,438,082</u>
Total liabilities	<u>1,070,562,096</u>	<u>1,005,279,865</u>
<u>DEFERRED INFLOWS</u>		
Unamortized gain on bond refunding	1,866,341	2,409,296
Deferred pension expense	9,626,299	22,158,098
Deferred OPEB expense	820,027	130,145
Deferred lease inflows	1,289,277	1,541,011
Total deferred inflows	<u>13,601,944</u>	<u>26,238,550</u>
<u>NET POSITION</u>		
Net investment in capital assets	955,331,376	927,396,824
Restricted for:		
Nonexpendable	45,558,377	46,496,388
Expendable:		
Scholarships, research, instruction and other	91,126,309	77,959,568
Loans	25,839,683	24,061,256
Capital projects	142,660,916	55,354,080
Debt service	6,967,311	6,285,939
Unrestricted	399,738,103	409,723,605
Total net position	<u>\$ 1,667,222,075</u>	<u>\$ 1,547,277,660</u>

See accompanying notes to financial statements.

KANSAS UNIVERSITY ENDOWMENT ASSOCIATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 6,785	\$ 7,276
Receivables:		
Receivables from investing activities	10,837	1,995
Other receivables	3,455	6,400
Student loans receivable, less allowance of \$95 and \$901 in 2023 and 2022, respectively	20,561	21,035
Contributions pledged, less allowance of \$2,150 and \$1,592 in 2023 and 2022, respectively	119,804	145,337
Real estate loans receivable	516	660
Total receivables	155,173	175,427
Investments:		
Securities	2,583,555	2,474,965
Trust held by others	49,671	49,132
Interest in other KU Endowment entities	3,140	3,214
Real estate	21,756	22,058
Total investments	2,658,122	2,549,369
Property and facilities:		
Land	16,864	16,864
Buildings	40,448	27,118
Equipment and furnishings	5,058	4,407
	62,370	48,389
Less accumulated depreciation	(20,316)	(19,111)
Net property and facilities	42,054	29,278
Deposits and other assets	4,007	4,919
Total assets	\$ 2,866,141	\$ 2,766,269

KANSAS UNIVERSITY ENDOWMENT ASSOCIATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

(CONTINUED)

	<u>2023</u>	<u>2022</u>
	<i>(In Thousands)</i>	
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 21,422	\$ 21,994
Payables from investment activities	54	1,333
Trust payable	263	261
Life income gifts payable	17,987	18,264
Agency funds	95,109	91,855
Total liabilities	<u>134,835</u>	133,707
Net assets:		
Without donor restrictions	282,080	270,623
With donor restrictions	2,449,226	2,361,939
Total net assets	<u>2,731,306</u>	2,632,562
Total liabilities and net assets	<u>\$ 2,866,141</u>	<u>\$ 2,766,269</u>

See accompanying notes

THE UNIVERSITY OF KANSAS

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUES</u>		
Tuition and fees (net of scholarship allowances of \$36,576,945 in 2023 and \$26,767,723 in 2022)	\$ 320,300,681	\$ 323,821,470
Federal grants and contracts	256,336,979	232,890,339
State and local grants and contracts	66,631,483	47,244,907
Nongovernmental grants and contracts	77,262,361	65,096,791
Sales and services of educational departments	82,646,310	85,929,382
Sales and services of medical and administrative activities	90,218,537	89,618,664
Auxiliary enterprises:		
Housing	35,780,363	34,359,942
Athletics	121,001,599	111,413,413
Parking and transit	21,657,889	19,534,310
Student unions	35,522,936	29,796,669
University health services	8,137,853	7,930,671
Other auxiliary enterprises	2,594,144	2,540,992
Other operating revenues	6,961,125	12,477,185
Total operating revenues	<u>1,125,052,260</u>	<u>1,062,654,735</u>
<u>OPERATING EXPENSES</u>		
Instruction	460,508,152	425,266,109
Research	375,493,347	334,750,010
Public service	71,471,869	50,903,510
Academic support	81,702,628	67,780,575
Student services	46,344,475	43,464,595
Institutional support	91,336,969	93,570,170
Operations and maintenance of plant	104,766,569	96,856,766
Depreciation and amortization	105,893,118	98,281,589
Scholarships and fellowships	23,396,940	43,624,072
Auxiliary enterprises:		
Housing	16,208,183	15,889,236
Athletics	114,234,428	100,682,188
Parking and transit	7,686,297	8,821,726
Student unions	30,508,021	27,204,958
University health services	7,497,476	6,950,749
Other auxiliary enterprises	4,185,910	3,125,170
Other operating expenses	365,841	56,580
Total operating expenses	<u>1,541,600,223</u>	<u>1,417,228,003</u>
Total operating income (loss)	<u>(416,547,963)</u>	<u>(354,573,268)</u>

THE UNIVERSITY OF KANSAS

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

(CONTINUED)

	<u>2023</u>	<u>2022</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
State appropriations	\$ 301,270,848	\$ 259,586,261
Local appropriations	16,523,274	15,234,002
Gifts	90,900,731	71,323,935
Investment income	12,722,897	(17,387,451)
Federal grants and contracts	19,724,920	72,298,326
Other non-operating revenues	2,901,619	7,362,659
Interest expense	(21,947,079)	(22,593,931)
Other non-operating expenses	(1,144,608)	(4,084,024)
Net non-operating revenues (expenses)	<u>420,952,602</u>	<u>381,739,777</u>
 Income (loss) before other revenues, expenses, gains or losses	 4,404,639	 27,166,509
<u>OTHER REVENUES, EXPENSES, GAINS AND LOSSES</u>		
Capital appropriations	15,353,140	15,132,640
Capital grants and gifts	99,936,097	21,139,760
Additions to permanent endowments	27,326	11,311
Total other revenues, expenses, gains or losses	<u>115,316,563</u>	<u>36,283,711</u>
 Increase (decrease) in net position	 119,721,202	 63,450,220
<u>NET POSITION</u>		
Net position - beginning of year	1,547,277,660	1,483,818,298
Restatement of net position - beginning of year	223,213	9,142
Net position - end of year	<u>\$ 1,667,222,075</u>	<u>\$ 1,547,277,660</u>

See accompanying notes to financial statements.

KANSAS UNIVERSITY ENDOWMENT ASSOCIATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	Year Ended June 30, 2023			Summarized Financial Information for the Year Ended June 30, 2022
	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	\$ 1,375	\$ 177,808	\$ 179,183	\$ 239,031
Bequests	6,223	29,916	36,139	22,232
Life income gifts	-	538	538	754
Change in value of life income gifts	(101)	200	99	6,372
Change in net interest in KU Endowment entities	-	(73)	(73)	(223)
Total fundraising	7,497	208,389	215,886	268,166
Income (loss) from asset holdings:				
Investment income	12,298	40,275	52,573	85,199
Realized and unrealized gain (loss) on investments and trusts held by others	21,398	25,560	46,958	(174,310)
Loan interest income	141	945	1,086	1,007
Agricultural and mineral income	2,055	1,600	3,655	2,757
Rental, gain on sale of assets, and other income	641	5,115	5,756	(381)
Total income (loss) from asset holdings	36,533	73,495	110,028	(85,728)
Other receipts	349	1,743	2,092	1,813
Net assets released from restrictions:				
Satisfaction of program restrictions	194,938	(194,938)	-	-
Total revenues, gains and other support	\$ 239,317	\$ 88,689	\$ 328,006	\$ 184,251

KANSAS UNIVERSITY ENDOWMENT ASSOCIATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

(CONTINUED)

	Year Ended June 30, 2023			Summarized Financial Information for the Year Ended June 30, 2022
	Without Donor Restrictions	With Donor Restrictions	Total Current Year	
	<i>(In Thousands)</i>			
Expenses:				
University support:				
Student support	\$ 47,764	\$ -	\$ 47,764	\$ 44,122
Faculty support and contractual services	56,954	-	56,954	45,290
Construction, furnishings, equipment and supplies	36,053	-	36,053	61,680
Program and other educational support	66,302	-	66,302	45,080
Total University support	207,073	-	207,073	196,172
Supporting services:				
Administrative and fundraising support	23,547	-	23,547	21,460
Asset management expense	985	-	985	233
Depreciation	991	-	991	1,175
Total supporting services	25,523	-	25,523	22,868
Total expenses	232,596	-	232,596	219,040
Excess (deficit) of revenues over expenses	6,721	88,689	95,410	(34,789)
Net interfund transfers	1,402	(1,402)	-	-
Change in net assets before amortization of pension adjustments	8,123	87,287	95,410	(34,789)
Amortization of unrecognized actuarial adjustments	3,334	-	3,334	6,164
Change in net assets	11,457	87,287	98,744	(28,625)
Net assets at beginning of year	270,623	2,361,939	2,632,562	2,661,187
Net assets at end of year	\$ 282,080	\$ 2,449,226	\$ 2,731,306	\$ 2,632,562

See accompanying notes

THE UNIVERSITY OF KANSAS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Tuition and fees	\$ 321,871,277	\$ 322,332,281
Sales and services of educational activities	94,072,921	73,756,858
Sales and services of medical and administrative activities	90,218,537	89,618,664
Auxiliary enterprises:		
Housing	19,330,225	18,198,357
Athletics	14,908,861	6,327,236
Parking and transit	19,250,596	13,115,537
Student unions	7,031,700	3,035,529
University health services	563,060	1,052,667
Other auxiliary enterprises	(831,438)	(741,727)
Grants and contracts	403,434,084	347,752,702
Payments to suppliers	(281,580,643)	(229,772,870)
Payments to utilities	(26,873,220)	(24,540,748)
Compensation and benefits	(933,469,589)	(853,409,768)
Payments for scholarships and fellowships	(23,427,990)	(43,624,072)
Loans issued to students	(7,331,193)	(6,276,193)
Collection of loans to students	2,561,964	3,165,821
Other receipts (payments)	10,129,297	6,878,569
Net cash used in operating activities	<u>(290,141,551)</u>	<u>(273,131,157)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
State appropriations	301,270,848	259,586,261
Local appropriations	16,603,940	15,020,002
Gifts	93,475,326	36,642,514
Federal education loan receipts	140,789,940	135,946,578
Federal education loan disbursements	(140,550,192)	(135,809,923)
Non-operating grants and contracts	23,713,761	106,458,574
Other	473,157	2,646,315
Net cash provided by non-capital financing activities	<u>435,776,780</u>	<u>420,490,321</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>		
Proceeds from capital debt	-	10,000,000
Capital appropriations	10,147,504	12,490,811
Capital grants and gifts	66,356,401	23,848,787
Purchases of capital assets	(73,657,241)	(36,862,886)
Proceeds from sale of capital assets	238,717	653,224
Principal paid on capital debt and leases	(46,354,932)	(50,772,818)
Interest paid on capital debt and leases	(28,218,375)	(29,095,980)
Other	(1,052,216)	324,832
Net cash used in capital financing activities	<u>(72,540,142)</u>	<u>(69,414,030)</u>

THE UNIVERSITY OF KANSAS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

(CONTINUED)

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sales and maturities of investments	80,586,600	76,233,565
Interest on investments	16,826,833	10,164,912
Purchase of investments	<u>(133,781,096)</u>	<u>(122,203,567)</u>
Net cash provided by (used in) investing activities	<u>(36,367,663)</u>	<u>(35,805,090)</u>
Net increase (decrease) in cash	36,727,424	42,140,044
Cash - beginning of the year	<u>332,559,943</u>	<u>290,419,899</u>
Cash - end of year	<u>\$ 369,287,367</u>	<u>\$ 332,559,943</u>
<u>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES:</u>		
Operating loss	\$ (416,547,963)	\$ (354,573,268)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Non-cash expense	(368,189)	2,131,796
Depreciation and amortization expense	105,893,118	98,281,589
Changes in assets and liabilities:		
Accounts receivables, net	2,131,519	(22,985,892)
Pledges receivable, net	14,271	(1,094,667)
Loans to students, net	534,272	1,530,169
Inventories	1,363,831	149,399
Prepaid expenses and other assets	(1,526,737)	84,239
Accounts payable and accrued liabilities	16,967,721	14,035,243
Unearned revenue	11,819,442	(1,834,694)
Accrued compensated absences	1,204,974	(2,745,223)
Accrued other post-employment benefits	(1,384,717)	(766,228)
Accrued pension liability	<u>(10,243,093)</u>	<u>(5,343,620)</u>
Net cash provided used in operating activities:	<u>\$ (290,141,551)</u>	<u>\$ (273,131,157)</u>
Non-cash Investing, Capital and Financing Activities:		
Gifts-in-kind	\$ 43,636,863	\$ 31,550,303
Net change in unrealized gains and losses	(5,657,053)	(26,386,742)
Purchases of capital assets in accounts payable and accrued expenses	2,357,235	(118,637)

See accompanying notes to financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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 2022, the Lawrence, Edwards and Leavenworth campuses had an undergraduate enrollment of 18,706 and a graduate/first professional enrollment of 5,166. The Medical Center had an undergraduate enrollment of 535 and a graduate/first professional (including medical residents, fellows, and trainees) enrollment of 3,231. Enrollment at all campuses was 27,638 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 Consolidated Statement of Revenues, Expenses, and Changes in Net Position, and 2) balances on the Consolidated 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 these estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

Cash Equivalents. For the purposes of the Consolidated 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 more than FDIC limits. KU has a letter of credit for \$40 million that expires in July 2023 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 (1) funds held in custody for student organizations, (2) held at KU Endowment until donor restrictions have been met, (3) held for payment of principal and interest on KU's bonds, and (4) 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 Consolidated 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 (1) tuition and fees charged to students and auxiliary enterprise services provided to students, faculty, and staff; (2) 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; and (3) present value of amounts due to KU for various leased spaces. Accounts receivables 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 50 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 Consolidated Statement of Net Position, and as an expense in the Consolidated Statement of Revenues, Expenses, and Changes in Net Position.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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 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 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 CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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 Consolidated 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.

