

REQUEST FOR PROPOSALS

NKU-12-19



Audit Services

November 8, 2018

**NORTHERN KENTUCKY UNIVERSITY
AUDIT SERVICES
REQUEST FOR PROPOSAL, NKU-12-19**

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Proposal NO: NKU-12-19
Issue Date: November 8, 2018
Title: Audit Services
Purchasing Officer: Blaine Gilmore
Phone: 859.572.6449

RETURN ORIGINAL COPY OF PROPOSAL TO:

**Northern Kentucky University
 Procurement Services
 1 Nunn Drive
 617 Lucas Administrative Center
 Highland Heights, KY 41099**

IMPORTANT: BIDS MUST BE RECEIVED BY: 12/14/2018 BEFORE 2:00 P.M. HIGHLAND HEIGHTS, KY time.

NOTICE OF REQUIREMENTS

1. The University's General Terms and Conditions and Instructions to Bidders, viewable at <http://procurement.nku.edu/policies/terms-and-conditions.html>, apply to this Request for Proposal.
2. Contracts resulting from this RFP must be governed by and in accordance with the laws of the Commonwealth of Kentucky.
3. Any agreement or collusion among Offerors or prospective Offerors, which restrains, tends to restrain, or is reasonably calculated to restrain competition by agreement to bid at a fixed price or to refrain from offering, or otherwise, is prohibited.
4. Any person who violates any provisions of KRS 45A.325 shall be guilty of a felony and shall be punished by a fine of not less than five thousand dollars nor more than ten thousand dollars, or be imprisoned not less than one year nor more than five years, or both such fine and imprisonment. Any firm, corporation, or association who violates any of the provisions of KRS 45A.325 shall, upon conviction, may be fined not less than ten thousand dollars or more than twenty thousand dollars.

AUTHENTICATION OF BID AND STATEMENT OF NON-COLLUSION AND NON-CONFLICT OF INTEREST

I hereby swear (or affirm) under the penalty for false swearing as provided by KRS 523.040:

1. That I am the offeror (if the offeror is an individual), a partner, (if the offeror is a partnership), or an officer or employee of the bidding corporation having authority to sign on its behalf (if the offeror is a corporation);
2. That the attached proposal has been arrived at by the offeror independently and has been submitted without collusion with, and without any agreement, understanding or planned common course of action with, any other Contractor of materials, supplies, equipment or services described in the Request for Proposal, designed to limit independent bidding or competition;
3. That the contents of the proposal have not been communicated by the offeror or its employees or agents to any person not an employee or agent of the offeror or its surety on any bond furnished with the proposal and will not be communicated to any such person prior to the official closing of the RFP;
4. That the offeror is legally entitled to enter into contracts with the Northern Kentucky University and is not in violation of any prohibited conflict of interest, including those prohibited by the provisions of KRS 45A.330 to .340, 164.390, and
5. That the Offeror, and its affiliates, are duly registered with the Kentucky Department of Revenue to collect and remit the sale and use tax imposed by Chapter 139 to the extent required by Kentucky law and will remain registered for the duration of any contract award
6. That I have fully informed myself regarding the accuracy of the statement made above.

SWORN STATEMENT OF COMPLIANCE WITH FINANCE LAWS

In accordance with KRS45A.110 (2), the undersigned hereby swears under penalty of perjury that he/she has not knowingly violated any provision of the campaign finance laws of the Commonwealth of Kentucky and that the award of a contract to a bidder will not violate any provision of the campaign finance laws of the Commonwealth of Kentucky.

CONTRACTOR REPORT OF PRIOR VIOLATIONS OF KRS CHAPTERS 136, 139, 141, 337, 338, 341 & 342

The Contractor by signing and submitting a proposal agrees as required by 45A.485 to submit final determinations of any violations of the provisions of KRS Chapters 136, 139, 141, 337, 338, 341 and 342 that have occurred in the previous five (5) years prior to the award of a contract and agrees to remain in continuous compliance with the provisions of the statutes during the duration of any contract that may be established. Final determinations of violations of these statutes must be provided to the University by the successful Contractor prior to the award of a contract.

CERTIFICATION OF NON-SEGREGATED FACILITIES

The Contractor, by submitting a proposal, certifies that he/she is in compliance with the Code of Federal Regulations, No. 41 CFR 60-1.8(b) that prohibits the maintaining of segregated facilities.

RECIPROCAL PREFERENCE

- (1) Prior to a contract being awarded to the lowest responsible and responsive bidder on a contract by a public agency, a resident bidder of the Commonwealth shall be given a preference against a nonresident bidder registered in any state that gives or requires a preference to bidders from that state. The preference shall be equal to the preference given or required by the state of the nonresident bidder.
- (2) A resident bidder is an individual, partnership, association, corporation, or other business entity that, on the date the contract is first advertised or announced as available for bidding:
 - (a) Is authorized to transact business in the Commonwealth; and
 - (b) Has for one (1) year prior to and through the date of the advertisement, filed Kentucky corporate income taxes, made payments to the Kentucky unemployment insurance fund established in KRS 341.490, and maintained a Kentucky workers' compensation policy in effect.
- (3) A nonresident bidder is an individual, partnership, association, corporation, or other business entity that does not meet the requirements of subsection (2) of this section.
- (4) If a procurement determination results in a tie between a resident bidder and a nonresident bidder, preference shall be given to the resident bidder.
- (5) This section shall apply to all contracts funded or controlled in whole or in part by a public agency.
- (6) The Finance and Administration Cabinet shall maintain a list of states that give to or require a preference for their own resident bidders, including details of the preference given to such bidders, to be used by public agencies in determining resident bidder preferences. The cabinet shall also promulgate administrative regulations in accordance with KRS Chapter 13A establishing the procedure by which the preferences required by this section shall be given.
- (7) The preference for resident bidders shall not be given if the preference conflicts with federal law.
- (8) Any public agency soliciting or advertising for bids for contracts shall make KRS 45A.490 to 45A.494 part of the solicitation or advertisement for bids

DEFINITIONS

As used in KRS 45A.490 to 45A.494: (1) "Contract" means any agreement of a public agency, including grants and orders, for the purchase or disposal of supplies, services, construction, or any other item; and
 (2) "Public agency" has the same meaning as in KRS 61.805.

SIGNATURE REQUIRED: This proposal cannot be considered valid unless signed and dated by an authorized agent of the offeror. Type or print the signatory's name, title, address, phone number and fax number in the spaces provided. Offers signed by an agent are to be accompanied by evidence of his/her authority unless such evidence has been previously furnished to the issuing office. Your signature is acceptance to the Terms and conditions above.

DELIVERY TIME:	NAME OF COMPANY:	DUNS #
PROPOSAL FIRM THROUGH:	ADDRESS:	Phone/Fax:
PAYMENT TERMS:	CITY, STATE & ZIP CODE:	E-MAIL:
SHIPPING TERMS: F.O.B. DESTINATION - PREPAID AND ALLOWED	TYPED OR PRINTED NAME:	WEB ADDRESS:
FEDERAL EMPLOYER ID NO.:	SIGNATURE:	DATE:

NOTICE OF ADVERTISEMENT**Brief Summary**

NKU is seeking proposals for an examination of the financial statements of Northern Kentucky University and Northern Kentucky Research Foundation (NKURF) in accordance with generally accepted auditing standards and Government Auditing Standards for the purpose of issuing an independent auditor's report. The firm will report to management any inherent weakness in controls, procedures, and policies and any instances of noncompliance with applicable laws or regulations along with recommended changes.

Submittal of Proposals

The bidder shall submit, by the time and date specified via US Postal Service, courier or other delivery service, its bid response in a **sealed package** addressed to:

Blaine Gilmore
Interim Director, Procurement Services
Lucas Administrative Center, Suite 617
1 Nunn Drive
Northern Kentucky University
Highland Heights, KY 41099

NOTE: Northern Kentucky University, as an Agency of the Commonwealth of Kentucky, is subject to Kentucky's Open Records Laws (KRS 61.870-61.884). As such, a bidder's entire offer and resulting contract cannot be deemed "confidential".

Proposals submitted in response to an RFP will remain confidential throughout the evaluation process, however, after negotiations are concluded and a contract has been entered into, all proposals become a matter of public record. Bidders may mark sections of their responses as confidential if the information provided would be considered financially sensitive or trade secrets. The university will make every effort to honor such requests, but may conduct discussions with the bidders concerning the release of said information.

DO NOT contact the committee members relative to this project. Contacting the selection committee members may result in disqualification of the proposer. All requests for information, questions or comments relative to this project should be directed to:

Ryan Straus
Bid Specialist
Northern Kentucky University
Lucas Administrative Center, 617
Highland Heights, KY 41099
FAX: 859.572.6995

Email: strausr2@nku.edu

NOTE: Information relative to this project obtained from other sources, including other university administration, faculty or staff may not be accurate, will not be considered binding and could adversely affect the potential for selection of your proposal.

**SPECIAL CONDITIONS
ANNUAL AUDIT
REQUEST FOR PROPOSAL, NKU-12-19**

I. General Information

A. Northern Kentucky University Contacts

1. Requester:

Mike Hales
Chief Financial Officer
836 Administrative Center
Northern Kentucky University
Highland Heights, KY 41099

2. Bound and sealed proposals (original plus nine (9) copies and digital copy) and written questions should be submitted to:

Blaine Gilmore
Interim Director of Procurement Services
620 Administrative Center
Northern Kentucky University
Highland Heights, KY 41099
gilmoreb@nku.edu

Deadline: 2 p.m. December 14, 2018

3 Key Dates:

Release of RFP	November 8, 2018
Deadline for Written Questions	November 16, 2018
RFP Proposal Due Date	December 14, 2018
Offeror Presentations (optional)	January 16-23, 2019
Contract Awarded	March 2019

4. Firms submitting proposals for services listed in Section I.B must meet the following criteria:

- a. The firms must have a sufficient number of personnel with experience in handling college and university audit engagements that will be assigned to the University's audit.
- b. In addition to auditing services, the firm must have the capability of providing management services and advice on matters of taxation, if requested by the University.

