



University of Kentucky
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University of Kentucky Research Foundation

Board of Directors Meeting

May 27, 2025

Report of the Treasurer

INDEPENDENT AUDIT OF FINANCIAL STATEMENTS AND FEDERAL FUNDS FOR THE YEAR ENDED JUNE 30, 2024

The independent audit for the fiscal year ended June 30, 2024 was performed by Forvis Mazars, Certified Public Accountants, who rendered an unmodified or “clean” opinion on the University of Kentucky Research Foundation (UKRF or Foundation) Financial Statements. The financial statements were prepared in accordance with financial accounting and reporting standards established for public universities by the Governmental Accounting Standards Board and include the financial activities of UKRF, Kentucky Technology, Inc., and Secat Inc. The financial statements consist of a Statement of Net Position (Balance Sheet), a Statement of Revenues, Expenses, and Changes in Net Position (Income Statement), and a Statement of Cash Flows. The financial statements are preceded by Management’s Discussion and Analysis that provides a summary overview of the financial condition and activities of the Foundation for the fiscal year 2023-24.

The audited financial statements are posted on the University Financial Services website and are also included in your Board packet.

In addition to the audit of the general-purpose financial statements, Forvis Mazars performed an audit of all federal funds received by the University for the fiscal year ended June 30, 2024 under the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. The audit included all research, instructional, public service and student financial aid grants and contracts sponsored by the federal government. A schedule of expenditures of all federal awards was tested for compliance with laws, regulations and provisions of individual grants and contracts. The University received an unmodified (clean) opinion on each of the major federal programs.

FINANCIAL HIGHLIGHTS

Fiscal Year Ended June 30, 2024

- Net income from operations was \$33.1 million. Operating revenues and expenses consist primarily of activity related to grants and contracts.
- Operating revenues were \$467.8 million, an increase of \$17.2 million or 3.8% more than the previous year. The increase in operating revenues was primarily due to increases of \$9.4 million in federal grants and contracts, \$3.6 million in state and local grants and contracts, \$3.3 million nongovernmental grants and contracts and \$3.0 in recoveries of facilities and administrative costs.
- Operating expenses were \$434.7 million, an increase of \$23.1 million or 5.6% more than the previous year. Operating expenses increased \$17.0 million in research and \$7.7 million in public service.
- Nonoperating revenues were \$24.7 million, consisting primarily of investment income of \$10.9 million, capital grants and gifts of \$8.6 million and license income of \$4.3 million.
- Nonoperating expenses were \$31.0 million consisting primarily of grants to the University of Kentucky (the University) primarily to support academic programs, administrative costs and capital projects.
- The above activities resulted in an overall increase in net position of \$26.8 million.
- The Statement of Net Position as of June 30, 2024 reported total assets of \$273.6 million, total liabilities of \$73.0 million and a total net position of \$200.6 million. The net position consisted of net investment in capital assets of \$6.3 million, restricted net position of \$6.4 million, and unrestricted net position of \$187.9 million.

Fiscal Year Ending June 30, 2025

- Budgeted unrestricted total revenues for the current year total \$76.4 million. For the nine months ended March 31, 2025, UKRF has realized \$94.6 million or 124.0% of the total revenue estimate.
- Unrestricted expenses, including grants to the University, total \$87.0 million or 50.0% of the approved budget as of March 31, 2025.
- Unrestricted fund group net position at June 30, 2025 is projected to be approximately \$198.7 million, an increase of \$10.7 million, for the 2024-25 fiscal year. This increase is mainly due to anticipated revenue from licenses and fixed price contracts.
- Contract and grant awards from July 1, 2024 to March 31, 2025 total \$423.6 million compared to \$398.1 million last fiscal year, an increase of \$25.5 million or 6.4%. State awards are \$140.5 million for the current year compared to \$120.8 million for the same period last year,

representing a 16.3% increase. Federal awards are \$205.8 million for the current year compared to \$196.1 million for the same period last year, representing a 5.0% increase. Nongovernmental awards are \$77.2 million for the current year compared to \$81.1 million for the same period last year, representing a 4.8% decrease.

Forvis Mazars will conduct the independent audit of the general-purpose financial statements of the Foundation for fiscal year 2024-25 at the cost of \$10,037. The audited financial statements will be distributed to the Board of Directors in late 2025/early 2026. Forvis Mazars will perform an audit of all federal funds received by the University for fiscal year ended June 30, 2025 under the provisions of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards at the cost of \$54,540. The quoted fee is for testing two major programs. Additional fees of \$10,000 per program will result if additional programs meet the criteria as a major program cluster. Related printing costs for these statements will be approximately \$500.

Negotiated Facilities and Administrative Cost Rates

The facilities and administrative cost rates applicable to federal contracts and grants are negotiated with the Department of Health and Human Services (DHHS), Cost Allocation Services. The most recent rate agreement contains pre-determined indirect cost rates through June 30, 2027. The rate applicable to organized research in fiscal year 2024-25 is 54.0% and will remain in effect until amended.

GENERAL INFORMATION

UKRF is a separate legal entity established by the University to receive, invest and expend funds in promoting scientific, educational, and developmental activities on behalf of the University. UKRF is classified as a 501(c)(3) entity by the Internal Revenue Service.

UKRF operates as an integral part of the University and is designated to receive, manage, and account for externally sponsored grants and contracts for research, education, public service, and other activities.

UKRF is fully accountable to the University for all resources received and used in its operations, particularly indirect cost recoveries representing reimbursement of the facilities and administrative costs of conducting sponsored programs. UKRF transfers a major portion of indirect cost recoveries to the University in “grants to UK” for capital projects, support of academic programs, and support of indirect costs.