NOTE 2 – DEPOSITS

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

	<u>2023</u>	<u>2022</u>
Carrying value:		
Deposits	\$ 347,914,054	\$ 310,695,380
Investments	<u>432,746,636</u>	<u>386,601,376</u>
	<u>\$ 780,660,690</u>	<u>\$ 697,296,756</u>

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 308,079,911	\$ 288,436,941
Restricted cash and cash equivalents	51,145,286	42,960,302
Investments	194,032,661	155,660,811
Restricted cash and cash equivalents (non-current)	10,062,170	1,162,700
Investments (non-current)	<u>217,340,662</u>	<u>209,076,002</u>
	<u>\$ 780,660,690</u>	<u>\$ 697,296,756</u>

KU carried the following deposits as of June 30:

<u>Deposit Type</u>	<u>2023</u>	<u>2022</u>
Cash deposits with State Treasury	\$ 252,988,830	\$ 241,616,030
Cash deposits with financial institutions	94,644,975	68,879,350
Certificates of deposit	<u>280,249</u>	<u>200,000</u>
	<u>\$ 347,914,054</u>	<u>\$ 310,695,380</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
KU Lawrence and Edwards Campuses	\$ 173,392,622	\$ 166,037,975
Kansas Athletics, Inc.	23,338,105	13,798,485
KU Campus Development Corporation*	-	-
KU Center for Research, Inc.	27,542,122	27,914,487
KU Memorial Corporation*	2,951,188	(93,730)
Jayhawk Community Partners	64,158	16,067
KU Medical Center	114,459,477	101,468,333
KU Medical Center Research Institute	5,982,383	1,180,961
Student Union Corporation of KUMC	180,249	328,069
Kansas University Health Partners, Inc.	3,750	44,733
	<u>\$ 347,914,054</u>	<u>\$ 310,695,380</u>

* The KU Memorial Corporation and KU Campus Development Corporation utilize overnight repurchase agreements for their bank deposits to maximize investment return. On June 30, 2023 and 2022, the overnight repurchase agreement amounted to \$9,068,640 and \$10,595,834, respectively, and the carrying value is included in investments. The repurchase agreement balance is included in "cash and cash equivalents" on the Consolidated 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>2023</u> <u>Fair Value</u>	<u>2022</u> <u>Fair Value</u>
US Treasury obligations	\$ 209,429	\$ 279,848
US Agency obligations	4,029,558	46,660
Municipal bonds	4,069,607	-
Corporate bonds	1,550,700	1,612,188
Foreign bonds	193,280	197,724
Collateralized mortgage obligations	103,340,229	104,745,482
Domestic stock	5,184,343	3,814,061
Foreign stock	260,259	194,184
Mutual funds	97,606,448	93,618,625
Limited liability companies	114,821	1,047,462
Repurchase agreements	9,068,640	10,595,834
Other	13,433,901	9,376,802
External investment pools		
KUEA Short-term Investment Program	116,171,183	79,759,011
KUEA Long-term Investment Program	77,514,238	81,313,495
	<u>\$ 432,746,636</u>	<u>\$ 386,601,376</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
KU Lawrence and Edwards Campuses	\$ 72,575,155	\$ 74,413,063
Kansas Athletics, Inc.	131,426,421	95,520,220
KU Campus Development Corporation	8,094,789	7,627,571
KU Center for Research, Inc.	94,653,106	91,351,946
KU Memorial Corporation	1,217,262	3,216,778
Jayhawk Community Partners	309,728	10
KU Medical Center	6,321,871	6,962,095
KU Medical Center Research Institute	118,148,304	107,509,693
	<u>\$ 432,746,636</u>	<u>\$ 386,601,376</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, which 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 (K.S.A 74-8920)
- 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 CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

The Investment 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 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 of KUMCRI oversees 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. The Board of Directors select financial advisors. Approved financial advisors make regular presentations to the Board, and overall performance is reviewed at each 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 CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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 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 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, 2023:

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	\$ 209,429	\$ 67,078	\$ 81,753	\$ 6,568	\$ 54,030
US Agency obligations	4,029,558	1,097,912	2,892,504	-	39,142
Municipal bonds	4,069,607	-	454,630	3,614,977	-
Corporate bonds	1,550,700	328,891	1,184,966	-	36,843
Foreign bonds	193,280	-	193,280	-	-
Collateralized mortgage obligations	103,340,229	19,779	450,900	6,429,344	96,440,206
Repurchase agreements	9,068,640	9,068,640	-	-	-
Other	5,568,864	243,764	5,325,100	-	-
External investment pools					
KUEA Short-term Investment Program	116,171,183	116,171,183	-	-	-
	<u>244,201,490</u>	<u>126,997,247</u>	<u>10,583,133</u>	<u>10,050,889</u>	<u>96,570,221</u>
Investments not subject to maturity dates:					
Domestic stock	5,184,343				
Foreign Stock	260,259				
Mutual funds	97,606,448				
Limited liability companies	114,821				
Other	7,865,037				
External investment pools					
KUEA Long-term Investment Program*	77,514,238				
	<u>188,545,146</u>				
	<u>\$ 432,746,636</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 CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

KU had the following investments and maturities as of June 30, 2022:

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	\$ 279,848	\$ 93,579	\$ 119,649	\$ 7,083	\$ 59,537
US Agency obligations	46,660	-	-	-	46,660
Corporate bonds	1,612,188	416,886	1,156,943	-	38,359
Foreign bonds	197,724	-	197,724	-	-
Collateralized mortgage obligations	104,745,482	138,418	822,482	5,740,141	98,044,441
Repurchase agreements	10,595,834	10,595,834	-	-	-
Other	2,268,102	2,018,913	249,189	-	-
External investment pools					
KUEA Short-term Investment Program	79,759,011	79,759,011	-	-	-
	<u>199,504,849</u>	<u>93,022,641</u>	<u>2,545,987</u>	<u>5,747,224</u>	<u>98,188,997</u>
Investments not subject to maturity dates:					
Domestic stock	3,814,061				
Foreign Stock	194,184				
Mutual funds	93,618,625				
Limited liability companies	1,047,462				
Other	7,108,700				
External investment pools					
KUEA Long-term Investment Program*	81,313,495				
	<u>187,096,527</u>				
	<u>\$ 386,601,376</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, 2023, 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	\$ 4,222,227	1.0%
AA+/AA/AA-	Aa1/Aa2/Aa3	494,195	0.1%
A+/A/A-	A1/A2/A3	2,728,335	0.6%
BBB+/BBB/BBB-	Baa1/Baa2/Baa3	378,953	0.1%
BB+/BB/BB-	Ba1/Ba2/Ba3	11,020	0.0%
B+/B/B-	B1/B2/B3	2,379,018	0.6%
C+/C/C-	Caa	57,597	0.0%
Not Rated		<u>422,475,291</u>	<u>97.6%</u>
		<u>\$ 432,746,636</u>	<u>100.0%</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

As of June 30, 2022, 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	\$ 303,143	0.1%
AA+/AA/AA-	Aa1/Aa2/Aa3	486,546	0.1%
A+/A/A-	A1/A2/A3	2,426,985	0.6%
BBB+/BBB/BBB-	Baa1/Baa2/Baa3	768,656	0.2%
BB+/BB/BB-	Ba1/Ba2/Ba3	23,000	0.0%
B+/B/B-	B1/B2/B3	2,009,878	0.5%
C+/C/C-	Caa	70,686	0.1%
Not Rated		380,512,482	98.4%
		<u>\$ 386,601,376</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. 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, 2023 and 2022 was \$114,821 and \$1,047,462, 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 \$432,746,636 and \$386,601,376 as of June 30, 2023 and 2022, respectively, KU Endowment administers \$193,685,421 and \$161,072,506, respectively.

KU investments also include \$19,853,521 and \$18,742,610 of investments administered by Frost Wealth Advisors as of June 30, 2023 and 2022, respectively, and \$5,983,234 and \$5,629,297 of investments administered by U.S. Trust Bank of America Private Wealth Management as of June 30, 2023 and 2022, respectively. These investments consist of three accounts:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

1) the Gertrude S. Pearson Trust, 2) the Elizabeth M. Watkins Trust for Watkins and Miller Scholarship Halls, and 3) the Elizabeth M. Watkins Trust for Watkins Hospital.

The Gertrude S. Pearson Trust had a reported market value of \$19,853,521 and \$18,742,610 on June 30, 2023 and 2022, respectively.

The Elizabeth M. Watkins Trust for Watkins and Miller Scholarship Halls had a reported market value of \$3,846,684 and \$3,591,803 on June 30, 2023 and 2022, respectively.

The Elizabeth M. Watkins Trust for Watkins Hospital had a reported market value of \$2,136,550 and \$2,037,494 on June 30, 2023 and 2022, respectively.

KU did not have any other investments which exceeded 5 percent of the investment portfolio on June 30, 2022 and 2021.

The remaining investments as of June 30, 2023 and 2022 of \$213,224,460 and \$201,156,963, respectively, are invested in a combination of short-term and long-term investments, primarily U.S. Agency obligations, corporate obligations, or 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 can 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 various 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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 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 or Morgan Stanley Institutional Government Portfolio Fund, which are a money market funds.

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 consist 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 CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

As of June 30, 2023, 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	\$ 209,429	\$ 209,429	\$ -	\$ -
US agency obligations	4,029,558	-	4,029,558	-
Municipal bonds	4,069,607	-	4,069,607	-
Corporate bonds	1,550,700	-	1,550,700	-
Foreign bonds	193,280	-	193,280	-
Collateralized mortgage obligations	103,340,229	-	103,340,229	-
Total fixed maturity securities	113,392,803	209,429	113,183,374	-
Equity Securities:				
Consumer discretionary	1,850,562	1,850,562	-	-
Energy	177,076	177,076	-	-
Financials	533,340	533,340	-	-
Healthcare	581,008	581,008	-	-
Industrials	462,882	462,882	-	-
Information technology	1,588,088	1,588,088	-	-
Materials	104,467	104,467	-	-
Telecommunications services	134,465	134,465	-	-
Utilities	12,714	12,714	-	-
Total equity securities	5,444,602	5,444,602	-	-
Repurchase agreements	9,068,640	9,068,640	-	-
Mutual funds	97,606,448	97,606,448	-	-
Other	13,433,901	2,929,357	5,768,371	4,736,173
External investment pools:				
KUEA Short-term Investment Program	116,171,183	-	116,171,183	-
KUEA Long-term Investment Program	77,514,238	-	77,514,238	-
Total investments by fair value level	\$ 432,631,815	\$ 115,258,476	\$ 312,637,166	\$ 4,736,173
Investments with no determinable fair value:				
Limited liability company	\$ 114,821			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

As of June 30, 2022, 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	\$ 279,848	\$ 279,848	\$ -	\$ -
US agency obligations	46,660	-	46,660	-
Corporate bonds	1,612,188	-	1,612,188	-
Foreign bonds	197,724	-	197,724	-
Collateralized mortgage obligations	104,745,482	-	104,745,482	-
Total fixed maturity securities	106,881,902	279,848	106,602,054	-
Equity Securities:				
Consumer discretionary	715,775	715,775	-	-
Energy	165,415	165,415	-	-
Financials	614,578	614,578	-	-
Healthcare	625,156	625,156	-	-
Industrials	434,719	434,719	-	-
Information technology	1,263,135	1,263,135	-	-
Materials	86,580	86,580	-	-
Telecommunications services	88,400	88,400	-	-
Utilities	14,487	14,487	-	-
Total equity securities	4,008,245	4,008,245	-	-
Repurchase agreements	10,595,834	10,595,834	-	-
Mutual funds	93,618,625	93,618,625	-	-
Other	9,376,802	3,234,397	1,796,749	4,345,656
External investment pools:				
KUEA Short-term Investment Program	79,759,011	-	79,759,011	-
KUEA Long-term Investment Program	81,313,495	-	81,313,495	-
Total investments by fair value level	<u>\$ 385,553,914</u>	<u>\$ 111,736,949</u>	<u>\$ 269,471,309</u>	<u>\$ 4,345,656</u>
Investments with no determinable fair value:				
Limited liability company	\$ 1,047,462			

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, 2023 and 2022. As of June 30, 2023 and 2022, limited partnership investments totaled \$114,821 and \$1,047,462, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 5 – ACCOUNTS RECEIVABLE

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

	2023	2022
Tuition and Fees	\$ 37,940,646	\$ 33,941,729
Auxiliary	18,030,823	19,836,730
Grants and Contracts	61,518,450	58,036,896
Leases	1,328,144	1,592,444
Other	44,584,905	42,844,698
	163,402,968	156,252,497
Less:		
Allowance for uncollectible amounts	(5,809,982)	(6,109,797)
	\$ 157,592,986	\$ 150,142,700

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

	2023	2022
Accounts receivable - current	\$ 156,056,568	\$ 148,296,750
Accounts receivable - non-current	1,536,418	1,845,950
	\$ 157,592,986	\$ 150,142,700

NOTE 6 – PLEDGES RECEIVABLE

Pledges receivables, net of discounts and uncollectible amounts, consist of the following unconditional promises to give as of June 30:

	2023	2022
Due in less than one year	\$ 33,900,807	\$ 26,708,531
Due in one to five years	20,956,670	3,052,761
Due in greater than five years	3,050,000	100,000
	57,907,477	29,861,292
Less		
Unamortized discount	1,958,295	104,879
Allowance for uncollectible amounts	1,856,719	1,499,971
	\$ 54,092,463	\$ 28,256,442

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

	2023	2022
Pledges receivable - current	\$ 32,044,088	\$ 27,244,374
Pledges receivable - non-current	22,048,375	10,948,423
	\$ 54,092,463	\$ 38,192,797

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 7 – INVENTORIES

Inventories consisted of the following as of June 30:

	2023	2022
Bookstore	\$ 1,970,308	\$ 1,765,052
Food service	233,655	196,049
Physical plant	2,352,789	2,796,481
Professional and scientific supplies	407,592	740,900
Other	2,507,140	3,336,833
	\$ 7,471,484	\$ 8,835,315

NOTE 8 – LOANS TO STUDENTS

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

	2023	2022
Federal Perkins Loan Program	\$ 6,071,787	\$ 9,133,946
Kansas Medical Scholarships	18,258,185	17,547,078
Other	5,736,759	5,322,049
	30,066,731	32,003,073
Less:		
Allowance for uncollectible amounts	(830,655)	(1,456,264)
	\$ 29,236,076	\$ 30,546,809