5. Proposals as submitted are received without any obligation on the part of Northern Kentucky University or the Commonwealth of Kentucky and will be retained as part of the official records.

6. For statutory references made throughout this document, Kentucky Revised Statutes may be found as follows:
 - a. <http://www.lrc.state.ky.us>
 - b. Click on Kentucky State Law
 - c. Click on Kentucky Revised Statutes
 - d. Click on Title & Chapter
 - e. Scroll down to locate desired Statute
7. See Section VIII for additional Northern Kentucky University and NKU Research Foundation information that is pertinent to preparing a response this RFP.

B. Nature of Services Required

1. The successful proposer will perform an examination of the financial statements of Northern Kentucky University and Northern Kentucky Research Foundation (NKURF) in accordance with generally accepted auditing standards and Government Auditing Standards for the purpose of issuing an independent auditor's report. The firm will report to management any inherent weakness in controls, procedures, and policies and any instances of noncompliance with applicable laws or regulations along with recommended changes.
2. The auditors shall familiarize themselves with and comply with the provisions of any and all statutes, ordinances, charters, bond covenants, administrative codes and orders, rules and regulations that may pertain to the work required in this engagement.
3. Scope of the audit must address all requirements of the Commonwealth of Kentucky's Auditor of Public Accounts.
4. The time period to be audited is as follows:

July 1, 2018 through June 30, 2019
5. Scope of auditing services to be provided as follows:
 - a. Audit of the University's financial statements, for the fiscal year ended June 30, 2019 including an Auditor's Opinion Letter and Management Letter. The most recent annual financial statements have been attached.

Opinion issued on or before September 30, 2019
 - b. Audit of Federal Awards - including Title IV Student Financial Aid Programs, in accordance with Government Auditing Standards and the provisions of Single Audit Act (formerly A-133) for the University for the year ended June 30, 2019. The most recent report has been attached. Opinion and reports issued and filing completed on or before September 30, 2019.

The Data Collection Form must be completed and submitted within 30 days after the receipt of the auditor's report.

- c. Independent Auditor's Report on Compliance with House Bill 622 (KRS 164A.555 to 164A.630) entitled Financial Management of Institutions of Higher Education, for the year ended June 30, 2019 based on the audit of the University's financial statements. The most recent report has been attached.
Opinion issued on or before September 30, 2019
- d. An Agreed Upon Procedures Audit of the University's athletic programs, as required by the NCAA. A one-year audit is completed every year for Division I universities. This audit is required for fiscal year 2018-19. A report must be completed by January 15, 2020 or as required by the NCAA. A copy of the most recent report is attached.
- e. Kentucky Lease Law Compliance - The firm will issue an opinion on compliance with the Kentucky Lease Law, (KRS 56.800 through 56.823, KRS 48.111 and KRS 48.190). The opinion should summarize compliance testing procedures and results. For the previous audit NKU had no leases that met the Kentucky Lease Law criteria.
- f. Audit of the NKU Research Foundation as of 6/30/19. The NKU Research Foundation is a not-for-profit Kentucky corporation affiliated with NKU and is included in the University's financial statements as a blended component unit. The most recent report has been attached.
Opinion issued on or before September 30, 2019
- g. Letter to the Commonwealth of Kentucky's Auditor of Public Accounts regarding subsequent events from the original University audit opinion date through approximately December 20, 2019. The actual due date is to be determined by the State Auditor of Public Accounts.
- h. Letter to the Commonwealth of Kentucky's Auditor of Public Accounts representing that the firm is in compliance with generally accepted auditing standards and Governmental Auditing Standards concerning continuing education requirements, independence and peer review.

6. Separate exit conferences will be held with:

NKU Board of Regents Audit and Compliance Committee
NKU Research Foundation Audit Committee (if requested)

Also, it is expected that exit conferences will be held with major unit heads as appropriate.

C. Assistance Available to Auditor for Services in Section I.B

Workpapers, reconciliations, reports, etc. as prepared by the Comptroller's Office staff will be made available the week of August 19, 2019 for the University, and Federal Award audits and at least three weeks prior to the deadline requirement for additional

audits. A list of documents and information required from the University (Client Assistance List) must be submitted no later than 3 weeks prior to due date. All proposals should include a description of the system used to track and upload documents on the Client Assistance List.

Bidders have the option of using the internal audit staff with various aspects listed in Section I.B.5 of the NKU audit up to 200 hours of assistance. The functions to be handled by the internal audit staff should be clearly defined in the proposal. The Internal Audit staff consists of a Director and 2 auditors with significant higher education and NKU experience. Bids should clearly identify fees with and without Internal Audit assistance.

D. Optional Services

1. **NKU Foundation**

Audit of the Northern Kentucky University Foundation, Inc.'s consolidated financial statements for the fiscal year ending June 30, 2019, including an Auditor's Opinion Letter and Management Letter. Last year's annual financial statements prepared in accordance with Financial Accounting Standards Board (FASB) are included in Appendix 1. The Foundation also requests a proposal to prepare and sign IRS Form 990 and Form 990T. An exit conference will be required with the NKU Foundation Audit Committee.

The NKU Foundation, Inc. is a legally unaffiliated, tax-exempt organization supporting the University that qualifies as a Section 501(c)(3) institution. Please refer to the attached financial statements and footnotes for further clarification.

The NKU Foundation, Inc. administers private funds raised to supplement the other resources available to the University. The NKU Foundation utilizes the same computer system resources (where applicable) as those used by the University. A donor data base is maintained using Raiser's Edge software.

The Foundation has no employees; the University provides all staffing, operational support services and office space. Endowment pool investments are managed by third-party managers and monitored by the Foundation's independent investment advisor.

The NKU Foundation, Inc. has consistently received unqualified opinions on all financial reports. The accounting staff is familiar with the reporting requirements of GAAP and FASB pronouncements.

The NKU Foundation, Inc. trial balance will be available on approximately August 12, 2019 and the final opinion letter must be provided by September 11, 2019.

The audit committee of the NKU Foundation, Inc. will review bids for these services independently and may or may not accept the same proposal as the University.

2. IRS 990 and 990T Services

Preparation and signing of the University's IRS 990T and NKU Research Foundation's IRS 990/990T.

3. Other Optional Services

The University has an on-going need for specialized audit, accounting and tax consulting services, such as departmental reviews, consultation on accounting, debt issuance and human resources issues. It is anticipated that the offeror, as the external auditor of the University will, under this contract, have the right to provide requested services to the University on such issues.

4. Release of Audited Financial Statements

Release of financial statements as needed for issuance of debt

E. Contractual Arrangements

1. The contract will be a fixed price contract, based on proposed billing rates with a "not to exceed" maximum.
2. No commitments will be made for subsequent services; however, the contract may be extended in accordance with VI below.

F. Auditor's Workpapers

1. Auditor will retain workpapers for a period of not less than four years.
2. Upon completion of the Audit, copies of systems descriptions will be provided to the University.

G. Right to Reject

The University reserves the right to reject any and all proposals or to request additional information from any and all proposers.

II. Required Proposal Information**A. Cover Page**

1. Proposed service and date of preparation.
2. Name and address of the firm.
3. Names and telephone numbers of individuals to be contacted for additional information, if necessary.

B. Table of Contents

Categorize and identify all documents submitted.

C. Letter of Transmittal

1. Addressed to:

Mr. Mike Hales
Vice President for Administration and Finance
836 Administrative Center
Northern Kentucky University
Highland Heights, KY 41099

Mailed to:

Mr. Blaine Gilmore
Director of Procurement Services
621 Administrative Center
Northern Kentucky University
Highland Heights, KY 41099

2. Content:

- a. Proposer's understanding of the service to be provided.
- b. Identification of individuals who may make representation on behalf of the firm.
- c. Identify the individual who may bind the firm to a contract.

D. Credentials of the Firm and Other Information

1. List of current higher education clients of the firm and identify the nature of the services provided to each client listed. If bidding on the NKU Foundation, Inc. provide a list of similar clients and the services provided.
2. Location of the office from which those resources will be provided.
3. Describe the range of activities or support services provided by that office.
4. Enumerate the credentials and relevant experience of the specific individuals who would be assigned to the audit.
5. Estimated Hours
 - a. Estimate the number of hours each individual will be assigned to the audit.

<i>Name</i>	<i>Title / Role</i>	<i>NKU (Offer A)</i>	<i>Foundation (Offer B)</i>
_____	Audit partner and similar	_____ hours	_____ hours
_____	Audit manager and similar	_____ hours	_____ hours
_____	Senior acct and similar	_____ hours	_____ hours
_____	Staff accountant and similar	_____ hours	_____ hours
_____	IT Auditor and similar	_____ hours	_____ hours
<i>Other (Please list):</i>			
_____	_____	_____ hours	_____ hours
_____	_____	_____ hours	_____ hours
TOTAL HOURS		_____ hours	_____ hours

- b. Give a percentage breakdown of the amount of time expected to be spent on site vs. time spent off site.