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 after graduation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Restatement	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	19,742,633	-	69,987,117	(39,660,317)	50,069,433
Software	5,163,758	-	-	-	5,163,758
Works of Art	25,536,978	-	-	(35,169)	25,501,809
Total non-depreciable capital assets	<u>84,546,912</u>	<u>-</u>	<u>69,987,117</u>	<u>(39,695,486)</u>	<u>114,838,543</u>
<u>Depreciable capital assets</u>					
Buildings	2,412,244,647	-	21,159,202	(3,250,921)	2,430,152,928
Leasehold Improvements	5,694,938	-	309,028	-	6,003,966
Infrastructure	198,854,766	-	3,089,610	(14,500)	201,929,876
Equipment	335,612,050	-	31,712,211	(8,631,428)	358,692,833
Vehicles	33,028,309	-	3,476,347	(1,219,068)	35,285,588
Leased buildings	49,337,456	-	54,025,916	-	103,363,372
Leased equipment	8,188,610	-	2,427,461	(633,890)	9,982,181
Leased vehicles	197,581	-	17,735	(151,161)	64,155
Leased software	-	5,896,585	4,533,118	-	10,429,703
Total depreciable capital assets	<u>3,043,158,357</u>	<u>5,896,585</u>	<u>120,750,628</u>	<u>(13,900,968)</u>	<u>3,155,904,602</u>
Total capital asset cost	<u>3,127,705,269</u>	<u>5,896,585</u>	<u>190,737,745</u>	<u>(53,596,454)</u>	<u>3,270,743,145</u>
<u>Accumulated depreciation</u>					
Buildings	1,095,150,263	-	69,910,946	(3,188,428)	1,161,872,781
Leasehold Improvements	1,404,084	-	318,913	-	1,722,997
Infrastructure	79,704,333	-	6,310,879	(53)	86,015,159
Equipment	279,469,582	-	16,338,418	(7,762,563)	288,045,437
Vehicles	20,064,257	-	2,133,901	(1,175,452)	21,022,706
Leased buildings	8,056,415	-	7,419,917	-	15,476,332
Leased equipment	2,356,346	-	1,440,530	(633,890)	3,162,986
Leased vehicles	151,656	-	27,084	(151,161)	27,579
Leased software	-	3,255,993	1,992,530	-	5,248,523
Total accumulated depreciation	<u>1,486,356,936</u>	<u>3,255,993</u>	<u>105,893,118</u>	<u>(12,911,547)</u>	<u>1,582,594,500</u>
Capital assets, net	<u>\$ 1,641,348,333</u>	<u>\$ 2,640,592</u>	<u>\$ 84,844,627</u>	<u>\$ (40,684,907)</u>	<u>\$ 1,688,148,645</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Restatement	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	20,891,139	-	19,017,417	(20,165,923)	19,742,633
Software	5,163,758	-	-	-	5,163,758
Works of Art	24,375,414	-	1,181,564	(20,000)	25,536,978
Total non-depreciable capital assets	<u>84,533,854</u>	<u>-</u>	<u>20,198,981</u>	<u>(20,185,923)</u>	<u>84,546,912</u>
<u>Depreciable capital assets</u>					
Buildings	2,393,868,537	-	26,134,859	(7,758,749)	2,412,244,647
Leasehold Improvements	5,526,879	-	168,059	-	5,694,938
Infrastructure	196,618,262	-	2,236,504	-	198,854,766
Equipment	332,166,123	-	14,141,562	(10,695,635)	335,612,050
Vehicles	32,385,396	-	1,425,013	(782,100)	33,028,309
Leased buildings	49,541,145	904,767	465,505	(1,573,961)	49,337,456
Leased equipment	1,670,917	601,468	6,941,904	(1,025,679)	8,188,610
Leased vehicles	431,795	20,963	46,420	(301,597)	197,581
Total depreciable capital assets	<u>3,012,209,054</u>	<u>1,527,198</u>	<u>51,559,826</u>	<u>(22,137,721)</u>	<u>3,043,158,357</u>
Total capital asset cost	<u>3,096,742,908</u>	<u>1,527,198</u>	<u>71,758,807</u>	<u>(42,323,644)</u>	<u>3,127,705,269</u>
<u>Accumulated depreciation</u>					
Buildings	1,027,039,747	-	73,166,557	(5,056,041)	1,095,150,263
Leasehold Improvements	1,109,025	-	295,059	-	1,404,084
Infrastructure	73,326,480	-	6,377,853	-	79,704,333
Equipment	271,308,127	-	18,163,609	(10,002,154)	279,469,582
Vehicles	24,316,848	-	(3,506,012)	(746,579)	20,064,257
Leased buildings	7,685,458	105,888	1,839,030	(1,573,961)	8,056,415
Leased equipment	1,213,004	292,380	1,876,641	(1,025,679)	2,356,346
Leased vehicles	372,173	12,228	68,852	(301,597)	151,656
Total accumulated depreciation	<u>1,406,370,862</u>	<u>410,496</u>	<u>98,281,589</u>	<u>(18,706,011)</u>	<u>1,486,356,936</u>
Capital assets, net	<u>\$ 1,690,372,046</u>	<u>\$ 1,116,702</u>	<u>\$ (26,522,782)</u>	<u>\$ (23,617,633)</u>	<u>\$ 1,641,348,333</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 CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

The following summary provides a general description of the major AROs reported on June 30, 2023, 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	6.75	\$ 235,500
Decontamination of fume hoods	Biosafety practices & guidelines	4.38	1,420,500
Disposal and fill-in of storage tanks	EPA & KDHE UST Regulations	1.09	275,000
Disposal of x-ray & radiation devices	EPA RoHS rules	1.06	52,000
Total asset retirement obligation			<u>\$ 1,983,000</u>

The following summary provides a general description of the major AROs reported on June 30, 2022, 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	7.33	\$ 234,000
Decontamination of fume hoods	Biosafety practices & guidelines	4.96	1,420,500
Disposal and fill-in of storage tanks	EPA & KDHE UST Regulations	1.18	275,000
Disposal of x-ray & radiation devices	EPA RoHS rules	1.42	53,000
Total asset retirement obligation			<u>\$ 1,982,500</u>

Deferred outflows of resources related to AROs on June 30, 2023 and 2022 totaled \$511,885 and \$578,330, 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
2023	\$ 64,832
2024	56,358
2025	55,583
2026	55,083
2027	54,157
Thereafter	225,872
	<u>\$ 511,885</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 11 - CHANGES IN NON-CURRENT LIABILITIES

Non-current liability activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	\$ 52,579,933	\$ 17,385,810	\$ (16,180,836)	\$ 53,784,907	\$ 40,421,828
Accrued other post-employment benefits	6,033,306	322,995	(1,553,803)	4,802,498	-
Accrued pension liability	52,932,100	16,006,954	(4,208,280)	64,730,774	-
Leases payable	53,105,533	60,599,136	(13,304,240)	100,400,429	10,098,956
SBITA liability	-	6,885,903	(2,122,383)	4,763,520	1,874,809
Notes payable	3,456,901	-	(1,856,901)	1,600,000	511,256
Revenue bonds payable	607,465,000	-	(29,071,409)	578,393,591	30,531,655
Other long-term liabilities	74,296,199	724,585	(9,989,180)	65,031,604	8,461,739
Total	<u>\$ 849,868,972</u>	<u>\$ 101,925,383</u>	<u>\$ (78,287,032)</u>	<u>\$ 873,507,323</u>	<u>\$ 91,900,243</u>

Non-current liability activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	\$ 55,325,156	\$ 26,992,266	\$ (29,737,489)	\$ 52,579,933	\$ 40,082,848
Accrued other post-employment benefits	5,645,788	1,099,256	(711,738)	6,033,306	-
Accrued pension liability	75,138,849	-	(22,206,749)	52,932,100	-
Leases payable	53,479,544	9,690,623	(10,064,634)	53,105,533	5,932,873
Notes payable	7,053,723	-	(3,596,822)	3,456,901	1,778,848
Revenue bonds payable	634,665,000	-	(27,200,000)	607,465,000	29,071,409
Other long-term liabilities	82,278,990	230,114	(8,212,905)	74,296,199	8,564,912
Total	<u>\$ 913,587,050</u>	<u>\$ 38,012,259</u>	<u>\$ (101,730,337)</u>	<u>\$ 849,868,972</u>	<u>\$ 85,430,890</u>

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, 2023 and 2022, KU established a liability of \$6,912,923 and \$10,021,459, 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 Consolidated Statement of Net Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 13 - REVENUE BONDS OUTSTANDING

Revenue bonds payable consist of the following:

Issuance	Issue Date	Original Debt	Interest Rate (%)	Final Maturity Date	Principal Outstanding June 30, 2023	Principal Outstanding June 30, 2022
KU Lawrence and Edwards Campuses						
2021D - Refunding revenue bonds	4/30/21	\$ 63,795,000	2.00-5.00	5/1/38	\$ 58,420,000	\$ 61,175,000
2020B - Refunding revenue bonds	3/3/20	33,250,000	2.00-5.00	5/1/30	16,930,000	22,875,000
2020A - Sales tax refunding: University of Kansas Edwards Campus Building No. 4	1/14/20	8,440,000	2.02	9/1/25	3,735,000	5,335,000
2017A - EEEEC, Corbin Hall, Refunding 2006B and 2007E Series	1/18/17	47,085,000	3.00-5.00	5/1/42	33,735,000	35,215,000
2014C - McCollum Residence Hall replacement and refunding portion of the 2005E-1 Series	6/19/14	55,310,000	3.50-5.00	5/1/39	40,160,000	42,190,000
KU Medical Center						
2020W - University of Kansas Medical Clinical Research Center Project	12/29/20	8,410,000	1.38	9/1/30	6,820,000	7,620,000
2020B - Refunding revenue bonds	3/3/20	43,275,000	2.00-5.00	5/1/35	30,690,000	35,060,000
2017A - Health Education Building	1/18/17	20,425,000	3.00-5.00	5/1/42	17,235,000	17,835,000
2016C - University of Kansas Medical Center Parking Garage 5	3/3/16	45,330,000	2.00-4.00	5/1/41	37,075,000	38,575,000
2014C - Refunding portion of the 2005E-2 Series Medical Center Parking Garage 3	6/19/14	1,345,000	5.00	5/1/24	195,000	385,000
Kansas Athletics, Inc.						
Series 2020 - Kansas Athletics Refund 2014F Series	10/27/20	31,500,000	3.50	10/27/45	31,048,591	31,500,000
KU Center for Research, Inc.						
Series 2014E - University of Kansas Center for Research, Inc. Project: Advance refund a portion of 2006G Series	6/19/14	10,580,000	2.00-3.00	2/1/25	4,995,000	5,915,000
KU Campus Development Corporation						
Series 2016 - Central District Development Project	1/7/16	326,945,000	4.00-5.00	3/1/46	297,355,000	303,785,000
					<u>\$ 578,393,591</u>	<u>\$ 607,465,000</u>

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
2024	\$ 27,165,000	\$ 23,933,975	\$ 51,098,975
2025	28,655,000	22,625,626	51,280,626
2026	24,950,000	21,305,576	46,255,576
2027	24,795,000	20,137,875	44,932,875
2028	25,290,000	18,960,306	44,250,306
2029-2033	115,475,000	78,968,000	194,443,000
2034-2038	126,015,000	55,178,536	181,193,536
2039-2043	105,990,000	29,228,275	135,218,275
2044-2046	58,455,000	5,940,500	64,395,500
		<u>\$ 536,790,000</u>	<u>\$ 813,068,669</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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

Year Ending June 30:	Principal	Interest	Total
2023	\$ 3,366,655	\$ 1,226,426	\$ 4,593,081
2024	3,444,371	1,149,084	4,593,455
2025	2,273,243	1,082,396	3,355,639
2026	1,873,311	1,031,207	2,904,518
2027	1,924,617	983,136	2,907,753
2028-2032	8,559,151	4,167,532	12,726,683
2033-2037	7,034,554	2,992,032	10,026,586
2038-2042	8,367,212	1,659,375	10,026,587
2043-2046	4,760,477	252,815	5,013,292
	<u>\$ 41,603,591</u>	<u>\$ 14,544,003</u>	<u>\$ 56,147,594</u>

As of June 30, 2023 and 2022, KU had no outstanding amount of defeased issuances held in irrevocable trusts.

NOTE 15 - LEASE OBLIGATIONS

LESSEE ARRANGEMENTS

KU leases office space, equipment, and vehicles from external parties for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2046. Some of the leases provide for renewal periods ranging from one year to five years. In accordance with GASB 87, KU records right-of-use assets and lease liabilities based on the present value of the expected payments over the lease term, including any reasonably certain exercised renewal periods, of the respective leases. The expected payments are discounted using the explicit or implicit interest rate charged on the lease, if available, or are otherwise discounted using an estimated incremental borrowing rate. KU used guidance from the State Department of Administration and the Kansas Development Finance Authority in determining the interest rate by which expected payments should be discounted when it is not stated in the lease agreement. KU does not have any leases featuring payments tied to an index or market rate, nor does KU have any lease subject to a residual value guarantee. See Note 9 for information on leased assets and associated accumulated amortization.

Future commitments for leases having remaining terms more than one year as of June 30, 2023 are as follows:

Year Ending June 30:	Principal	Interest	Total
2024	\$ 10,098,956	\$ 1,676,848	\$ 11,775,804
2025	9,363,152	1,686,985	11,050,137
2026	8,309,832	1,718,505	10,028,337
2027	6,188,894	1,776,492	7,965,386
2028	4,924,458	1,845,477	6,769,935
2029-2033	22,064,452	10,329,107	32,393,559
2034-2038	21,242,793	11,898,480	33,141,273
2039-2043	15,837,047	8,050,251	23,887,298
2044-2045	2,370,845	45,750	2,416,595
	<u>\$ 100,400,429</u>	<u>\$ 39,027,895</u>	<u>\$ 139,428,324</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

Lease payables consist of the following:

	Lease Payable at June 30, 2023
Agreements between KU and third-party vendors for real estate space with fixed and implicit interest rates ranging from 0.85% to 4.34%. The agreements expire in various fiscal years from 2024 to 2045.	\$ 86,216,931
Agreements between KU and third-party vendors for equipment with fixed and implicit interest rates ranging from 0.00% to 4.49%. The agreements expire in various fiscal years from 2024 to 2036.	14,146,832
Agreements between KU and third-party vendors for vehicles with fixed and implicit interest rates ranging from 0.45% to 2.87%. The agreements expire in fiscal year 2025.	36,666
Total	<u>\$ 100,400,429</u>

LESSOR ARRANGEMENTS

KU leases building space to external parties for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2033. In accordance with GASB 87, KU records lease receivables and deferred inflows of resources based on the present value of the expected receipts over the lease term of the respective leases. The expected receipts are discounted using the explicit or implicit interest rate charged on the lease, if available, or are otherwise discounted using an estimated incremental borrowing rate. KU used guidance from the State Department of Administration and the Kansas Development Finance Authority in determining the interest rate by which expected payments should be discounted when it is not stated in the lease agreement. KU does not have any lease receivables featuring payments tied to an index or market rate, nor does KU have any lease subject to a residual value guarantee. During the years ended June 30, 2023 and 2022, KU recognized revenues related to these lease agreements in sales and services of educational activities, totaling \$251,735 and \$210,686, respectively.

Future minimum lease payment to be received under lessor agreements as of June 30, 2023 are as follows:

Year Ending June 30:	Principal	Interest	Total
2024	\$ 185,917	\$ 13,724	\$ 199,641
2025	184,312	11,795	196,107
2026	171,059	9,861	180,920
2027	170,440	7,920	178,360
2028	169,823	6,012	175,835
2029-2032	446,518	6,452	452,970
	<u>\$ 1,328,069</u>	<u>\$ 55,764</u>	<u>\$ 1,383,833</u>

NOTE 16 – SUBSCRIPTION OBLIGATIONS

KU has software subscriptions from external parties for various terms under long-term, noncancelable subscription agreements. The subscriptions expire at various dates through 2028. Some of the subscriptions provide for renewal periods ranging from one year to three years. In accordance with GASB 96, KU records right-of-use assets and subscription liabilities based on the present value of the expected payments over the subscription term, including any reasonably certain exercised renewal periods, of the respective subscriptions. The expected payments are discounted using an estimated incremental borrowing rate ranging from 2.45% to 4.34%. KU used guidance from the State Department of Administration and the Kansas Development Finance Authority in determining the interest rate at which expected payments should be discounted. See Note 9 for information on subscription assets and associated accumulated amortization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

Future commitments for software subscriptions having remaining terms more than one year as of June 30, 2023 were as follows:

Year Ending June 30:	Principal	Interest	Total
2024	\$ 1,874,809	\$ 97,307	\$ 1,972,116
2025	1,461,104	62,772	1,523,876
2026	846,143	25,387	871,530
2027	499,909	4,830	504,739
2028	81,555	-	81,555
	\$ 4,763,520	\$ 190,296	\$ 4,953,816

NOTE 17 – NOTES PAYABLE

In January 2021, KU Unions entered into a note agreement with KU Endowment in the amount of \$2,500,000. As of June 30, 2023 and 2022, the outstanding balance on the note was \$1,600,000 and \$2,200,000, respectively. The loan requires semi-annual principal and interest payments of \$300,000 beginning in February 2022 and maturing in February 2026. The note has an interest rate of prime rate plus one percent which was 5.75% and 4.25% as of June 30, 2023 and 2022, respectively.

Athletics has a \$20,000,000 revolving bank line of credit which expires in May 2024 related to athletic facilities construction and renovation. As of June 30, 2023 and 2022, there was \$0 borrowed against the line. The line is secured by contributions receivable and cash held at KU Endowment associated with the project. During 2022, the line was amended to accrue interest on outstanding balances payable monthly at the secured overnight financing rate (SOFR) plus 1.29%, which was 6.45% and 2.34% as of June 30, 2023 and 2022, respectively.

Athletics has an additional \$20,000,000 revolving line of credit which expires in April 2024 related to general operations. At June 30, 2023 and 2022, there was \$0 borrowed against this line. The line is unsecured. Interest on outstanding balances is payable monthly at the SOFR rate plus 1.29%, which was 6.45% and 2.34% as of June 30, 2023 and 2022, respectively.

During the year ended June 30, 2018, KUCR entered into a note agreement with KU Endowment for \$7,124,684. The note agreement was paid off as of June 30, 2023. As of June 30, 2022, the outstanding balance on the note was \$1,256,900. The note carried a fixed interest rate of 3.0%.

Future maturities of the notes payable are as follows:

Year Ending June 30:	Total
2024	\$ 511,256
2025	541,147
2026	547,597
	\$ 1,600,000

NOTE 18– 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 Annual Comprehensive 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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 three 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.

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, 2022 are as follows:

	Actuarial employer rate	Statutory employer capped rate
State employees	9.97%	13.33%
Police and fire fighters	22.99	22.99

Contributions to the pension plan from KU were \$8,535,196 and \$6,249,208 for the years ended June 30, 2023 and 2022, respectively.

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

On June 30, 2023 and 2022, KU reported a liability of \$64,730,774 and \$52,932,100, respectively, for its proportionate share of the net pension liability. The net pension liability as of June 30, 2023 was measured as of June 30, 2022, and the total

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30 2022. The net pension liability as of June 30, 2022 was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30 2021. 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, 2022. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments.

At the June 30, 2022 measurement date, KU's proportion made to the State/School subgroup was 0.72%, which was a decrease of 0.08% from its proportion measured as of June 30, 2021. At the June 30, 2021 measurement date, KU's proportion made to the State/School subgroup was 0.80%, which was a decrease of 0.06% from its proportion measured as of June 30, 2020.

At the June 30, 2022 measurement date, KU's proportion made to the Police and Fire subgroup was 0.94%, which was an increase of 0.12% from its proportion measured as of June 30, 2021. At the June 30, 2021 measurement date, KU's proportion made to the Police and Fire subgroup was 0.82%, which was a decrease of 0.08% from its proportion measured as of June 30, 2020.

For the years ended June 30, 2023 and 2022, KU recognized pension expense of \$(5,781,429) and \$(672,629), respectively. On June 30, 2023 and 2022, KU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>		<u>2022</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	\$ 1,710,294	\$ 22,217	\$ 1,288,160	\$ 210,337
Net difference between projected and actual earnings on pension plan investments	5,239,623	-	-	13,180,058
Change in proportion	1,597,231	9,604,082	757,807	8,767,703
Change of assumptions	9,607,639	-	7,488,158	-
Contributions subsequent to measurement date	8,535,196	-	6,249,154	-
	<u>\$ 26,689,983</u>	<u>\$ 9,626,299</u>	<u>\$ 15,783,279</u>	<u>\$ 22,158,098</u>

KU reported \$8,535,196 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2023.

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

<u>Year Ending June 30:</u>	<u>Total</u>
2024	\$ 1,580,794
2025	2,074,021
2026	419,471
2027	4,369,940
2028	84,262
	<u>\$ 8,528,488</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. 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%
Salary Increase	3.50% to 12.00%, including price inflation
Investment Rate of Return	7.00% compounded annually, net of investment expense, including price inflation

Mortality rates were based on the RP-2014 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. 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	23.5%	5.20%
Non-U.S. Equities	23.5	6.40
Private Equity	8.0	9.50
Private Real Estate	11.0	4.45
Yield Driven	8.0	4.70
Real Return	11.0	3.25
Fixed Income	11.0	1.55
Short-term investments	4.0	0.25
Total	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total pension liability at the measurement date of June 30, 2022 was 7.0%. The discount rate used to measure the total pension liability at the measurement date of June 30, 2021 was 7.25%. 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.

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	\$ 90,938,178	\$ 64,730,774	\$ 42,847,420

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 19 - 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 \$29,560,498 and \$30,919,938 during fiscal years 2023 and 2022, respectively.

Employees of Kansas Athletics, Inc. and the University of Kansas Memorial Corporation participate in defined contribution programs like the "Board of Regents 403(b) Retirement Program". The Corporations contributed \$1,954,050 and \$1,711,140 to their individual plans during fiscal years 2023 and 2022, respectively.

NOTE 20 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB)

GENERAL INFORMATION ABOUT THE OPEB PLAN

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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, 2023, the following members were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	74
Active employees	<u>802</u>
	<u><u>876</u></u>

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

KU's total OPEB liability of \$4,802,498 was measured as of June 30, 2022, and was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. KU's total OPEB liability of \$6,033,306 was measured as of June 30, 2021, and was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2021 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	3.54%
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-2021.

The actuarial assumptions used in the June 30, 2022 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 6,033,306	\$ 5,645,788
Changes for the year:		
Service cost	196,580	217,553
Interest	126,415	117,910
Differences between expected and actual experience	(315,961)	1,099,624
Effect of assumption changes or inputs	(479,238)	14,323
Benefit payments	(758,604)	(1,061,892)
Net changes	<u>(1,230,808)</u>	<u>387,518</u>
Balance at end of year	<u>\$ 4,802,498</u>	<u>\$ 6,033,306</u>

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate increased from 2.16% on June 30, 2021 to 3.54% on June 30, 2022.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents KU's total OPEB liability using the discount rate of 3.54%, as well as what KU's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54%) or 1-percentage-point higher (4.54%) than the current rate:

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Proportionate share of the net OPEB liability	\$ 5,039,207	\$ 4,802,498	\$ 4,585,721

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 years ended June 30, 2023 and 2022, KU recognized OPEB expense of \$554,696 and \$543,084, respectively. On June 30, 2023 and 2022, KU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2023</u>		<u>2022</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	\$ 1,456,298	\$ 284,554	\$ 1,664,937	\$ -
Change of assumptions	274,502	535,473	315,520	130,145
Contributions subsequent to measurement date	758,604	-	1,061,892	-
	<u>\$ 2,489,404</u>	<u>\$ 820,027</u>	<u>\$ 3,042,349</u>	<u>\$ 130,145</u>

The deferred outflow of resources related to the benefit payments after the measurement date totaling \$758,604 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, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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
2024	\$ 144,340
2025	144,340
2026	144,340
2027	150,467
2028	156,061
Thereafter	171,225
	<u>\$ 910,773</u>

NOTE 21 - COMMITMENTS AND CONTINGENT LIABILITIES

On June 30, 2023 and 2022, KU had outstanding commitments under construction contracts totaling \$540,917,951 and \$18,883,369, respectively.

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, 2023.

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 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 22 – NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

KU's operating expenses by functional and natural classification for 2023 are as follows:

Functional Classification	Natural Classification					Total
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	
Instruction	\$ 419,357,415	\$ -	\$ 437,511	\$ 40,713,226	\$ -	\$ 460,508,152
Research	257,962,469	-	8,905	117,521,973	-	375,493,347
Public service	37,076,889	-	11,409	34,383,571	-	71,471,869
Academic support	57,334,810	-	-	24,367,818	-	81,702,628
Student services	35,437,982	-	898,409	10,008,084	-	46,344,475
Institutional support	72,813,950	-	-	18,523,019	-	91,336,969
Operations and maintenance of plant	47,878,758	-	25,105,458	31,782,353	-	104,766,569
Depreciation and amortization	-	-	-	-	105,893,118	105,893,118
Scholarships and fellowships	-	23,396,940	-	-	-	23,396,940
Auxiliary enterprises:						
Housing	3,805,215	-	3,799,271	8,603,697	-	16,208,183
Athletics	46,495,920	-	1,691,385	66,047,123	-	114,234,428
Parking	3,784,358	-	345,822	3,556,117	-	7,686,297
Student unions	10,459,553	-	1,217,781	18,830,687	-	30,508,021
University health services	625,935	-	-	6,871,541	-	7,497,476
Other auxiliary enterprises	1,439,275	-	-	2,746,635	-	4,185,910
Other	-	-	-	365,841	-	365,841
Total	\$ 994,472,529	\$ 23,396,940	\$ 33,515,951	\$ 384,321,685	\$ 105,893,118	\$ 1,541,600,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

KU's operating expenses by functional and natural classification for 2022 are as follows:

Functional Classification	Natural Classification					Total
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	
Instruction	\$ 392,845,756	\$ -	\$ 397,756	\$ 32,022,597	\$ -	\$ 425,266,109
Research	227,788,195	-	9,812	106,952,003	-	334,750,010
Public service	31,561,279	-	11,905	19,330,326	-	50,903,510
Academic support	47,081,749	-	-	20,698,826	-	67,780,575
Student services	35,207,796	-	547,512	7,709,287	-	43,464,595
Institutional support	62,895,853	-	-	30,674,317	-	93,570,170
Operations and maintenance of plant	46,643,340	-	24,254,500	25,958,926	-	96,856,766
Depreciation and amortization	-	-	-	-	98,281,589	98,281,589
Scholarships and fellowships	-	43,624,072	-	-	-	43,624,072
Auxiliary enterprises:						
Housing	3,356,986	-	3,705,352	8,826,898	-	15,889,236
Athletics	39,824,263	-	1,736,599	59,121,326	-	100,682,188
Parking	3,558,490	-	395,413	4,867,823	-	8,821,726
Student unions	9,697,620	-	1,161,622	16,345,716	-	27,204,958
University health services	620,032	-	-	6,330,717	-	6,950,749
Other auxiliary enterprises	1,507,033	-	-	1,618,137	-	3,125,170
Other	-	-	-	56,580	-	56,580
Total	\$ 902,588,392	\$ 43,624,072	\$ 32,220,471	\$ 340,513,479	\$ 98,281,589	\$ 1,417,228,003

NOTE 23 – ASSETS HELD FOR OTHERS

KUCR has 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 maintains 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, 2023 and 2022, these amounts totaled \$8,418,287 and \$8,032,365, respectively.

KU holds funds on 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, 2023 and 2022, KU held \$654,676 and \$884,026, respectively, on behalf of the student organizations. In addition, KU held 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, 2022, KU held \$232,424 on behalf of these other organizations.

NOTE 24 – 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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: kuendowment.org/home/resources/reports-financials/

NOTE 25 – RESTATEMENTS

NEW ACCOUNTING STANDARDS

KU implemented the Governmental Accounting Standards Board (“GASB”) Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”), effective July 1, 2022. This standard established a single model for subscription-based information technology arrangements (“SBITA”) accounting based on the principle that SBITAs are arrangements of the right to use another entity’s tangible capital asset. This adoption resulted in the following impacts:

<u>Financial statement line item</u>	<u>Increase</u>
Right of use asset	\$ 2,640,592
SBITA liability	2,417,379
Net position	223,213

Effective July 1, 2021, KU adopted GASB Statement No. 87, *Leases* (“GASB 87”). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, the lessee is required to recognize a lease liability and an intangible right-to-use lease asset, while a lessor is required to recognize a lease receivable and a deferred inflow of resources. This adoption resulted in the following impacts:

<u>Financial statement line item</u>	<u>Increase</u>
Lease receivable asset	\$ 1,706,413
Right of use asset	1,116,702
Lease liability	1,131,941
Deferred inflow – lease	1,682,032
Net position	9,412

NOTE 26 – SUBSEQUENT EVENT

In November 2023, the Kansas Board of Regents authorized KU to obtain the necessary debt funding opportunities for the 11th and Mississippi Gateway project. The level of debt funding to be sourced by Athletics will be determined based upon donor participation and private activity.

Management has performed an analysis of the activities and transactions after June 30, 2023, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2023. Management has performed their analysis through December 15, 2023, the date the financial statements were issued.

*Supplementary
Information*

CONSOLIDATING STATEMENT OF NET POSITION

AS OF JUNE 30, 2023

	University of Kansas Lawrence & Edwards	University of Kansas Center for Research, Inc.	Kansas Athletics, Inc	University of Kansas Memorial Corporation	Other KULC Entities ⁽¹⁾	University of Kansas Medical Center	University of Kansas Medical Center Research Institute, Inc.	Other KUMC Entities ⁽²⁾	Eliminations ⁽³⁾	Total
ASSETS										
Current assets:										
Cash and cash equivalents	\$ 164,096,635	\$ 27,542,122	\$ 23,338,105	\$ 2,350,183	\$ 84,416	\$ 84,502,068	\$ 5,982,383	\$ 183,999	\$ -	\$ 308,079,911
Restricted cash and cash equivalents	12,839,371	-	-	1,574,856	8,384,259	29,921,656	-	-	(1,574,856)	51,145,286
Investments	19,388,300	85,852,549	84,234,800	243,411	-	4,313,601	-	-	-	194,032,661
Accounts receivable, net	74,820,474	30,334,617	3,924,241	3,870,949	9,009,989	18,163,932	45,877,394	10,640	(29,955,668)	156,056,568
Pledges receivable, net	-	-	32,044,088	-	-	-	-	-	-	32,044,088
Loans to students, net	1,969,154	-	-	-	-	1,113,971	-	-	-	3,083,125
Inventories	4,250,357	-	222,498	2,703,361	-	295,268	-	-	-	7,471,484
Other assets	1,116,194	395,852	1,428,544	271,338	5,628	45,000	1,227,834	2,109	-	4,492,499
Total current assets	278,480,485	144,125,140	145,192,276	11,014,098	17,484,292	138,355,496	53,087,611	196,748	(31,530,524)	756,405,622
Non-current assets:										
Restricted cash and cash equivalents	10,026,417	-	-	-	-	35,753	-	-	-	10,062,170
Accounts receivable, net	3,966,959	394,200	-	-	315,968,465	-	-	-	(318,793,206)	1,536,418
Pledges receivable, net	-	-	22,048,375	-	-	-	-	-	-	22,048,375
Investments	41,191,910	8,800,557	47,191,621	-	-	2,008,270	118,148,304	-	-	217,340,662
Loans to students, net	4,659,248	-	-	-	-	21,493,703	-	-	-	26,152,951
Other assets	169,720	-	-	-	-	-	-	-	(169,720)	-
Capital assets, net	1,243,968,700	18,777,967	115,073,703	10,482,244	4,657,500	297,826,226	1,466,532	-	(104,028,218)	1,588,224,654
Right of use assets	12,012,209	4,926,497	35,449,075	11,169,057	-	47,313,358	-	-	(10,946,205)	99,923,991
Total non-current assets	1,315,995,163	32,899,221	219,762,774	21,651,301	320,625,965	368,677,310	119,614,836	-	(433,937,349)	1,965,289,221
Total assets	1,594,475,648	177,024,361	364,955,050	32,665,399	338,110,257	507,032,806	172,702,447	196,748	(465,467,873)	2,721,694,843
DEFERRED OUTFLOWS										
Deferred OPEB expense	1,607,185	-	-	-	-	882,219	-	-	-	2,489,404
Asset retirement obligations	511,885	-	-	-	-	-	-	-	-	511,885
Deferred pension expense	15,636,114	-	-	-	-	11,053,869	-	-	-	26,689,983
Total deferred outflows	17,755,184	-	-	-	-	11,936,088	-	-	-	29,691,272