6. Organizational Chart - Provide an organizational chart of your firm indicating lines of authority for personnel involved in this potential contract.

E. Mandatory Criteria

1. Affirmation that the firm is a licensed certified public accounting firm that meets the standards of independence appropriate to the audit.
2. Completion of the four (4) affidavits and certifications, pp. 9-12, concerning the Commonwealth of Kentucky’s campaign finance laws, conflict of interest requirements, unemployment and workers’ comp compliance, and compliance with various tax laws.

F. Proposer's Approach to the Examination or Audit

Submit a summary work plan for each audit, which is to include, but not limited to, the following:

1. A detailed work plan to include an estimated amount of time for each audit or service described in Section I.B.5 and/or Section I.D.1-2 required or desired assistance from the University for each audit or service described in Section I.B.5 and/or Section I.D.1-2.
2. Anticipated timetable for each audit or service described in Section I.B.5 and/or Section I.D.1-2
3. If Internal Audit assistance is requested proposals should include a description of audit areas to be performed by the Internal Audit staff for each audit or service described in Section I.B.5.
4. Other information as appropriate

G. Method of Bidding

Separate offers will be received by the University for the:

- a. NKU/NKU Research Foundation Audit as described in Section I.B.5 (Offer A).
- b. NKU Foundation, Inc. as described in Section I.D.1. (Offer B)
- c. Firms may submit offers for the NKU/NKURF audit, the NKU Foundation, Inc. audit and/or a combined offer. Bidders interested in both audits are encouraged to propose a combined price that is less than the total of the two individual offers, as there are economic benefits achieved by performing both audits. (Offer C)
- d. NKU 990T and NKURF 990/990T Section I.D.2 (Offer D)
- e. Other Services Section I. D.3 (Offer E)

H. Compensation

1. Quote the "not to exceed" fixed fees for the services to Northern Kentucky University and the NKU Foundation, Inc.
2. Separate fees should be provided for each audit listed below:
 - a. Audit of University's general financial statements, and management letter including compliance with state requirements as outlined in Section I.B.5.a, Section I.B.5.g and Section I.B.5.h.
 - b. Single Audit as outlined in Section I.B.5.b. Note the number of major programs this fee includes.
 - c. Compliance with House Bill 622 in Section I.B.5.c
 - d. NCAA Audit as outlined in Section I.B.5.d
 - e. Capital Lease Law as outlined in Section I.B.5.e. Note the number of leases this fee include.
 - f. NKU Research Foundation as outlined in Section I.B.5.f

- g. NKU Foundation, Inc. Financial Statements I.D.1
- h. Hourly rate for Optional Services as outlined in Section I.D.3
- i. Fee for Optional Service to Prepare, Review and Sign IRS form 990/990T as outlined in Section I. D.2

I. Method of Award

Separate contracts will be awarded for the University audit (Section I.B.5) and the NKU Foundation, Inc. audit (Section I.D.1). Contract may be awarded to two separate firms. The NKU audit contract will be awarded based on the requirements of Kentucky’s Model Procurement Code, KRS 45A.085. The NKU Foundation, Inc. audit contract will be awarded based on what is determined to be in the best interest of the Foundation.

Required:

**Offer A: Required Services (Section I.B.5)
Cost for NKU/NKURF Audit**

	<u>Total Cost</u>	<u>Est. Hours</u>
Audit of NKU Financial Statements	\$ _____	_____
Federal Award Audit	\$ _____	_____
Compliance with HB 622	\$ _____	_____
NCAA AUP Audit	\$ _____	_____
Kentucky Lease Law Audit	\$ _____	_____
NKU Research Foundation	\$ _____	_____
Total without IA Assistance	\$ _____	_____
Total with IA Assistance	\$ _____	_____

Optional:

Offer B: Section I.D.1

Cost for NKU Foundation, Inc. Audit	\$ _____	_____
NKU Foundation, Inc. IRS Form 990	\$ _____	_____
NKU Foundation, Inc. IRS Form 990T	\$ _____	_____

Offer C:

Combined NKU and NKU Foundation, Inc.

\$ _____

Offer D: Section I.D.2

-NKU IRS Form 990T (Prepare, Review and Sign)	\$ _____
-NKU Research Foundation IRS Form 990 (Prepare, Review and Sign)	\$ _____
- NKU Research Foundation IRS Form 990T (Prepare, Review and Sign)	\$ _____
-Release of Financial Statements related to Debt Issuance	\$ _____

Offer E: Section I.D.3

Please provide hourly rates that will apply to billing for the optional services requested in Section I.D.3 by level of personnel required:

Audit partner and similar	\$_____ per hour
Audit manager and similar	\$_____ per hour
Senior accountant	\$_____ per hour
Staff accountant	\$_____ per hour
Tax partner and similar	\$_____ per hour
Tax manager and similar	\$_____ per hour
Tax senior	\$_____ per hour

Other (Please list):

_____	\$_____ per hour
_____	\$_____ per hour
_____	\$_____ per hour

J. Additional Data

You may provide any additional data that you feel appropriate to the proposal.

III. Evaluation of Proposals

Proposals will be evaluated by predetermined criteria, including but not limited to:

1. Firms Expertise Overall

- Overall range of activities and services that can be provided
- Experience specifically in public higher education
- Experience at other Kentucky universities
- Experience auditing an ERP environment like SAP
- Experience with university foundation auditing (optional)

2. Expertise and experience of personnel assigned

- Staff's experience in external auditing in general
- Experience performing public higher education audits (F/S, Fed Awards, NCAA)
- Reasonableness of hours for each level of management

3. Audit plan

- Thoroughness of work plan
- Reasonableness of timetable and estimated hours
- Demonstrated plan to coordinate the audit of several entities (Foundation, Research Foundation, Federal Awards etc)

4. Size and structure of the firm

- Will the size/location promote responsiveness
- Reasonableness of on-site vs. of- site hours

5. Overall proposal evaluation

After the top candidates have been selected through the above process, offeror presentations may be arranged with any or all such candidates to assist in making the final selection.

IV. Award

A contract shall be awarded by Northern Kentucky University's Board of Regents to the firm that, in the opinion of the Board, has submitted the best proposal as determined by the evaluation criteria described above.

V. Terms of Contract

The contract resulting from this Request for Proposals will be effective from April 1, 2019 (or date of award of contract, whichever is later) through March 31, 2020 and shall cover all work associated with the 2018-19 fiscal year.

VI. Renewal

This contract is subject to renewal for up to three (3) additional fiscal years with the concurrence of both parties and the Legislative Research Commission. Any renewal will be on a year-to-year determination. Based on the Board of Regents current "non-repeat" requirement, the maximum audit term for any one firm is eight (8) consecutive years.

VII. Price Adjustment**A. Adjustment upon Renewal**

The prices quoted on this proposal shall be firm throughout the life of the contract covering the fiscal year 2018-19 audit. Any requests for increases in hourly rates and/or the maximum fixed fees shall be fully documented by the successful audit firm at the time of renewal, and shall not exceed the percentage increase in the U. S. Department of Labor, Bureau of Labor Statistics Consumer Price Index (December to December).

B. Change in Scope

Nothing in the contract resulting from this RFP shall prohibit a renegotiation of price due to changes in auditing standards, federal, or Commonwealth of Kentucky requirements, or changes in the overall scope of the audit as requested by the University.

VIII. Additional University Information

Northern Kentucky University is a public institution within the higher education system of the Commonwealth of Kentucky. Total enrollment at the university is approximately 14,000 students and has an operating budget of \$220 million. Employment is approximately 1800 faculty and staff. The academic structure of the university consists of seven colleges:

- College of Arts and Sciences

- College of Informatics
- College of Business
- College of Health Professions
- College of Education and Human Services
- Chase College of Law
- Honors College

All University core administrative applications are primarily maintained on networked computer servers. The University utilizes SAP for its financial, human resources and student systems. Other administrative systems in use at the University are Mercury (formerly RMS) used by the Housing Office and Sigma which is used by the Office of Student Financial Assistance. All university facilities including residence halls have access to the wide area network, supported by a group of Windows servers.

NKU food, vending and bookstore services are outsourced.

NKU Research Foundation- The Research Foundation, Inc. is organized for educational purposes to support Northern Kentucky University's efforts to promote the development, implementation, and coordination of extramurally-sponsored and foundation-supported programs involving research, instruction, public service, including the administration of conservation easements, and other projects that further the mission of the University. The Research Foundation is a not-for-profit Kentucky corporation affiliated with Northern Kentucky University and is included within the University's financial statements as a blended component unit.

Uniform Guidance Single Audit- NKU had two major program in 2017-18 Student Financial Aid and Traineeship grant (IDEA).

Lease Law-The 2017-2018 Kentucky Lease Law audit identified no agreements that qualified as a capitalized lease subject to this audit requirement. At this time we do not anticipate any leases that meet the audit requirement for fiscal year 2018-19.

Northern Kentucky University also operates an arena for intercollegiate basketball games, events and meetings. This arena is owned by the University and managed by an outside contractor. NKU participates at the NCAA Division I level.

The university has consistently received unqualified opinions on all financial reports. The accounting staff is familiar with the reporting requirements of GAAP and GASB pronouncements.

IX. Special Conditions

A. Addenda/Clarifications

Any university changes to this RFP will be made by written addendum. Verbal modifications will not be binding.

B. Confidentiality

In accordance with KRS 45A.085 Competitive Negotiation, all proposals received or information derived therefrom remain confidential until a contract is awarded or all proposals are rejected.