⁽¹⁾ includes KU Campus Development Corporation and Jayhawk Community Partners

⁽²⁾ includes Student Union Corporation of the University of Kansas Medical Center and Kansas University Health Partners

⁽³⁾ reflects adjustment to remove balances and transactional activity between affiliated organizations as required by generally accepted accounting principles

CONSOLIDATING STATEMENT OF NET POSITION

AS OF JUNE 30, 2023

(CONTINUED)

	University of Kansas Lawrence & Edwards	University of Kansas Center for Research, Inc.	Kansas Athletics, Inc	University of Kansas Memorial Corporation	Other KULC Entities ⁽¹⁾	University of Kansas Medical Center	University of Kansas Medical Center Research Institute, Inc.	Other KUMC Entities ⁽²⁾	Eliminations ⁽³⁾	Total
LIABILITIES										
Current liabilities:										
Accounts payable and accrued expenses	\$ 50,179,790	\$ 11,383,906	\$ 14,334,556	\$ 4,959,087	\$ 5,302,040	\$ 32,033,604	\$ 18,749,884	\$ 13,662	\$ (22,817,021)	\$ 114,139,508
Unearned revenue	23,989,781	12,792,441	23,970,318	133,972	32,231	-	12,955,790	-	(32,231)	73,842,302
Assets held in custody for others	487,394	8,418,287	-	-	-	167,282	-	-	-	9,072,963
Accrued compensated absences	18,703,482	-	900,000	-	-	20,818,346	-	-	-	40,421,828
Leases payable	11,156,154	600,354	1,705,097	1,621,047	-	4,565,130	-	-	(9,548,826)	10,098,956
SBITA liability	1,778,968	-	-	-	-	95,841	-	-	-	1,874,809
Notes payable	-	2,824,741	-	511,256	-	-	-	-	(2,824,741)	511,256
Revenue bonds payable	13,990,000	950,000	926,655	-	6,890,000	7,775,000	-	-	-	30,531,655
Other liabilities	4,851,349	32,753	-	-	2,573,910	1,003,727	-	-	-	8,461,739
Total current liabilities	125,136,918	37,002,482	41,836,626	7,225,362	14,798,181	66,458,930	31,705,674	13,662	(35,222,819)	288,955,016
Non-current liabilities:										
Accrued compensated absences	5,191,712	-	2,387,611	-	-	5,783,756	-	-	-	13,363,079
Accrued other post-employment benefits	3,085,857	-	-	-	-	1,716,641	-	-	-	4,802,498
Accrued pension liability	37,066,201	-	-	-	-	27,664,573	-	-	-	64,730,774
Leases payable	321,668,818	4,553,683	33,699,889	10,754,869	-	45,708,464	-	-	(326,084,250)	90,301,473
SBITA liability	2,796,857	-	-	-	-	91,854	-	-	-	2,888,711
Notes payable	-	-	-	1,088,744	-	-	-	-	-	1,088,744
Revenue bonds payable	138,990,000	4,045,000	30,121,936	-	290,465,000	84,240,000	-	-	-	547,861,936
Other long-term liabilities	14,757,717	21,835	2,775,025	-	33,266,881	5,885,896	-	-	(137,489)	56,569,865
Total non-current liabilities	523,557,162	8,620,518	68,984,461	11,843,613	323,731,881	171,091,184	-	-	(326,221,739)	781,607,080
Total liabilities	648,694,080	45,623,000	110,821,087	19,068,975	338,530,062	237,550,114	31,705,674	13,662	(361,444,558)	1,070,562,096
DEFERRED INFLOWS										
Unamortized gain on bond refunding	963,450	(102,113)	-	-	-	1,005,004	-	-	-	1,866,341
Deferred pension expense	8,886,172	-	-	-	-	740,127	-	-	-	9,626,299
Deferred OPEB expense	388,446	-	-	-	-	431,581	-	-	-	820,027
Deferred lease inflows	1,289,277	-	-	-	-	-	-	-	-	1,289,277
Total deferred inflows	11,527,345	(102,113)	-	-	-	2,176,712	-	-	-	13,601,944
NET POSITION										
Net investment in capital assets	753,809,649	10,752,932	84,069,201	9,275,385	4,657,500	195,328,395	1,466,532	-	(104,028,218)	955,331,376
Restricted for:										
Nonexpendable	17,405,138	5,996,006	20,978,978	-	-	1,178,255	-	-	-	45,558,377
Expendable:										
Scholarships, research, instruction and other	25,836,755	2,649,586	39,505,984	-	-	18,111,626	5,022,358	-	-	91,126,309
Loans	3,791,736	-	-	-	-	22,047,947	-	-	-	25,839,683
Capital projects	27,598,595	-	112,218,345	-	-	2,843,976	-	-	-	142,660,916
Debt service	2,350,747	-	-	-	-	4,616,564	-	-	-	6,967,311
Unrestricted	121,216,787	112,104,950	(2,638,545)	4,321,039	(5,077,305)	35,115,305	134,507,883	183,086	4,903	399,738,103
Total net position	\$ 952,009,407	\$ 131,503,474	\$ 254,133,963	\$ 13,596,424	\$ (419,805)	\$ 279,242,068	\$ 140,996,773	\$ 183,086	\$ (104,023,315)	\$1,667,222,075

⁽¹⁾ includes KU Campus Development Corporation and Jayhawk Community Partners

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	University of Kansas Lawrence & Edwards	University of Kansas Center for Research, Inc.	Kansas Athletics, Inc	University of Kansas Memorial Corporation	Other KULC Entities ⁽¹⁾	University of Kansas Medical Center	University of Kansas Medical Center Research Institute, Inc.	Other KUMC Entities ⁽²⁾	Eliminations ⁽³⁾	Total
<u>OPERATING REVENUES</u>										
Tuition and fees (net of scholarship allowance of \$36,576,945)	\$ 274,489,993	\$ -	\$ -	\$ -	\$ -	\$ 58,513,651	\$ -	\$ -	\$ (12,702,963)	\$ 320,300,681
Federal grants and contracts	7,607,694	129,713,415	-	-	-	81,563	120,639,560	-	(1,705,253)	256,336,979
State and local grants and contracts	20,483,950	27,477,983	-	-	-	10,000,000	8,793,852	-	(124,302)	66,631,483
Nongovernmental grants and contracts	4,225,891	15,006,203	-	-	-	-	58,862,292	-	(832,025)	77,262,361
Sales and services of educational departments	38,998,509	13,844,480	-	-	-	53,772,795	-	-	(23,969,474)	82,646,310
Sales and services of medical and administrative activities	-	-	-	-	-	90,218,537	-	-	-	90,218,537
Sales and services of auxiliary enterprises	63,827,496	-	122,633,292	38,174,602	1,639,601	11,005,594	-	161,005	(12,746,806)	224,694,784
Other operating revenues	309,328	1,645,482	-	-	13,533,689	8,076,605	4,438,371	-	(21,042,350)	6,961,125
Total operating revenues	409,942,861	187,687,563	122,633,292	38,174,602	15,173,290	231,668,745	192,734,075	161,005	(73,123,173)	1,125,052,260
<u>OPERATING EXPENSES</u>										
Compensation and benefits	418,044,196	107,013,147	46,495,920	10,358,450	-	317,999,583	94,476,976	84,257	-	994,472,529
Supplies and other services	139,351,219	62,353,337	74,128,090	24,057,769	2,091,873	65,440,311	96,491,141	169,193	(79,761,248)	384,321,685
Utilities	21,133,894	704,057	1,691,385	1,098,844	-	8,887,771	-	-	-	33,515,951
Depreciation and amortization	74,177,842	4,472,836	10,568,764	1,871,916	405,617	22,435,264	203,137	-	(8,242,258)	105,893,118
Scholarships and fellowships	13,912,710	6,791,644	-	-	-	2,692,586	-	-	-	23,396,940
Total operating expenses	666,619,861	181,335,021	132,884,159	37,386,979	2,497,490	417,455,515	191,171,254	253,450	(88,003,506)	1,541,600,223
Operating income (loss)	(256,677,000)	6,352,542	(10,250,867)	787,623	12,675,800	(185,786,770)	1,562,821	(92,445)	14,880,333	(416,547,963)

⁽¹⁾ includes KU Campus Development Corporation and Jayhawk Community Partners

⁽²⁾ includes Student Union Corporation of the University of Kansas Medical Center and Kansas University Health Partners

⁽³⁾ reflects adjustment to remove balances and transactional activity between affiliated organizations as required by generally accepted accounting principles

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2023

(CONTINUED)

	University of Kansas Lawrence & Edwards	University of Kansas Center for Research, Inc.	Kansas Athletics, Inc	University of Kansas Memorial Corporation	Other KULC Entities ⁽¹⁾	University of Kansas Medical Center	University of Kansas Medical Center Research Institute, Inc.	Other KUMC Entities ⁽²⁾	Eliminations ⁽³⁾	Total
<u>NON-OPERATING REVENUES (EXPENSES)</u>										
State appropriations	174,952,424	-	-	-	-	126,318,424	-	-	-	301,270,848
Local appropriations	8,261,637	-	-	-	-	8,261,637	-	-	-	16,523,274
Gifts	41,062,268	-	-	-	-	53,063,916	-	(3,225,453)	-	90,900,731
Investment income	8,580,127	4,222,088	1,955,486	(16,031)	406,160	75,186	(2,437,910)	-	(62,209)	12,722,897
Federal grants and contracts	19,111,661	-	-	-	-	613,259	-	-	-	19,724,920
Other non-operating revenues	1,026,523	370,525	-	-	-	2,336,569	-	-	(831,998)	2,901,619
Interest expense	(17,646,712)	(264,838)	(1,100,583)	(181,384)	(12,451,189)	(3,810,442)	-	-	13,508,069	(21,947,079)
Other non-operating expenses	(1,023,176)	(100,000)	-	-	-	(21,432)	-	-	-	(1,144,608)
Net non-operating revenues (expenses)	234,324,752	4,227,775	854,903	(197,415)	(12,045,029)	186,837,117	(2,437,910)	-	9,388,409	420,952,602
Income (loss) before other revenues, expenses, gains or losses	(22,352,248)	10,580,317	(9,395,964)	590,208	630,771	1,050,347	(875,089)	(92,445)	24,268,742	4,404,639
Capital appropriations	11,016,700	-	-	-	-	4,336,440	-	-	-	15,353,140
Capital grants and gifts	18,808,072	2,983,335	75,403,428	-	-	13,819,930	11,766,871	-	(22,845,539)	99,936,097
Intra-entity contributions	-	(1,757,694)	-	-	-	-	-	-	1,757,694	-
Additions to permanent endowments	27,326	-	-	-	-	-	-	-	-	27,326
Increase (decrease) in net position	7,499,850	11,805,958	66,007,464	590,208	630,771	19,206,717	10,891,782	(92,445)	3,180,897	119,721,202
<u>NET POSITION</u>										
Net position - beginning of year	944,286,344	119,697,516	167,837,564	13,006,216	(1,050,576)	260,035,351	130,104,991	275,531	(86,915,277)	1,547,277,660
Restatement of net position - beginning of year	223,213	-	20,288,935	-	-	-	-	-	(20,288,935)	223,213
Net position - end of year	\$ 952,009,407	\$ 131,503,474	\$ 254,133,963	\$ 13,596,424	\$ (419,805)	\$ 279,242,068	\$ 140,996,773	\$ 183,086	\$ (104,023,315)	\$1,667,222,075

⁽¹⁾ includes KU Campus Development Corporation and Jayhawk Community Partners

⁽²⁾ includes Student Union Corporation of the University of Kansas Medical Center and Kansas University Health Partners

⁽³⁾ reflects adjustment to remove balances and transactional activity between affiliated organizations as required by generally accepted accounting principles

CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

	University of Kansas Lawrence & Edwards	University of Kansas Center for Research, Inc.	Kansas Athletics, Inc	University of Kansas Memorial Corporation	Other KULC Entities ⁽¹⁾	University of Kansas Medical Center	University of Kansas Medical Center Research Institute, Inc.	Other KUMC Entities ⁽²⁾	Eliminations ⁽³⁾	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>										
Tuition and fees	\$ 272,242,931	\$ -	\$ -	\$ -	\$ -	\$ 62,331,309	\$ -	\$ -	\$ (12,702,963)	\$ 321,871,277
Sales and services	38,099,427	13,844,480	-	-	-	156,294,015	-	25,952	(23,972,416)	184,291,458
Auxiliary enterprises	29,034,664	-	12,852,453	2,712,338	357,809	11,005,594	-	161,005	4,129,141	60,253,004
Grant and contracts	30,636,881	172,576,284	-	-	-	14,188,006	188,694,493	-	(2,661,580)	403,434,084
Payment to suppliers	(113,012,911)	(62,117,322)	-	-	(86,449)	(68,229,951)	(96,376,642)	(291,503)	58,534,135	(281,580,643)
Payment to utilities	(17,281,392)	(704,057)	-	-	-	(8,887,771)	-	-	-	(26,873,220)
Compensation and benefits	(415,197,710)	(110,510,056)	-	-	-	(317,617,357)	(90,060,209)	(84,257)	-	(933,469,589)
Payment for scholarships and fellowships	(13,943,760)	(6,791,644)	-	-	-	(2,692,586)	-	-	-	(23,427,990)
Loans to students, net	994,293	-	-	-	-	(5,763,522)	-	-	-	(4,769,229)
Other receipts and payments	4,160,171	1,869,902	-	-	21,766,756	8,076,605	4,438,371	-	(30,182,508)	10,129,297
Net cash used in operating activities	(184,267,406)	8,167,587	12,852,453	2,712,338	22,038,116	(151,295,658)	6,696,013	(188,803)	(6,856,191)	(290,141,551)
<u>CASH FLOWS FROM NON-CAPITAL FINANCIAL ACTIVITIES</u>										
State appropriations	174,952,424	-	-	-	-	126,318,424	-	-	-	301,270,848
Local appropriations	8,301,970	-	-	-	-	8,301,970	-	-	-	16,603,940
Gifts	43,636,863	-	-	-	-	53,063,916	-	-	(3,225,453)	93,475,326
Federal education loans, net	239,748	-	-	-	-	-	-	-	-	239,748
Non-operating grants and contracts	23,100,502	-	-	-	-	613,259	-	-	-	23,713,761
Other	(2,050,789)	385,922	-	-	-	2,138,024	-	-	-	473,157
Net cash provided by non-capital financing activities	248,180,718	385,922	-	-	-	190,435,593	-	-	(3,225,453)	435,776,780

⁽¹⁾ includes KU Campus Development Corporation and Jayhawk Community Partners

⁽²⁾ includes Student Union Corporation of the University of Kansas Medical Center and Kansas University Health Partners

⁽³⁾ reflects adjustment to remove balances and transactional activity between affiliated organizations as required by generally accepted accounting principles

CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

(CONTINUED)

	University of Kansas Lawrence & Edwards	University of Kansas Center for Research, Inc.	Kansas Athletics, Inc	University of Kansas Memorial Corporation	Other KULC Entities ⁽¹⁾	University of Kansas Medical Center	University of Kansas Medical Center Research Institute, Inc.	Other KUMC Entities ⁽²⁾	Eliminations ⁽³⁾	Total
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>										
Capital appropriations	5,811,064	-	-	-	-	4,336,440	-	-	-	10,147,504
Capital grants and gifts	-	2,983,335	49,553,136	-	-	13,819,930	11,766,871	-	(11,766,871)	66,356,401
Purchase of capital assets	(26,070,720)	(5,382,237)	(15,821,314)	(174,720)	-	(25,731,314)	(584,941)	-	108,005	(73,657,241)
Proceeds from sale of capital assets	212,017	-	26,700	-	-	-	-	-	-	238,717
Principal paid on capital debt and leases	(26,298,436)	(5,453,977)	(2,020,057)	(1,294,801)	(6,430,000)	(14,846,566)	-	-	9,988,905	(46,354,932)
Interest paid on capital debt and leases	(20,020,952)	(284,790)	(1,103,360)	(181,384)	(15,189,250)	(5,165,776)	-	-	13,727,137	(28,218,375)
Other	(15,350)	(1,762,728)	2,777	-	-	723,085	-	-	-	(1,052,216)
Net cash used in capital financing activities	(66,382,377)	(9,900,397)	30,637,882	(1,650,905)	(21,619,250)	(26,864,201)	11,181,930	-	12,057,176	(72,540,142)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>										
Proceeds from sales and maturities of investments	12,220,520	1,314,819	45,938,131	-	-	-	23,708,130	-	(2,595,000)	80,586,600
Interest on investments	8,311,208	2,282,197	2,356,313	(10,927)	406,161	715,410	3,054,094	-	(287,623)	16,826,833
Purchase of investments	(9,074,699)	(2,622,493)	(82,245,159)	-	-	-	(39,838,745)	-	-	(133,781,096)
Net cash provided by (used in) investing activities	11,457,029	974,523	(33,950,715)	(10,927)	406,161	715,410	(13,076,521)	-	(2,882,623)	(36,367,663)
Net increase (decrease) in cash	8,987,964	(372,365)	9,539,620	1,050,506	825,027	12,991,144	4,801,422	(188,803)	(907,091)	36,727,424
Cash - beginning of the year	177,974,459	27,914,487	13,798,485	2,874,533	7,643,648	101,468,333	1,180,961	372,802	(667,765)	332,559,943
Cash - end of year	<u>\$ 186,962,423</u>	<u>\$ 27,542,122</u>	<u>\$ 23,338,105</u>	<u>\$ 3,925,039</u>	<u>\$ 8,468,675</u>	<u>\$ 114,459,477</u>	<u>\$ 5,982,383</u>	<u>\$ 183,999</u>	<u>\$ (1,574,856)</u>	<u>\$ 369,287,367</u>

⁽¹⁾ includes KU Campus Development Corporation and Jayhawk Community Partners

⁽²⁾ includes Student Union Corporation of the University of Kansas Medical Center and Kansas University Health Partners

⁽³⁾ reflects adjustment to remove balances and transactional activity between affiliated organizations as required by generally accepted accounting principles

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Statistical
Section

The following section provides additional information as a context for understanding what the information in financial statements and note disclosures says about KU's overall financial health.

Contents	Page
Financial Trends	75
These schedules contain trend information to help the reader understand how KU's financial performance and well-being have changed over time	
Debt Capacity	79
These schedule present information to help the reader assess the affordability of KU's current levels of outstanding debt and KU's ability to issue additional debt in the future.	
Operating Information	80
These schedules contain data to help the reader understand how the information in KU's financial report relates to the services KU provides and the activities it performs.	
Demographic and Economic Information	83
These schedules offer demographic and economic indicators to help the reader understand the environment which KU's financial activities take place	

SCHEDULE OF REVENUES BY SOURCE

	For the Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
Tuition and fees (net of scholarship allowances)	\$ 273,856,114	\$ 289,104,231	\$ 304,317,762	\$ 314,335,203	\$ 324,035,590	\$ 325,570,469	\$ 340,863,151	\$ 320,019,921	\$ 323,821,470	\$ 320,300,681
Federal grants and contracts	177,658,566	154,004,942	149,404,143	150,322,497	164,728,124	179,434,573	186,550,040	203,269,007	232,890,339	256,336,979
State and local grants and contracts	37,569,539	39,650,105	47,094,151	45,569,990	38,119,702	37,338,423	38,457,391	48,634,859	47,244,907	66,631,483
Nongovernmental grants and contracts	56,615,120	71,067,806	78,917,523	55,571,690	65,333,833	59,273,481	73,641,128	73,855,959	65,096,791	77,262,361
Sales and services of educational departments	66,204,076	68,415,723	63,181,734	66,291,142	98,050,487	98,216,459	78,924,030	82,426,559	85,929,382	82,646,310
Sales and services of medical and administrative activities	24,129,468	26,234,463	41,490,519	53,083,616	55,353,806	61,163,289	73,145,738	79,094,783	89,618,664	90,218,537
Sales and services of auxiliary enterprises	170,407,214	174,146,494	180,975,398	186,152,383	204,524,387	215,382,587	185,251,855	153,177,350	205,575,997	224,694,784
Other operating revenues	16,281,458	3,086,097	867,279	11,970,445	10,239,065	8,796,765	5,317,659	6,673,538	12,477,185	6,961,125
Total operating revenues	822,721,555	825,709,861	866,248,509	883,296,966	960,384,994	985,176,046	982,150,992	967,151,976	1,062,654,735	1,125,052,260
State appropriations	241,993,124	244,734,520	237,044,872	240,346,756	238,164,714	244,972,426	258,178,051	253,428,437	259,586,261	301,270,848
Local appropriations	10,615,600	10,954,000	11,306,000	11,637,600	11,020,800	11,988,800	12,311,350	14,058,578	15,234,002	16,523,274
Gifts	50,725,239	56,306,031	59,351,062	49,202,947	62,293,228	57,941,219	65,327,100	61,870,560	71,323,935	90,900,731
Investment income	15,460,092	884,599	3,411,376	16,006,459	15,012,827	14,248,669	6,834,587	43,540,353	(17,387,451)	12,722,897
Federal grants and contracts	17,545,875	18,372,039	17,885,744	18,068,316	19,123,509	19,253,695	30,063,486	67,888,748	72,298,326	19,724,920
Other non-operating revenues	5,511,900	12,890,353	8,278,455	14,375,078	6,512,182	2,535,638	3,769,022	9,627,061	7,362,659	2,901,619
Total non-operating revenues	341,851,830	344,141,542	337,277,509	349,637,156	352,127,260	350,940,447	376,483,596	450,413,737	408,417,732	444,044,289
Capital appropriations	16,947,615	13,342,000	12,539,597	36,965,371	13,483,042	16,221,689	32,135,852	14,139,702	15,132,640	15,353,140
Capital grants and gifts	18,652,963	79,233,423	70,094,397	73,399,573	84,648,875	13,845,739	12,795,434	6,408,637	21,139,760	99,936,097
Additions to permanent endowments	248,830	2,829,345	226,277	229,783	(3,868)	8,391	2,184	1,504	11,311	27,326
Total other revenues, gains and losses	35,849,408	95,404,768	82,860,271	110,594,727	98,128,049	30,075,819	44,933,470	20,549,843	36,283,711	115,316,563
Total revenues	\$1,200,422,793	\$1,265,256,171	\$1,286,386,289	\$1,343,528,849	\$1,410,640,303	\$1,366,192,312	\$1,403,568,058	\$1,438,115,556	\$1,507,356,178	\$1,684,413,112

	For the Year Ended June 30,									
	(percent of total revenues)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
Tuition and fees (net of scholarship allowances)	22.8 %	22.8 %	23.7 %	23.4 %	23.0 %	23.8 %	24.3 %	22.3 %	21.5 %	19.0 %
Federal grants and contracts	14.8	12.2	11.6	11.2	11.7	13.1	13.3	14.1	15.5	15.2
State and local grants and contracts	3.1	3.1	3.7	3.4	2.7	2.7	2.7	3.4	3.1	4.0
Nongovernmental grants and contracts	4.7	5.6	6.1	4.1	4.6	4.4	5.2	5.1	4.3	4.6
Sales and services of educational departments	5.5	5.4	4.9	4.9	6.9	7.2	5.6	5.7	5.7	4.9
Sales and services of medical and administrative activities	2.0	2.1	3.2	4.0	3.9	4.5	5.2	5.5	5.9	5.3
Sales and services of auxiliary enterprises	14.2	13.8	14.1	13.8	14.5	15.8	13.2	10.7	13.7	13.3
Other operating revenues	1.4	0.2	0.1	0.9	0.7	0.6	0.4	0.5	0.8	0.4
Total operating revenues	68.5	65.2	67.4	65.7	68.0	72.1	69.9	67.3	70.5	66.7
State appropriations	20.2	19.3	18.4	17.9	16.9	17.9	18.4	17.6	17.2	17.9
Local appropriations	0.9	0.9	0.9	0.9	0.8	0.9	0.9	1.0	1.0	1.0
Gifts	4.2	4.5	4.6	3.6	4.4	4.2	4.7	4.3	4.7	5.4
Investment income	1.3	0.1	0.3	1.2	1.0	1.1	0.5	3.0	-1.1	0.8
Federal grants and contracts	1.5	1.4	1.4	1.3	1.4	1.4	2.1	4.7	4.8	1.2
Other non-operating revenues	0.4	1.0	0.6	1.1	0.5	0.2	0.3	0.7	0.5	0.2
Total non-operating revenues	28.5	27.2	26.2	26.0	25.0	25.7	26.9	31.3	27.1	26.5
Investment income	1.4	1.1	1.0	2.8	1.0	1.2	2.3	1.0	1.0	0.9
Federal grants and contracts	1.6	6.3	5.4	5.5	6.0	1.0	0.9	0.4	1.4	5.9
Other non-operating revenues	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total non-operating revenues	3.0	7.6	6.4	8.3	7.0	2.2	3.2	1.4	2.4	6.8
Total revenues	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: University of Kansas Annual Financial Reports

SCHEDULE OF EXPENSES BY USE

	For the Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EXPENSES										
Compensation and benefits	\$ 764,356,139	\$ 802,945,096	\$ 755,700,952	\$ 787,122,992	\$ 847,896,817	\$ 846,384,156	\$ 894,155,277	\$ 882,690,065	\$ 902,588,392	\$ 994,472,529
Supplies and other services	249,867,659	245,384,436	278,699,618	261,931,812	290,316,514	309,555,386	304,126,475	302,124,960	340,513,479	384,321,685
Utilities	30,018,641	30,510,841	28,531,275	29,163,868	31,734,415	28,591,591	26,753,653	28,087,745	32,220,471	33,515,951
Depreciation and amortization	80,342,652	74,803,755	84,107,598	86,790,577	104,229,330	113,663,073	74,398,078	100,643,356	98,281,589	105,893,118
Scholarships and fellowships	21,292,935	17,753,530	18,760,038	19,636,472	18,935,345	16,532,918	26,138,916	26,711,066	43,624,072	23,396,940
Total operating expenses	1,145,878,026	1,171,397,658	1,165,799,481	1,184,645,721	1,293,112,421	1,314,727,124	1,325,572,399	1,340,257,192	1,417,228,003	1,541,600,223
Interest expense	17,490,808	14,350,653	17,487,066	26,766,044	20,104,785	29,846,661	27,991,316	26,665,530	22,593,931	21,947,079
Other non-operating expenses	8,146,258	8,455,337	7,210,797	5,775,834	25,861,014	4,127,892	1,454,813	1,768,646	4,084,024	1,144,608
Total non-operating expenses	25,637,066	22,805,990	24,697,863	32,541,878	45,965,799	33,974,553	29,446,129	28,434,176	26,677,955	23,091,687
Total expenses	\$1,171,515,092	\$1,194,203,648	\$1,190,497,344	\$1,217,187,599	\$1,339,078,220	\$1,348,701,677	\$1,355,018,528	\$1,368,691,368	\$1,443,905,958	\$1,564,691,910

	For the Year Ended June 30, (percent of total revenues)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EXPENSES										
Compensation and benefits	65.2 %	67.2 %	63.5 %	64.7 %	63.3 %	62.8 %	66.0 %	64.5 %	62.5 %	63.5 %
Supplies and other services	21.3	20.5	23.3	21.5	21.7	23.0	22.4	22.1	23.6	24.6
Utilities	2.6	2.6	2.4	2.4	2.4	2.1	2.0	2.1	2.2	2.1
Depreciation and amortization	6.9	6.3	7.1	7.1	7.8	8.4	5.5	7.4	6.8	6.8
Scholarships and fellowships	1.8	1.5	1.6	1.6	1.4	1.2	1.9	2.0	3.0	1.5
Total operating expenses	97.8	98.1	97.9	97.3	96.6	97.5	97.8	98.1	98.1	98.5
Interest expense	1.5	1.2	1.5	2.2	1.5	2.2	2.1	1.9	1.6	1.4
Other non-operating expenses	0.7	0.7	0.6	0.5	1.9	0.3	0.1	0.1	0.3	0.1
Total non-operating expenses	2.2	1.9	2.1	2.7	3.4	2.5	2.2	2.0	1.9	1.5
Total expenses	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.1 %	100.0 %	100.0 %

Source: University of Kansas Annual Financial Reports

SCHEDULE OF EXPENSES BY FUNCTION

EXPENSES	For the Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Instruction	\$ 370,203,356	\$ 381,687,122	\$ 376,435,591	\$ 391,754,992	\$ 425,903,941	\$ 428,445,063	\$ 440,237,070	\$ 416,557,473	\$ 425,266,109	\$ 460,508,152
Research	257,359,106	253,325,059	256,347,460	247,072,961	266,784,693	259,620,680	289,136,753	286,135,478	334,750,010	375,493,347
Public service	39,984,701	40,917,387	48,507,472	40,848,421	47,086,911	56,599,571	50,144,325	55,347,527	50,903,510	71,471,869
Academic support	64,323,942	68,899,079	65,296,701	65,049,670	65,777,017	65,298,599	66,475,360	76,639,656	67,780,575	81,702,628
Student services	32,788,216	35,066,271	33,817,723	35,235,629	38,172,391	41,149,695	40,801,016	46,895,540	43,464,595	46,344,475
Institutional support	63,095,155	61,706,992	58,885,484	65,314,920	63,592,652	63,894,686	74,995,751	86,330,227	93,570,170	91,336,969
Operations and maintenance of plant	72,685,628	72,222,245	71,765,052	74,875,296	90,870,614	88,015,434	90,743,195	100,404,051	96,856,766	104,766,569
Depreciation and amortization	72,857,091	74,803,755	84,107,598	86,790,577	104,229,330	113,663,073	74,398,078	100,643,356	98,281,589	105,893,118
Scholarships and fellowships	21,292,935	17,753,530	18,760,038	19,636,472	18,935,345	16,532,918	26,138,916	28,087,745	43,624,072	23,396,940
Auxiliary enterprises	145,373,071	160,686,231	150,750,775	155,863,703	169,108,342	180,784,729	171,901,276	142,453,283	162,674,027	180,320,315
Other operating expenses	5,914,825	4,329,987	1,125,587	2,203,080	2,651,185	722,676	600,659	762,856	56,580	365,841
Total operating expenses	1,145,878,026	1,171,397,658	1,165,799,481	1,184,645,721	1,293,112,421	1,314,727,124	1,325,572,399	1,340,257,192	1,417,228,003	1,541,600,223
Interest expense	17,490,808	14,350,653	17,487,066	26,766,044	20,104,785	29,846,661	27,991,316	26,665,530	22,593,931	21,947,079
Other non-operating expenses	8,146,258	8,455,337	7,210,797	5,775,834	25,861,014	4,127,892	1,454,813	1,768,646	4,084,024	1,144,608
Total non-operating expenses	25,637,066	22,805,990	24,697,863	32,541,878	45,965,799	33,974,553	29,446,129	28,434,176	26,677,955	23,091,687
Total expenses	\$1,171,515,092	\$1,194,203,648	\$1,190,497,344	\$1,217,187,599	\$1,339,078,220	\$1,348,701,677	\$1,355,018,528	\$1,368,691,368	\$1,443,905,958	\$1,564,691,910