C. Proposal Evaluation Process

All proposals received will be reviewed by the University Procurement Services office for completeness of items requested in this RFP. All complete proposal responses will be afforded equal consideration by the members of the Selection Committee as created by KRS 45A.810 and whose members are identified above. All complete proposals will be evaluated using a numerical rating system designed to afford each Selection Committee member a reasonable, individual, objective standard to equate the qualifications of the Respondents.

D. Pre-Contractual Expenses

Pre-contractual expenses are defined as expenses incurred by the respondent in:

1. preparing its proposal in response to this RFP;
2. submitting its qualifications to the university;
3. negotiating with the university any matter related to this submittal; or,
4. any other expenses incurred by a respondent prior to the date of award of a contract to the selected respondent.

The university shall not, in any event, be liable for any pre-contractual expenses incurred by the respondents in the preparation of their submittals.

E. Contract Award

Issuance of this RFP, receipt of proposals, and completion of the selection process does not commit the university to award a contract. The university reserves the right to postpone opening for its own convenience, to accept or reject any or all proposals received in response to their RFP; to negotiate with other than the selected respondent should negotiations with the selected firm be unsuccessful or terminated; to negotiate with more than one respondent simultaneously; to cancel all or part of the RFP; and to waive technicalities.

F. Electronic Responses

Electronic responses are not permitted.

G. Foreign Corporations

1. Foreign Corporations are defined as corporations that are organized under laws other than the laws of the Commonwealth of Kentucky. Foreign Corporations doing business within the Commonwealth of Kentucky are required to be registered with the Secretary of State, New Capitol Building, Frankfort, Kentucky and must be in good standing.
2. The Foreign Corporate Proposer, if not registered with the Secretary of State at the time of the Bid submittal, shall be required to become registered and be declared in good standing prior to the issuance or receipt of a contract.

3. Domestic Corporations. Domestic corporations are required to be in good standing with the requirements and provisions of the Office of the Secretary of State.

H. Occupational License

1. Northern Kentucky University was annexed by the City of Highland Heights in 2008. All contractors performing work for NKU must possess a Campbell County Occupational License and a City of Highland Heights Occupational License (administered by Campbell County) and must also pay applicable payroll taxes. For further information call 859.292.3884 or log onto: <http://www.campbellcountky.org/home/services/occupational-license.htm>.

I. Insurance

1. Vendor must provide NKU with an insurance certificate listing NKU as a certificate holder and additionally insured.

**Northern Kentucky University
617 Lucas Administrative Center
1 Nunn Drive
Highland Heights, KY 41099**

The Contractor shall furnish the University the Certificates of Insurance and guarantee the maintenance of such coverage during the term of the contract. The Contractor shall provide an original policy endorsement of its CGL insurance naming Northern Kentucky University and the directors, officers, trustees, and employees of the University as additional insured on a primary and non-contributory basis as their interest appears. Additionally, the Contractor shall provide an original policy endorsement for Waiver of subrogation in favor of the Northern Kentucky University its directors, officers, trustees, and employees as additional insured.

Our basic insurance requirements are:

Worker’s Compensation and Employers’ Liability Insurance: the Contractor shall acquire and maintain Workers’ Compensation insurance with Kentucky’s statutory limits and Employers’ Liability insurance with at least \$100,000 limits of liability.

Comprehensive General Liability (CGL) Insurance the limits of liability shall not be less than \$500,000 each occurrence for bodily injury and \$250,000 property damage.

Comprehensive Automobile Liability Insurance: To cover all owned, hired, leased or non-owned vehicles used on the Project. Coverage shall be for all vehicles including off the road tractors, cranes and rigging equipment and include pollution liability from vehicle upset or overturn. Policy limits shall not be less than \$500,000 for bodily injury and \$100,000 for property damage.

Excess liability insurance in an umbrella form for excess coverages shall have a minimum of \$1,000,000 combined single limits for bodily injury and property damage for each.

If accessing NKU Student, Employee, or other personal records, vendor needs Security and Privacy Liability Insurance with limits no less than \$1,000,000.

If accessing NKU Student, Employee, or other personal records, vendor needs Evidence Breach Response Services coverage with limits no less than \$5,000,000.

J. Personal Services Contract

1. This RFP is for consulting or other personal services. Kentucky law requires a Personal Services Contract to be signed by the vendor and filed with the Legislative Research Commission in Frankfort prior to any work beginning. [KRS 45A.690](#) defines a Personal Service Contract as “an agreement whereby an individual, firm, partnership, or corporation is to perform certain services requiring professional skill or professional judgment for a specified period of time at a price agreed upon.”

After Determination but prior to award, a Personal Services Contract will be sent to the winning offeror for signature. Please be sure to sign and return the **original** contract promptly to Northern Kentucky University. A Notice of Award will not be issued until the signed Personal Services Contract has been received by Procurement Services and filed with the Legislative Research Commission in Frankfort, KY.

2. REGARDING PERSONAL SERVICE CONTRACT INVOICING

House Bill 387 has now amended Kentucky Revised Statute 45A.695(10)(A) with the following language, “No payment shall be made on any personal service contract unless the individual, firm, partnership, or corporation awarded the personal service contract submits its invoice for payment on a form established by the committee”. The Personal Service Contract Invoice Form shall be used for this purpose and for you convenience we have added fields so that it can be filled in online and printed. This form can be located on NKU’s Procurement Services website at: http://procurement.nku.edu/departamental_forms/PSC_INVOICE_FORM.pdf

CONTRACTUAL ADDENDUM**Requirement to Protect Credit Card Information**

In order to ensure the security of credit card holder information and data accessed by Vendor in connection with the Agreement and this Addendum (collectively, "Cardholder Data"), Vendor hereby agrees to adhere to all applicable Payment Card Industry ("PCI") data security standards and requirements with respect to Cardholder Data, including, without limitation, the following provisions:

- (i)** Vendor must be compliant with the PCI Data Security Standards ("PCI DSS") compliance level 2 or better at all times. This specifically includes the annual PCI DSS Compliance Self-Assessment and the quarterly Compliant Perimeter Scan.
- (ii)** Vendor acknowledges and agrees that it is responsible for the security of all Cardholder Data;
- (iii)** Vendor acknowledges that it has no ownership interest in the Cardholder Data and that all Cardholder Data is the property of the applicable payment card brand, acquirer or merchants ("Card Company Affiliates");
- (iv)** Vendor shall only use Cardholder Data for assisting Card Company Affiliates in completing transactions, supporting loyalty programs, providing fraud control services or for other uses specifically required by law;
- (v)** Vendor represents and warrants that it has a system in place to ensure the continuity of its business and the security of all Cardholder Data in the event of a major disruption, disaster or failure;
- (vi)** Vendor agrees that, upon Northern Kentucky University's request in the event of a security intrusion, Vendor will provide a representative or a PCI approved third party designated by Northern Kentucky University with full cooperation and access to conduct a thorough security review, which review shall include, at a minimum, validation of Vendor's compliance with the PCI DSS for protecting Cardholder Data; and
- (vii)** Vendor agrees that, notwithstanding anything to the contrary in the Agreement or the Addendum, Northern Kentucky University may terminate the Agreement immediately upon notice to the Vendor in the event Vendor fails to maintain the requisite confidentiality of any Cardholder Data.
- (viii)** Vendor agrees to abide by Northern Kentucky University's merchant services contract. All transactions must be sent to the University's contracted merchant services provider for settlement, the use of any other processor is prohibited. This does not preclude middleware gateways such as Authorize.net, or another PCI DSS approved gateway.

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Annual Financial Report
June 30, 2018

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Independent Auditor's Report

Board of Regents
Northern Kentucky University
Highland Heights, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Northern Kentucky University (University), collectively a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Northern Kentucky University Foundation, Inc., a discretely presented component unit included in the financial statements of the University's reporting entity, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1r. to the financial statements, in 2018 the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other post-employment benefits information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 5, 2018, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Cincinnati, Ohio
October 5, 2018

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Management's Discussion and Analysis
Year Ended June 30, 2018

Northern Kentucky University's (the University) Management's Discussion and Analysis of its financial condition provides an overview of the financial performance of the University and its affiliated corporations for the year ended June 30, 2018, with selected comparative information for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

As a public comprehensive university located in a major metropolitan area, the University delivers innovative, student-centered education and engages in impactful scholarly and creative endeavors, all of which empower our graduates to have fulfilling careers and meaningful lives, while contributing to the economic, civic, and social vitality of the region.

Financial Highlights

At June 30, 2018, the University's liabilities totaled \$533.7 million compared to the previous year's \$441.8 million. This \$91.9 million increase in liabilities is attributable, in part, to the recognition of the University's proportionate share of the net liability related to the post employment health insurance coverage provided through the Kentucky Employees Retirement System (KERS) in accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 requires governmental employers participating in a cost-sharing plan to recognize their long-term obligations for other post-employment benefits (OPEB) as a liability on their financial statements for the first time. As a participating employer in the KERS, the University reported a net OPEB liability of \$59.5 million as of June 30, 2018, in addition to a net pension liability of \$315.9 million. The cumulative impact of the pension and OPEB reporting changes since inception resulted in a reduction of \$318.2 million in the University's unrestricted net position as of June 30, 2018. Excluding the impact of the pension and OPEB reporting changes, the University's unrestricted net position would have increased by \$11.0 million for the year ended June 30, 2018.

The University's operating and nonoperating revenues totaled \$222.7 million for the year ended June 30, 2018, an increase of \$4.8 million compared to 2017. Operating revenues declined by \$2.8 million for the year ended June 30, 2018, including a \$0.8 million decrease in net tuition and fees and a \$1.4 million decrease in operating grants and contracts. Nonoperating revenues grew by \$7.6 million for the year ended June 30, 2018 primarily due to a \$4.8 million increase in the University's state appropriations for the year ended June 30, 2018. Operating and nonoperating expenses increased by \$20.3 million, or 8.4 percent, to a total of \$260.5 million for the year ended June 30, 2018, primarily due to an increase in pension and OPEB expenses.

Construction of the University's new transformative Health Innovations Center was completed during the summer of 2018. In addition to the \$97 million capital appropriation the University received from the state, the University also received an \$8 million gift commitment from St. Elizabeth Healthcare to help pay for the design and construction of a virtual care facility within the Center that will help students simulate medical procedures and facilitate transdisciplinary research at the University. The Center will increase the University's capacity to meet the growing demand for graduates in the health professions and management expects enrollment and the associated tuition revenues related to these programs to be positively impacted.

The University's state-funded endowments totaled \$13.4 million as of June 30, 2018. These funds, along with the private endowed gifts donated to benefit the University, are managed by Northern Kentucky University Foundation, Inc. (Foundation). The endowment funds managed by the Foundation, including the University's endowment funds, totaled \$105.3 million at June 30, 2018. For the five-year period ended June 30, 2018, the endowment funds managed by the Foundation have grown from \$82.7 million to \$105.3 million as a result of excellent investment returns and the receipt of several major endowment gifts. The growth in endowment funds has provided a significant increase in the funds available to support the University's mission.

Using the Financial Statements

The University's financial report includes three financial statements: the statement of net position; the statement of revenues, expenses and changes in net position and the statement of cash flows. These financial statements and accompanying footnotes are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a comprehensive, entity-wide basis to focus on the University as a whole.

The University is a component unit of the Commonwealth of Kentucky. The financial statements of the University include the University and its blended component unit, the Northern Kentucky University Research Foundation, Inc. (Research Foundation). Financial statements for the University's discretely presented component unit, Northern Kentucky University Foundation, Inc., have also been included in accordance with GASB pronouncements. Financial statements presented for the Foundation consist of the consolidated statement of financial position and the consolidated statement of activities. These statements are prepared in accordance with Financial Accounting Standards Board (FASB) pronouncements.

Statement of Net Position

The statement of net position reflects the financial position of the University as of June 30, 2018, with comparative information as of June 30, 2017, and includes all assets, deferred outflows and inflows of resources, liabilities and net position. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Net position, consisting of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of the current financial condition of the University. Assets, liabilities, deferred inflows and outflows of resources are generally measured using current values. A major exception is capital assets, which are stated at historical cost less accumulated depreciation.

A summary of the University's net financial position at June 30, 2018 and 2017 follows:

Condensed Statements of Net Position (in thousands)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets	\$ 118,758	\$ 109,159
Capital assets, net	388,690	369,470
Noncurrent assets	32,269	30,653
Total assets	<u>539,717</u>	<u>509,282</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>70,980</u>	<u>44,078</u>
LIABILITIES		
Current liabilities	39,765	38,395
Noncurrent liabilities	493,918	403,406
Total liabilities	<u>533,683</u>	<u>441,801</u>
DEFERRED INFLOWS OF RESOURCES	<u>12,104</u>	<u>6,045</u>
NET POSITION		
Net investment in capital assets	280,404	253,064
Restricted		
Nonexpendable	7,616	7,616
Expendable	5,076	5,491
Unrestricted	(228,186)	(160,657)
Total net position	<u>\$ 64,910</u>	<u>\$ 105,514</u>

Assets

The University's assets increased by \$30.4 million, or 6.0 percent, for the year ended June 30, 2018 and now total \$539.7 million. Current assets increased by \$9.6 million for the year ended June 30, 2018 primarily due to an increase in cash generated from operations and cash reserves committed to construction projects. Noncurrent assets increased by \$20.8 million for the year ended June 30, 2018 primarily due to a \$19.2 million increase in net capital assets. A \$0.5 million increase in investments resulting from excellent investment returns on the University's endowments funds also contributed to the increase in noncurrent assets for the year.

Net capital assets increased by \$19.2 million for the year ended June 30, 2018 and \$23.4 million the prior year, resulting in a combined increase of \$42.6 million, or 12.3 percent, since June 30, 2016. This increase is the net result of an \$83.1 million increase in capitalized construction project costs, land improvements, equipment and other capital assets, less \$40.5 million in depreciation. Net capital assets totaled \$388.7 million, or 72.0 percent of total assets as of June 30, 2018.

Deferred Outflows of Resources

Deferred outflows of resources totaled \$71.0 million and \$44.1 million as of June 30, 2018 and 2017, respectively. Deferred outflows of resources related to the University's defined benefit pension and OPEB plans totaled \$67.7 million and \$40.4 million as of June 30, 2018 and 2017, respectively. The deferred outflows of resources that represent the unamortized difference between the reacquisition price and the net carrying amount of refunded debt totaled \$3.3 million and \$3.7 million at June 30, 2018 and 2017, respectively.

Liabilities

At June 30, 2018, the University's liabilities totaled \$533.7 million compared to the previous year's \$441.8 million. This \$91.9 million increase in liabilities is attributable, in part, to the recognition of the University's proportionate share of the net liability related to the OPEB, primarily health insurance coverage, provided through the KERS in accordance with GASB Statement No. 75. The cumulative effect of the adoption of GASB 75 resulted in a decrease of \$47.1 million in the University's unrestricted net position at July 1, 2017. For the year ended June 30, 2018, the University's net liability related to the post employment health insurance coverage increased by \$12.4 million. An increase of \$40.3 million in the University's net pension liability related to its participation in the KERS also contributed to the increase in total liabilities for the year. At June 30, 2018, the University's proportionate share of the nonhazardous and hazardous net OPEB liability totaled \$59.5 million while the University's net pension liability grew to \$315.9 as of June 30, 2018.

Noncurrent liabilities, excluding the insurance and pension liabilities, declined by \$9.3 million for the year as a result of a decrease in outstanding bonds, notes and capital leases. Current and noncurrent bonds, notes and capital leases payable, net of discounts and premiums, totaled \$112.8 million and \$119.9 million at June 30, 2018 and 2017, respectively.

Deferred Inflows of Resources

The University's deferred inflows of resources totaled \$12.1 million and \$6.0 million as of June 30, 2018 and 2017, respectively. Deferred inflows of resources related to the University's defined benefit pension and OPEB plans totaled \$10.5 million and \$4.5 million as of June 30, 2018 and 2017, respectively.

Net Position

Net position represents the difference between the University's total of assets and deferred outflows of resources and the total of liabilities and deferred inflows of resources. The University's net position totaled \$64.9 million and \$105.5 million at June 30, 2018 and 2017, respectively. The cumulative effect of the adoption of GASB 75 resulted in a decrease in the University's unrestricted net position at July 1, 2017 of \$47.1 million. For the year ended June 30, 2018, the University also recognized noncash expenses totaling \$2.7 million in accordance with GASB 75 and noncash expenses of \$28.8 million in accordance with the pension reporting changes under GASB 68 and GASB 71 resulting in noncash expenses totaling \$31.5 million for the year. Excluding the impact of the pension reporting changes, the University's unrestricted net position would have increased by \$11.0 million for the year ended June 30, 2018.

Net invested in capital assets totaled \$280.4 million and \$253.1 million at June 30, 2018 and 2017, respectively. This \$27.3 million increase is primarily attributable to the \$41.2 million of state capital appropriations the University received in fiscal year 2018 for the construction of the Health Innovations Center.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. GASB requires state appropriations and nonexchange grants and contracts to be classified as nonoperating revenues. Accordingly, the University will generate an operating loss prior to the addition of nonoperating revenues.

This statement is prepared on the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