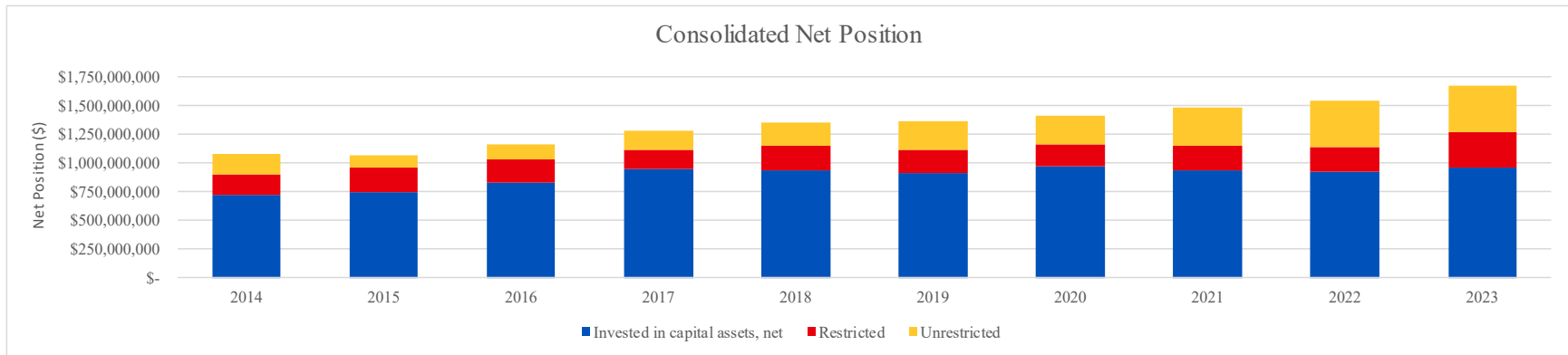
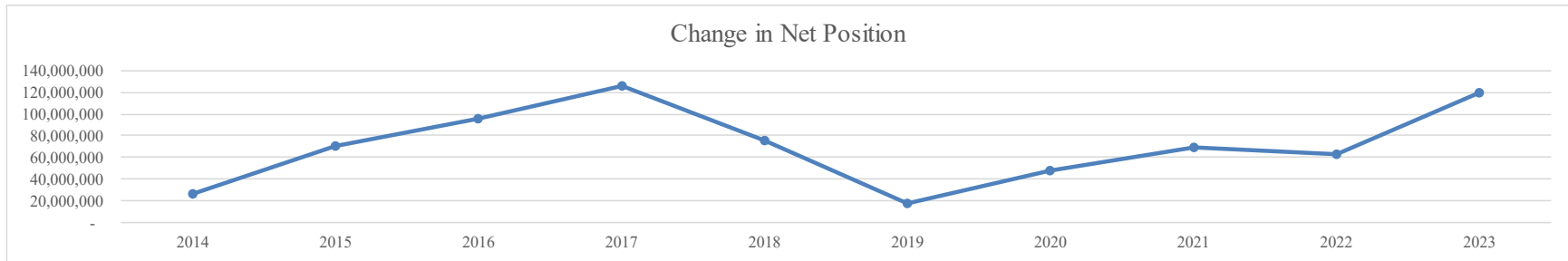
EXPENSES	For the Year Ended June 30, (percent of total revenues)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Instruction	31.6 %	32.0 %	31.6 %	32.2 %	31.8 %	31.8 %	32.5 %	30.4 %	29.4 %	29.4 %
Research	22.0	21.2	21.5	20.3	19.9	19.2	21.3	20.9	23.2	24.0
Public service	3.4	3.4	4.1	3.4	3.5	4.2	3.7	4.0	3.5	4.6
Academic support	5.5	5.8	5.5	5.3	4.9	4.9	4.9	5.6	4.7	5.2
Student services	2.8	2.9	2.8	2.9	2.9	3.1	3.0	3.4	3.0	3.0
Institutional support	5.4	5.2	4.9	5.4	4.7	4.7	5.5	6.3	6.5	5.8
Operations and maintenance of plant	6.2	6.0	6.0	6.1	6.8	6.5	6.7	7.4	6.7	6.7
Depreciation and amortization	6.2	6.3	7.1	7.1	7.8	8.4	5.5	7.4	6.8	6.8
Scholarships and fellowships	1.8	1.5	1.6	1.6	1.4	1.2	1.9	2.0	3.0	1.5
Auxiliary enterprises:	12.4	13.5	12.7	12.8	12.6	13.4	12.7	10.4	11.3	11.5
Other operating expenses	0.5	0.3	0.1	0.2	0.3	0.1	0.1	0.1	0.0	0.0
Total operating expenses	97.8	98.1	97.9	97.3	96.6	97.5	97.8	97.9	98.1	98.5
Interest expense	1.5	1.2	1.5	2.2	1.5	2.2	2.1	2.0	1.6	1.4
Other non-operating expenses	0.7	0.7	0.6	0.5	1.9	0.3	0.1	0.1	0.3	0.1
Total non-operating expenses	2.2	1.9	2.1	2.7	3.4	2.5	2.2	2.1	1.9	1.5
Total expenses	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: University of Kansas Annual Financial Reports

SCHEDULE OF NET POSITION

	As of June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Lawrence & Edwards Campus ONLY										
Invested in capital assets, net	\$ 670,516,996	\$ 683,861,823	\$ 756,601,301	\$ 818,870,906	\$ 797,513,556	\$ 807,896,668	\$ 816,418,343	\$ 780,745,943	\$ 755,530,004	\$ 753,809,649
Restricted	65,994,788	74,250,775	67,916,049	67,956,969	57,870,425	56,222,256	50,812,146	64,189,135	64,260,572	76,982,971
Unrestricted	88,236,460	26,084,773	19,737,848	44,656,205	54,490,013	55,707,607	59,862,944	79,654,277	124,495,768	121,216,787
Total Lawrence & Edwards Campus net position	\$ 824,748,244	\$ 784,197,371	\$ 844,255,198	\$ 931,484,080	\$ 909,873,994	\$ 919,826,531	\$ 927,093,433	\$ 924,589,355	\$ 944,286,344	\$ 952,009,407
Medical Center ONLY										
Invested in capital assets, net	\$ 129,585,334	\$ 129,641,820	\$ 122,273,287	\$ 167,313,884	\$ 173,309,864	\$ 155,595,764	\$ 173,341,101	\$ 176,009,747	\$ 176,574,962	\$ 195,328,395
Restricted	21,313,197	47,188,602	62,869,846	31,953,989	32,027,413	27,971,624	28,257,900	31,918,211	31,474,734	48,798,368
Unrestricted	8,582,461	806,076	5,514,882	16,983,044	15,134,122	31,600,304	28,604,782	28,364,398	51,985,655	35,115,305
Total Medical Center net position	\$ 159,480,992	\$ 177,636,498	\$ 190,658,015	\$ 216,250,917	\$ 220,471,399	\$ 215,167,692	\$ 230,203,783	\$ 236,292,356	\$ 260,035,351	\$ 279,242,068
Consolidated										
Invested in capital assets, net	\$ 722,844,933	\$ 749,549,853	\$ 828,779,659	\$ 947,005,063	\$ 937,265,888	\$ 916,224,657	\$ 972,771,345	\$ 940,965,017	\$ 922,333,707	\$ 955,331,376
Restricted	178,639,184	204,685,269	200,902,398	171,437,030	210,231,053	202,839,663	187,194,266	205,371,481	210,157,231	312,152,596
Unrestricted	181,662,526	106,947,690	127,389,700	164,970,914	200,531,284	246,991,086	254,639,325	337,481,800	414,786,722	399,738,103
Total consolidated net position	\$1,083,146,643	\$1,061,182,812	\$1,157,071,757	\$1,283,413,007	\$1,348,028,225	\$1,366,055,406	\$1,414,604,936	\$1,483,818,298	\$1,547,277,660	\$1,667,222,075
Change in net position	27,013,814	71,052,523	95,888,945	126,341,250	75,337,226	17,490,635	48,549,530	69,424,188	63,450,220	119,721,202

⁽¹⁾ In fiscal year 2015, KU adopted GASB 68, *Pensions*.



Source: University of Kansas Annual Financial Reports

SCHEDULE OF RATIOS OF OUTSTANDING DEBT

	As of June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue Bonds Payable										
Lawrence & Edwards Campus	\$ 282,870,000	\$ 265,050,000	\$ 251,195,000	\$ 250,490,000	\$ 237,360,000	\$ 223,305,000	\$ 200,380,000	\$ 179,970,000	\$ 166,790,000	\$ 152,980,000
Medical Center	70,218,400	70,878,194	111,640,959	127,639,286	121,310,936	114,767,135	114,005,000	106,615,000	99,475,000	92,015,000
Component Units	98,840,000	94,220,000	414,145,065	407,087,157	397,383,503	386,757,865	352,780,000	348,080,000	341,200,000	333,398,591
Total Revenue Bonds Payable	451,928,400	430,148,194	776,981,024	785,216,443	756,054,439	724,830,000	667,165,000	634,665,000	607,465,000	578,393,591
Notes Payable										
Lawrence & Edwards Campus ⁽¹⁾	-	-	-	-	-	-	-	-	-	-
Medical Center	-	-	-	-	-	-	-	-	-	-
Component Units ⁽¹⁾	9,307,017	3,882,628	2,679,565	407,556	8,005,938	23,521,778	15,199,647	7,053,723	3,456,901	1,600,000
Total Notes Payable	9,307,017	3,882,628	2,679,565	407,556	8,005,938	23,521,778	15,199,647	7,053,723	3,456,901	1,600,000
Lease Obligation Payable										
Lawrence & Edwards Campus	9,721,316	9,611,316	9,011,223	7,709,747	16,673,556	13,689,147	9,476,767	7,283,516	8,993,719	8,138,101
Medical Center	2,533,301	1,789,823	2,405,056	1,203,126	1,900,028	1,426,859	1,476,413	604,862	1,133,269	50,273,594
Component Units	1,662,340	1,451,946	923,955	3,552,275	6,098,774	5,170,716	4,065,033	41,480,457	42,978,545	41,988,734
Total Lease Obligation Payable	13,916,957	12,853,085	12,340,234	12,465,148	24,672,358	20,286,722	15,018,213	49,368,835	53,105,533	100,400,429
Subscription-Based IT Arrangements Liability										
Lawrence & Edwards Campus	-	-	-	-	-	-	-	-	-	4,575,825
Medical Center	-	-	-	-	-	-	-	-	-	187,695
Component Units	-	-	-	-	-	-	-	-	-	-
Total Subscription Based IT Arrangements Liability	-	-	-	-	-	-	-	-	-	4,763,520
Total Debt	\$ 475,152,374	\$ 446,883,907	\$ 792,000,823	\$ 798,089,147	\$ 788,732,735	\$ 768,638,500	\$ 697,382,860	\$ 691,087,558	\$ 664,027,434	\$ 685,157,540
Debt Burden Ratio ⁽²⁾										
	3.81%	3.69%	4.61%	5.47%	5.22%	5.91%	6.10%	5.83%	5.72%	4.95%
Debt Service Coverage Ratio ⁽³⁾										
	1.90x	1.53x	2.18x	2.04x	1.48x	1.73x	1.31x	2.30x	1.85x	1.77x

Source: University of Kansas Annual Financial Reports

⁽¹⁾ Includes the elimination of inter-entity leases

⁽²⁾ The debt burden ratio is calculated by taking the principal and interest payments for all debt for the year divided by total expenses, excluding depreciation, plus principal payments. KU's policy states this ratio cannot exceed 7%.

⁽³⁾ The debt service coverage ratio is calculated by taking the income (loss) before other revenues, expenses, gains or losses (excluding depreciation and interest expense) divided by principal and interest payments for all debt. KU's policy states this ratio cannot fall below 1.15x.

SCHEDULE OF SPACE AND PARKING INFORMATION

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SPACE INFORMATION:										
Lawrence & Edwards Campus										
Total number of buildings	217	223	226	235	240	243	245	245	242	237
Total gross square feet (GSF)	9,678,217	9,920,617	10,139,008	10,717,344	11,466,621	11,589,361	11,591,721	11,591,721	11,369,946	11,558,984
Medical Center Campus										
Total number of buildings	57	56	58	58	59	59	58	58	58	56
Total gross square feet (GSF)	3,309,470	3,446,735	4,187,155	4,187,155	4,353,251	4,353,251	4,351,209	4,353,131	4,391,924	4,370,390
PARKING INFORMATION:										
Lawrence & Edwards Campus Parking:										
Faculty and staff ⁽¹⁾	2,643	2,955	2,760	2,837	2,839	2,918	2,918	2,918	2,791	2,791
Park and ride ⁽²⁾	-	-	839	839	839	839	839	839	839	-
Student	6,238	6,279	4,572	4,432	4,466	4,661	4,661	4,661	4,602	4,572
Residence halls	2,591	1,988	2,381	2,511	2,511	3,373	3,346	3,346	3,120	3,120
Metered	259	229	149	143	109	107	107	107	22	22
ADA accessible ⁽²⁾	469	464	393	481	484	511	541	541	533	507
Loading stalls	49	63	23	68	34	34	34	34	65	65
Parking facility	1,526	1,525	1,524	2,102	2,099	2,099	2,099	2,099	2,092	2,092
Other	682	752	683	658	640	416	412	412	421	494
Total	14,457	14,255	13,324	14,071	14,021	14,958	14,957	14,957	14,485	13,663
Medical Center Campus Parking:										
Faculty/staff/student	4,287	4,507	4,787	4,793	6,487	6,487	6,487	6,487	6,457	6,457
Faculty/staff/Student ADA	117	117	125	125	155	155	155	155	155	155
Visitor	1,353	1,353	1,353	1,353	1,633	1,633	1,542	1,542	1,540	1,540
Patient/Visitor ADA	131	131	131	131	141	141	171	171	176	176
Total	5,888	6,108	6,396	6,402	8,416	8,416	8,355	8,355	8,328	8,328