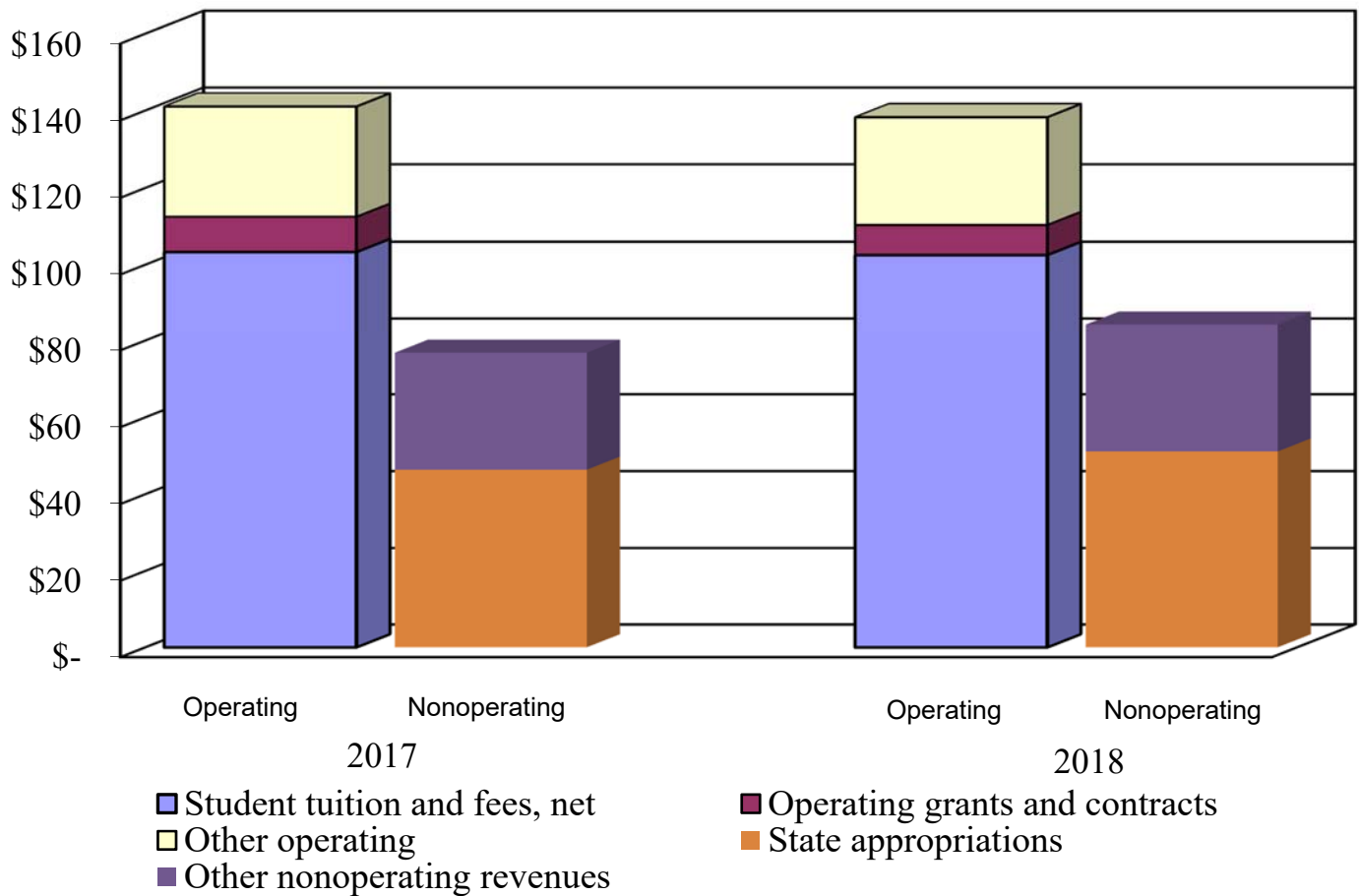
The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. A summarized comparison of the University's revenues, expenses and changes in net position for years ended June 30, 2018 and June 30, 2017 follows:

Condensed Statements of Revenues, Expenses and Changes in Net Position (in thousands)

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Student tuition and fees, net	\$ 102,537	\$ 103,311
Grants and contracts	7,818	9,197
Sales and services of educational departments	4,745	4,969
Auxiliary enterprises	14,951	15,697
Other operating revenues	8,206	7,865
Total operating revenues	<u>138,257</u>	<u>141,039</u>
OPERATING EXPENSES		
Educational and general	227,576	206,258
Depreciation	16,521	16,892
Auxiliary enterprises (including depreciation)	12,097	12,188
Other expenses	279	62
Total operating expenses	<u>256,473</u>	<u>235,400</u>
Net loss from operations	<u>(118,216)</u>	<u>(94,361)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	51,105	46,353
Gifts, grants and contracts	29,358	28,159
Investment income (loss)	2,500	2,300
Interest on capital asset-related debt	(4,063)	(4,345)
Other nonoperating revenues (expenses)	1,432	(498)
Net nonoperating revenues	<u>80,332</u>	<u>71,969</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(37,884)</u>	<u>(22,392)</u>
Capital appropriations	41,155	36,864
Capital grants and gifts	3,189	728
Total other revenues	<u>44,344</u>	<u>37,592</u>
Increase (decrease) in net position	<u>6,460</u>	<u>15,200</u>
Net position-beginning of year, as previously reported	105,514	90,314
Cumulative effect of change in accounting principle	<u>(47,064)</u>	<u>-</u>
Net position-beginning of year, as restated	58,450	90,314
Net position-end of year	<u>\$ 64,910</u>	<u>\$ 105,514</u>

Operating and Nonoperating Revenues

The following chart illustrates the University's revenues by source (both operating and nonoperating), which were used to fund its operating activities for fiscal years 2017 and 2018. Significant recurring sources of revenues, including state appropriations and nonexchange grants and contracts, are considered nonoperating revenues as defined by GASB. These revenues support operating expenses; therefore, they are included in the graph of revenues by source (presented in millions).



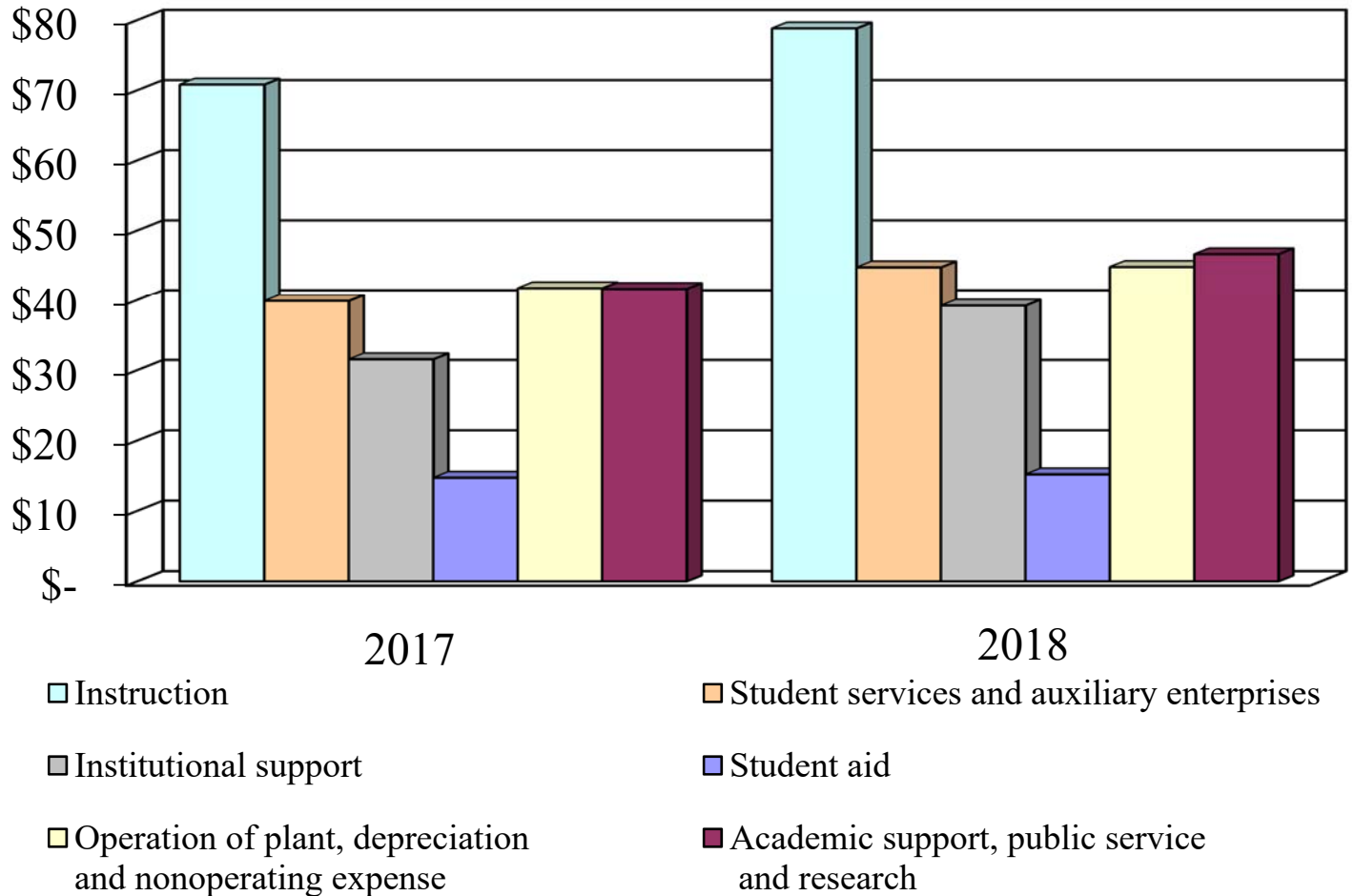
The University's operating and nonoperating revenues totaled \$222.7 million for the year ended June 30, 2018, an increase of \$4.8 million compared to 2017. Operating revenues totaled \$138.3 million, or 62.0 percent of revenues, while nonoperating revenues totaled \$84.4 million, or 38.0 percent of revenues, for the year. The most significant sources of revenue for the University are net student tuition and fees (46.0 percent) and state appropriations (23.0 percent).

Operating revenues declined by \$2.8 million for the year ended June 30, 2018, including a \$0.8 million decrease in net tuition and fees and a \$1.4 million decrease in operating grants and contracts. A \$0.8 million decrease in contracts revenue earned by the Center for Environmental Restoration contributed to a \$0.2 million decrease in sales and services of educational department's revenues for the year. Auxiliary enterprises revenues decreased by \$0.7 million due to a decrease in housing room rentals due to the closure of a housing facility for renovations and a decline in parking services revenues. Other operating revenues increased by \$0.3 million for the year.

Nonoperating revenues grew by \$7.6 million for the year ended June 30, 2018. The University's state appropriations increased by \$4.8 million for the year ended June 30, 2018. State nonoperating grant revenues increased by \$0.8 million for the year due to an increase in state financial aid program revenues, including the new dual credit scholarship program. Federal nonoperating grant revenues increased by \$0.6 million for the year primarily due to an increase in federal financial aid program revenues, including a \$0.5 million growth in federal Pell grant revenues. Other nonoperating revenues increased by \$1.9 million primarily due to a gain on the sale of the University's radio stations.

Operating and Nonoperating Expenses

The following chart illustrates the University's expenses by function (both operating and nonoperating) for fiscal years 2017 and 2018 (presented in millions).



Operating and nonoperating expenses increased by \$20.3 million, or 8.4 percent, to a total of \$260.5 million for the year ended June 30, 2018. The adoption of GASB 75 for the year ended June 30, 2018 resulted in the recognition of OPEB expenses totaling \$5.7 million for the year, including noncash OPEB expenses of \$2.7 million. For fiscal year 2017, which does not reflect the impact of GASB 75, the University recognized OPEB expenses of \$3.1 million. In accordance with GASB 68 and GASB 71, the University recognized pension expenses in fiscal years 2018 and 2017 of \$43.6 million and \$30.3 million, respectively. The \$15.9 million increase in OPEB and pension expenses in fiscal year 2018, contributed to a \$21.1 million increase in operating expenses for the year. Pension and OPEB expenses for the year increased in all functional expense categories including significant increases in institutional support (\$4.6 million), student services (\$3.4 million), academic support (\$3.2 million), operation and maintenance of plant (\$2.5 million) and instruction (\$0.9 million).

In addition to the increase in OPEB and pension expenses, instruction expenses increased by \$7.4 million for the year primarily due to the acquisition of furniture and equipment for the new state-of-the-art Health Innovations Center and Founders Hall renovation project. Public service expenses decreased by \$1.1 million for the year resulting from the operating savings realized from the closure of the University's radio station, the loss of several federal grants, and a decline in contract expenses associated with the Center for Environmental Restoration. In addition to the \$3.2 million increase in pension and OPEB expenses, academic support expenses increased due to an increase in information technology expenses and advising expenses. Institutional support expenses, excluding pension and OPEB expenses, increased by \$0.5 million due to an increase in information technology expenses. Student services expenses, excluding pension and OPEB expenses, decreased by \$0.8 million due to a decrease in new student orientation program expenses and a reduction in student services renovation projects. Tuition and fee scholarship allowances and housing scholarship allowances increased by \$4.8 million and student aid expenses increased by \$0.5 million. Institutionally funded scholarships increased by \$3.9 million for the year. State funded financial aid program expenses increased by \$0.8 million, including \$0.3 million for the new dual credit scholarship program. Federal financial aid program expenses increased by \$0.6 million for the year, including a \$0.5 million growth in Pell grant expenses.

Statement of Cash Flows

Another important factor to consider when evaluating financial viability is the University's ability to meet financial obligations as they become due. The statement of cash flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital and related financing, and investing activities. A comparative summary of the University's statements of cash flows for the years ended June 30, 2018 and 2017 follows:

Condensed Statements of Cash Flows (in thousands)

	<u>2018</u>	<u>2017</u>
Net cash provided (used) by:		
Operating activities	\$ (66,052)	\$ (62,658)
Noncapital financing activities	79,762	75,911
Capital and related financing activities	(5,257)	(19,234)
Investing activities	<u>1,894</u>	<u>1,127</u>
Net increase (decrease) in cash and cash equivalents	10,347	(4,854)
Cash and cash equivalents, beginning of year	<u>105,295</u>	<u>110,149</u>
Cash and cash equivalents, end of year	<u>\$ 115,642</u>	<u>\$ 105,295</u>

The University's cash and cash equivalents increased by \$10.3 million in 2018. Major sources of funds generated by operating activities in 2018 included student tuition and fees (\$101.1 million), grants and contracts (\$8.7 million) and auxiliary enterprises (\$14.5 million). The largest cash payments for operating activities were for salaries and benefits (\$143.6 million), vendor payments (\$44.0 million) and student financial aid (\$15.6 million). Net cash used by operating activities increased by \$3.4 million for the year primarily due to a \$4.3 million increase in payments to vendors, including payments for furniture and equipment for the new Health Innovations Center.

Net cash provided by noncapital financing activities increased by \$3.9 million for the year ended June 30, 2018. Cash used by capital and related financing activities totaled \$5.3 million for 2018. Purchases of capital assets totaling \$44.9 million were funded by \$43.6 million in state capital appropriations received for the Health Innovations Center project as well as capital gifts and institutional funds. The University's principal and interest payments totaled \$11.2 million for the year. The University received proceeds from the sale of capital assets totaling \$6.7 million.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, capital assets, net of accumulated depreciation, totaled \$388.7 million, or 72.0 percent of total assets. Net capital assets increased by \$19.2 million for the year ended June 30, 2018. Additions to capital assets, net of disposals, during the year ended June 30, 2018 totaled \$39.3 million. Depreciation expenses totaled \$20.1 million for the year ended June 30, 2018. Additions to capital assets, net of disposals, during the year ended June 30, 2017 totaled \$43.8 million, including the expansion and renovation of the University's campus recreation center. Depreciation expenses totaled \$20.4 million for the year ended June 30, 2017.

The \$83.1 million increase in capital assets, net of disposals, for the years ended June 30, 2018 and 2017 was primarily attributable to the construction of the new state-of-the-art Health Innovations Center. The Kentucky General Assembly approved a \$97.0 million capital appropriation to the University in its 2014-16 biennial budget to fund the construction of a Health Innovations Center and to renovate Founders Hall. In addition to the capital appropriation, the University also received an \$8 million gift commitment from St. Elizabeth Healthcare to help pay for the design and construction of a virtual care facility within the Center that will help students simulate medical procedures and facilitate transdisciplinary research at the University. The Health Innovations Center opened in summer 2018.

Debt

The following is a summary of the University's outstanding capital debt summarized by trust indenture and type as of June 30, 2018 and 2017 (in thousands):

	<u>2018</u>	<u>2017</u>
General Receipts Bonds, net of discounts and premiums	\$ 111,891	\$ 119,107
Housing and Dining System Revenue Bonds	600	785
Notes payable and municipal lease obligations	275	23
	<u>\$ 112,766</u>	<u>\$ 119,915</u>

Debt decreased by \$7.1 million for the year ended June 30, 2018 resulting from principal payments of \$6.8 million on bonds, notes and capital lease obligations, a \$0.6 million decline in net discounts and premiums and the issuance of \$0.3 million in capital lease obligations for the year. In May 2018, the University entered into a new capital lease obligation through a third party financial institution, in the amount of \$0.3 million, with an interest rate of 4.43 percent. This obligation was used to fund computer equipment.

The University's current bond ratings assigned by Moody's Investors Service (A1 negative) to the University's General Receipts bonds reflects the University's continued funding challenges related to the KERS pension and OPEB plans.

ECONOMIC FACTORS IMPACTING FUTURE PERIODS

President Vaidya is leading a new strategic framework process focused on student success and aligning the University's goals to meet the needs of the region it serves. The strategic framework will be built around enhancing student access, completion and career success for current and future students.

The enacted budget for 2018-20 (House Bill 200) appropriated \$31.0 million to the Postsecondary Education Performance Fund in fiscal year 2019. These funds are being distributed among institutions according to provisions of Kentucky Revised Statute 164.092 which established the performance funding model that allocates funding based on: student success, course completion and operational support. For fiscal year 2019, the University will receive \$4.8 million from the Performance Fund and \$48.5 million in regular appropriations, resulting in a total state appropriation of \$53.3 million.

The University's Board of Regents approved a 3.1 percent increase in undergraduate resident tuition rates for fiscal year 2019. This increase was within the tuition and fee ceiling approved for the University by the Council on Postsecondary Education.

The University's state-funded endowments totaled \$13.4 million as of June 30, 2018. These funds, along with the private endowed gifts donated to benefit the University, are managed by Northern Kentucky University Foundation, Inc. (Foundation). The endowment funds managed by the Foundation, including the University's endowment funds, totaled \$105.3 million at June 30, 2018. For the five-year period ended June 30, 2018, the endowment funds managed by the Foundation have grown from \$82.7 million to \$105.3 million as a result of excellent investment returns and the receipt of several major endowment gifts. The growth in endowment funds has provided a significant increase in the funds available to support the University's mission.

Construction on the University's new transformative Health Innovations Center was completed in the summer of 2018. The Center was funded by a \$97.0 million appropriation from the Commonwealth in the 2014-16 biennium and an \$8 million gift from St. Elizabeth Healthcare to help pay for the design and construction of a virtual care facility within the Center that will help students simulate medical procedures and facilitate transdisciplinary research at the University. The Center will increase the University's capacity to meet the growing demand for graduates in the health professions and management expects enrollment and the associated tuition revenues related to these programs to be positively impacted.

For the year ended June 30, 2018 the University adopted GASB 75 which requires governmental employers participating in a cost-sharing plan to recognize their long-term obligations for OPEB as a liability on their financial statements for the first time. As a participating employer in the KERS, the University reported a net OPEB liability of \$59.5 million as of June 30, 2018, in addition to the University's net pension liability of \$315.9 million. The combined impact of pension and OPEB reporting changes resulted in a cumulative reduction of \$318.2 million in the University's unrestricted net position as of June 30, 2018. Excluding the impact of the pension and OPEB reporting changes, the University's unrestricted net position would have increased by \$11.0 million for the year ended June 30, 2018. The University's required contribution rate for fiscal year 2019 is 49.5 percent of covered payroll for all of its employees that participate in the nonhazardous KERS.