⁽¹⁾ includes gold, blue and red parking spots

⁽²⁾ parking lot was demolished in FY2022

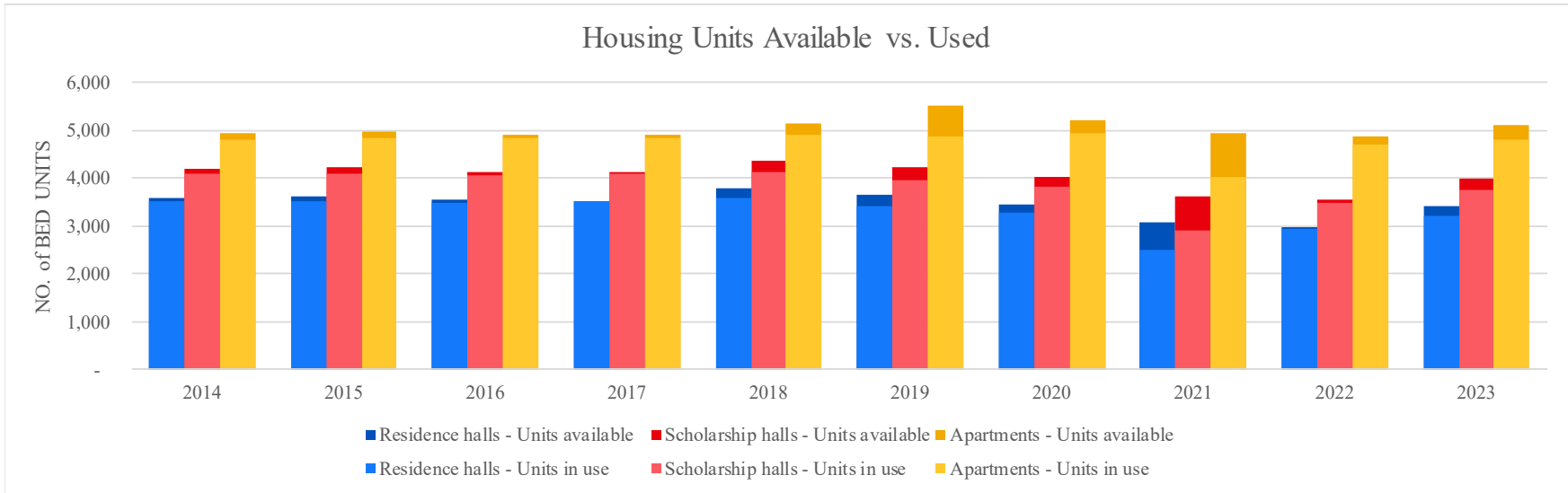
Source: Space Information - KU Space Management and KUMC Facility Department

Source: Parking Information - KU Parking Department and KUMC Parking Department

HOUSING FACILITIES

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Residence halls										
Total capacity	3,626	3,662	3,543	3,543	3,797	4,077	3,456	3,456	3,142	3,421
Units available	3,596	3,628	3,533	3,528	3,785	3,647	3,436	3,061	2,989	3,408
Units in use	3,508	3,519	3,489	3,500	3,581	3,406	3,266	2,485	2,930	3,208
Scholarship halls										
Total capacity	585	585	585	585	585	583	583	583	583	571
Units available	585	585	585	584	583	579	583	560	558	571
Units in use	583	581	580	581	552	540	564	420	534	534
Apartments										
Total capacity	747	747	784	782	782	1,486	1,490	1,534	1,510	1,496
Units available	744	745	782	780	780	1,282	1,199	1,307	1,304	1,117
Units in use	719	726	750	759	753	936	1,091	1,108	1,232	1,060
Total units available	4,925	4,958	4,900	4,892	5,148	5,508	5,218	4,928	4,851	5,096
Total units in use	4,810	4,826	4,819	4,840	4,886	4,882	4,921	4,013	4,696	4,802
Percent occupancy	97.7%	97.3%	98.3%	98.9%	94.9%	88.6%	94.3%	81.4%	96.8%	94.2%

Source: KU Housing Department



DINING FACILITIES AND OPERATIONS

	Fiscal Year					
	2018	2019	2020	2021	2022	2023
Number of Dining Plans						
Fall semester	3,962	3,930	3,985	2,975	4,875	4,356
Spring semester	3,766	3,835	4,089	2,812	4,824	4,356
Total dining plan sales	\$ 14,613,557	\$ 14,625,067	\$ 8,235,408	\$ 9,760,750	\$ 12,341,625	\$ 11,594,586
Retail/non-dining plan sales	7,151,310	5,870,514	1,824,583	1,543,177	2,417,605	2,160,731
Catering sales	2,479,230	2,809,434	1,812,874	238,820	1,516,423	2,052,532
Total Dining Sales	<u>\$ 24,244,097</u>	<u>\$ 23,305,015</u>	<u>\$ 11,872,864</u>	<u>\$ 11,542,747</u>	<u>\$ 16,275,653</u>	<u>\$ 15,807,849</u>
Total KU Bookstore Sales	<u>\$ 15,397,918</u>	<u>\$ 14,179,268</u>	<u>\$ 11,746,964</u>	<u>\$ 11,214,567</u>	<u>\$ 10,180,778</u>	<u>\$ 11,486,179</u>
Building Foot Traffic						
Kansas Union	1,140,981	1,024,304	795,376	506,889	702,812	1,020,564
Burge Union	25,324	190,936	152,208	63,263	135,561	177,082
DeBruce	333,148	291,041	246,660	114,809	240,803	242,477

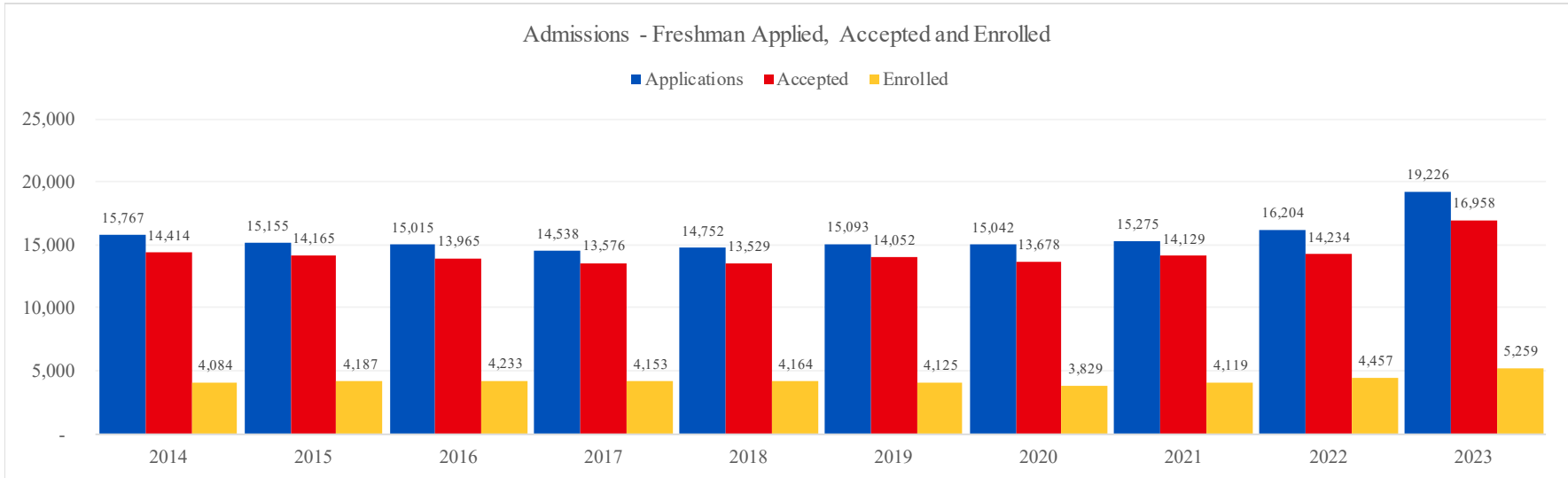
Source: KU Memorial Unions

ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS

	Fall Semester									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023

Admissions-Freshman

Accepted as a percentage of applications	91%	93%	93%	93%	92%	93%	91%	92%	88%	88%
Enrolled as a percentage of accepted	28%	30%	30%	31%	31%	29%	28%	29%	31%	31%



Enrollment

Undergraduate and graduate headcount	27,983	28,091	28,401	28,447	28,510	28,423	27,619	27,685	27,638	29,355
Undergraduate and graduate FTE ⁽¹⁾	22,532	22,647	25,917	25,939	25,889	25,760	24,887	24,897	25,032	26,701
Resident headcount	17,816	17,807	17,586	17,515	17,456	17,248	16,771	16,444	16,193	16,855
Nonresident headcount	10,167	10,284	10,815	10,932	11,054	11,175	10,848	11,241	11,445	12,500
Female headcount	14,281	14,469	14,844	14,851	14,974	14,837	14,727	14,905	14,980	15,886
Male headcount	13,702	13,622	13,532	13,543	13,461	13,062	12,814	12,733	12,612	13,407
Not reported headcount	-	-	25	53	75	524	78	47	46	62

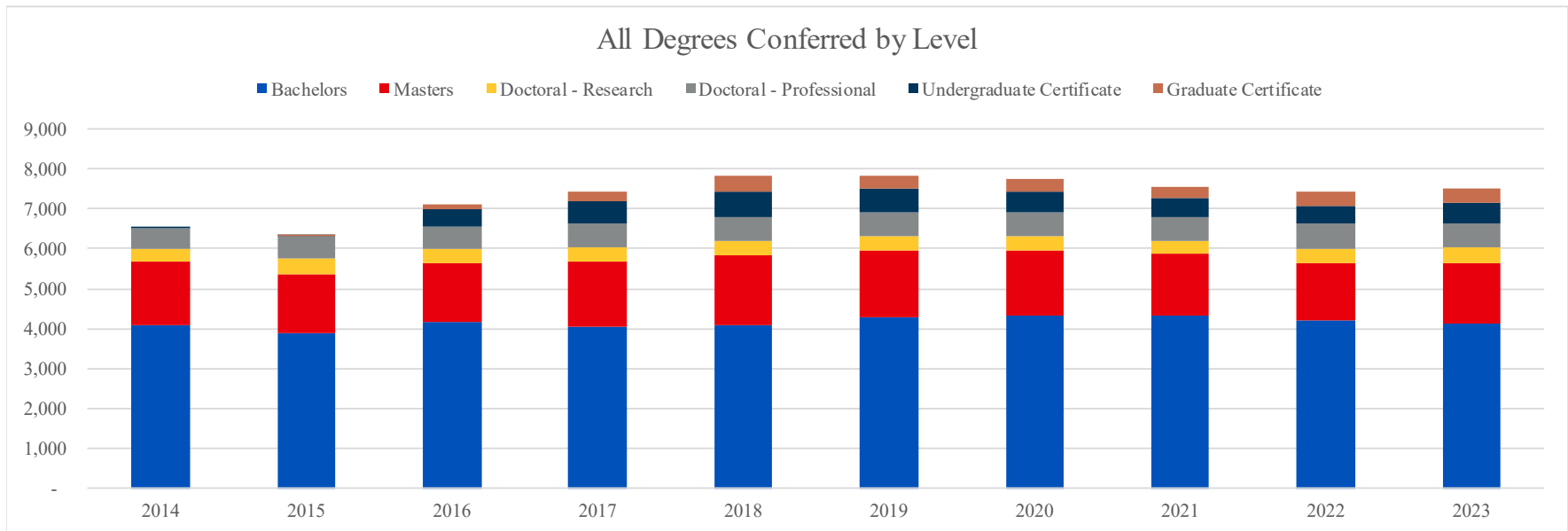
⁽¹⁾ FTE was being calculated for the KU Medical center starting in fiscal year 2017.

Source: KU Fact Book - aire.ku.edu/enrollment

ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS (continued)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Bachelors	4,090	3,899	4,158	4,046	4,079	4,269	4,332	4,312	4,201	4,131
Masters	1,589	1,465	1,492	1,643	1,759	1,697	1,637	1,560	1,452	1,513
Doctoral - Research	326	384	335	349	366	356	346	308	346	377
Doctoral - Professional	519	563	553	585	596	572	583	608	620	615
Undergraduate Certificate	10	9	440	560	649	603	535	489	456	531
Graduate Certificate	-	38	137	241	374	350	302	273	366	345
Total	6,534	6,358	7,115	7,424	7,823	7,847	7,735	7,550	7,441	7,512

Source: KU Fact Book - aire.ku.edu/degrees



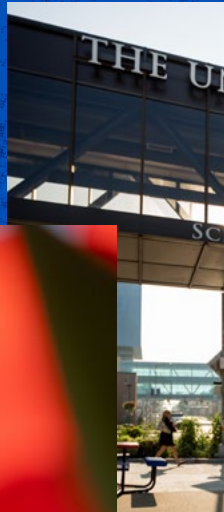
FACULTY AND STAFF

	Fall Semester									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Lawrence & Edwards Campus Headcount:										
Faculty	1,547	1,545	1,515	1,411	1,379	1,341	1,287	1,251	1,289	1,494
Faculty Administrator	45	49	51	49	52	48	47	48	50	55
Graduate Student Employee	1,799	1,795	1,775	1,758	1,807	1,780	1,692	1,601	1,606	1,703
Librarian	49	42	38	50	46	43	41	37	40	44
Student Hourly Employee	2,971	3,041	3,014	3,308	3,403	3,306	2,079	2,205	2,548	2,796
Unclassified Academic Staff	153	159	154	146	148	139	137	142	142	143
Unclassified Professional Staff	2,748	2,785	2,841	2,800	2,871	2,855	2,835	2,700	2,805	3,029
University Support Staff	670	626	559	543	498	460	446	372	365	376
Total	9,982	10,042	9,947	10,065	10,204	9,972	8,564	8,356	8,845	9,640
Medical Center Headcount:										
Faculty	1,157	1,168	1,224	1,293	1,411	1,457	1,503	1,535	1,642	1,750
Faculty Administrator ⁽¹⁾	-	-	-	-	-	-	36	39	33	34
Graduate Student Employee	243	247	237	232	228	244	250	265	276	287
Medical Residents	513	531	544	546	544	552	565	581	595	610
Student Hourly Employee	148	165	193	177	201	202	117	114	113	124
Unclassified Professional Staff	1,397	1,403	1,481	1,534	1,586	1,729	1,760	1,837	1,967	2,109
University Support Staff	268	259	251	271	285	293	284	281	292	284
Total	3,726	3,773	3,930	4,053	4,255	4,477	4,515	4,652	4,918	5,198
Total Headcount:										
Faculty	2,704	2,713	2,739	2,704	2,790	2,798	2,790	2,786	2,931	3,244
Faculty Administrator	45	49	51	49	52	48	83	87	83	89
Graduate Student Employee	2,042	2,042	2,012	1,990	2,035	2,024	1,942	1,866	1,882	1,990
Librarian	49	42	38	50	46	43	41	37	40	44
Medical Residents	513	531	544	546	544	552	565	581	595	610
Student Hourly Employee	3,119	3,206	3,207	3,485	3,604	3,508	2,196	2,319	2,661	2,920
Unclassified Academic Staff	153	159	154	146	148	139	137	142	142	143
Unclassified Professional Staff	4,145	4,188	4,322	4,334	4,457	4,584	4,595	4,537	4,772	5,138
University Support Staff	938	885	810	814	783	753	730	653	657	660
Total	13,708	13,815	13,877	14,118	14,459	14,449	13,079	13,008	13,763	14,838

⁽¹⁾ Faculty administrators were reported for the first time at the Medical Center in Fall 2020.

Source: KU Fact Book - aire.ku.edu/faculty-and-staff

July 1, 2022
– June 30, 2023



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THE UNIVERSITY OF
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2023. KU Marketing. COMPI0852