Fortunately, as the Commonwealth and the University continue to face significant budget challenges related to funding the state pension systems, the Kentucky economy continues to perform well. According to the 2018 annual edition of Commonwealth of Kentucky Quarterly Economic & Revenue Report, Kentucky's general fund receipts rose for the eighth consecutive year in fiscal year 2018. Final 2018 general fund revenues were \$119.8 million, or 1.1 percent, more than the official revenue estimate which had projected 2.3% growth. The report indicates that the 2018 revenue surplus has made the 2019 growth hurdle much less formidable, now requiring only 1.5 percent growth over 2018 collections. The report indicates the solid underlying economic conditions will persist well into fiscal year 2019.

Another factor impacting the University is the trend in high school graduations. The number of high school graduates have remained relatively flat in the Kentucky feeder counties and have decreased slightly in the Ohio and Southeast Indiana counties that the University draws the majority of students from. Projections for the next five years show expected declines in these areas. This along with the strong economy will make growing enrollments a challenge. To address these enrollment challenges, the University is expanding its outreach to other student groups (*e.g.*, adult learners, online, etc.) and new markets.

Management is continuing its efforts to diversify revenue sources, contain costs and redirect resources to core mission priorities. The University is working with a partner to develop property at the University's main entrance. The mixed-use development is expected to include office and retail space, restaurants and a hotel and will generate revenue for the University through ground leases. St. Elizabeth Healthcare will occupy a new medical office building in the development. The University recently discontinued several operations that were being subsidized by the University, including several radio stations, and redirected the resources to core mission priorities. In addition to the net gain realized from the sale of the radio stations, the University realized recurring cash savings of approximately \$0.9 million per year from the closure of the radio stations. The University is working with a partner to significantly increase the University's online program offerings. Enrollments in the new online programs, which launched in the spring 2018 semester, have exceeded expectations.

In summary, while the impact of the new pension reporting requirements on the University's unrestricted net position is significant, the University continues to show solid operating performance as measured by cash flows. The University is in the process of implementing new and enhanced strategies around enrollment, including enhanced online programs, and financial aid. These strategies are designed to increase enrollment, support students from diverse backgrounds, increase student retention rates, maintain academic quality, and increase net tuition revenue. The continued growth in funds provided through endowments, gifts, and other sources of revenues will be essential as the University strives to meet the needs of our students. The University will launch the public phase of a multi-year fundraising campaign in the spring of 2019 with a public goal between \$70 and \$75 million.

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky

Statement of Net Position

As of June 30, 2018

(in thousands)

ASSETS

Current Assets

Cash and cash equivalents	\$ 98,916
Notes, loans and accounts receivable, net	17,186
Other current assets	<u>2,656</u>
Total current assets	<u>118,758</u>

Noncurrent Assets

Cash and cash equivalents	16,726
Investments	13,431
Notes, loans and accounts receivable, net	1,914
Capital assets, net	388,690
Other noncurrent assets	<u>198</u>
Total noncurrent assets	<u>420,959</u>
Total assets	<u>539,717</u>

DEFERRED OUTFLOWS OF RESOURCES

Bond refunding loss	3,277
Pension and OPEB	<u>67,703</u>
Total deferred outflows of resources	<u>70,980</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	25,509
Unearned revenue	5,425
Long-term debt-current portion	8,247
Other long-term liabilities-current portion	<u>584</u>
Total current liabilities	<u>39,765</u>

Noncurrent Liabilities

Deposits	11,768
Long-term debt	104,519
Other long-term liabilities	2,262
Net pension and OPEB liability	<u>375,369</u>
Total noncurrent liabilities	<u>493,918</u>
Total liabilities	<u>533,683</u>

DEFERRED INFLOWS OF RESOURCES

Service agreements	1,565
Pension and OPEB	<u>10,539</u>
Total deferred inflows of resources	<u>12,104</u>

NET POSITION

Net investment in capital assets	280,404
Restricted	
Nonexpendable	7,616
Expendable	5,076
Unrestricted	<u>(228,186)</u>
Total net position	<u>\$ 64,910</u>

See accompanying notes to the financial statements

Northern Kentucky University Foundation, Inc.

Consolidated Statement of Financial Position

As of June 30, 2018

(in thousands)

ASSETS

Cash and cash equivalents	\$	13,796
Loans and accounts receivable, net		97
Contributions receivable, net		4,449
Prepaid expenses and deferred charges		38
Investments		108,297
Land and land improvements		548
Accumulated depreciation		(208)
Total assets	\$	<u>127,017</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	3,140
Deferred revenue		215
Funds held in trust for Northern Kentucky University		13,431
Total liabilities		<u>16,786</u>

NET ASSETS

Unrestricted		
For current operations		1,344
Amounts functioning as endowment funds		2,614
Invested in land and land improvements		340
Total unrestricted		<u>4,298</u>
Temporarily restricted		
Unexpended funds received for restricted purposes		12,038
Contributions receivable		3,663
Loan funds		219
Endowment funds		43,769
Total temporarily restricted		<u>59,689</u>
Permanently restricted		
Contributions receivable		786
Endowment funds		45,458
Total permanently restricted		<u>46,244</u>
Total net assets		<u>110,231</u>
Total liabilities and net assets	\$	<u>127,017</u>

See accompanying notes to the financial statements

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018
(in thousands)

OPERATING REVENUES

Student tuition and fees (net of scholarship allowances of \$44,157)	\$ 102,537
Federal grants and contracts	2,162
State and local grants and contracts	3,202
Nongovernmental grants and contracts	2,454
Sales and services of educational departments	4,745
Auxiliary enterprises	
Housing and food service (net of scholarship allowances of \$1,416)	11,006
Other auxiliaries	3,945
Other operating revenues	8,206
Total operating revenues	<u>138,257</u>

OPERATING EXPENSES

Educational and general	
Instruction	78,161
Research	1,443
Public service	13,156
Libraries	6,344
Academic support	23,635
Student services	30,215
Institutional support	36,641
Operation and maintenance of plant	22,806
Depreciation	16,521
Student aid	15,175
Auxiliary enterprises	
Housing and food service	6,944
Other auxiliaries	1,605
Auxiliary depreciation	3,548
Other expenses	279
Total operating expenses	<u>256,473</u>
Net income (loss) from operations	<u>(118,216)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	51,105
Federal grants and contracts	18,252
State and local grants and contracts	11,071
Private gifts and grants	35
Investment income (loss)	2,500
Interest on capital asset-related debt	(4,063)
Other nonoperating revenues (expenses)	1,432
Net nonoperating revenues	<u>80,332</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(37,884)</u>
Capital appropriations	41,155
Capital grants and gifts	3,189
Total other revenues	<u>44,344</u>
Increase (decrease) in net position	<u>6,460</u>

NET POSITION

Net position-beginning of year, as previously reported	105,514
Cumulative effect of change in accounting principle	(47,064)
Net position-beginning of year, as restated	<u>58,450</u>
Net position-end of year	<u>\$ 64,910</u>

See accompanying notes to the financial statements

Northern Kentucky University Foundation, Inc.
Consolidated Statement of Activities
For the Year Ended June 30, 2018
(in thousands)

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and bequests	\$ 2	\$ 4,144	\$ 954	\$ 5,100
Rental income	131	-	-	131
Investment return	346	6,663	-	7,009
Other revenue	115	308	-	423
Total revenues and gains	<u>594</u>	<u>11,115</u>	<u>954</u>	<u>12,663</u>
Net assets released from restrictions	9,352	(9,352)	-	-
Reclassifications of net assets	-	(93)	93	-
Total revenues, gains and other support	<u>9,946</u>	<u>1,670</u>	<u>1,047</u>	<u>12,663</u>
EXPENSES AND LOSSES				
Program Expenses				
Instruction	693	-	-	693
Research	38	-	-	38
Public service	175	-	-	175
Libraries	40	-	-	40
Academic support	725	-	-	725
Student services	524	-	-	524
Institutional support	1,002	-	-	1,002
University facilities and equipment acquisition	3,187	-	-	3,187
Student financial aid	2,469	-	-	2,469
Other program expenses and losses	-	32	-	32
Total program expenses	<u>8,853</u>	<u>32</u>	<u>-</u>	<u>8,885</u>
Support Expenses				
Management and general	428	-	-	428
Fund raising support	179	-	-	179
Total support expenses	<u>607</u>	<u>-</u>	<u>-</u>	<u>607</u>
Total expenses and losses	<u>9,460</u>	<u>32</u>	<u>-</u>	<u>9,492</u>
Increase (decrease) in net assets	486	1,638	1,047	3,171
Net assets-beginning of year	3,812	58,051	45,197	107,060
Net assets-end of year	<u>\$ 4,298</u>	<u>\$ 59,689</u>	<u>\$ 46,244</u>	<u>\$ 110,231</u>

See accompanying notes to the financial statements

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statement of Cash Flows
For the Year Ended June 30, 2018
(in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 101,120
Grants and contracts	8,666
Payments to suppliers	(44,007)
Payments for salaries and benefits	(143,646)
Payments for student financial aid	(15,636)
Loans issued to students	(568)
Collection of loans to students	341
Auxiliary enterprise receipts:	
Housing operations	10,720
Other auxiliaries	3,783
Sales and service of educational departments	4,650
Other receipts (payments)	8,525
Net cash used by operating activities	<u>(66,052)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	51,105
Gifts and grants for other than capital purposes	29,241
Agency and loan program receipts	78,808
Agency and loan program disbursements	<u>(79,392)</u>
Net cash provided by noncapital financing activities	<u>79,762</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital debt and leases	275
Capital appropriations	43,649
Capital grants, gifts, and advances received	229
Proceeds from sale of capital assets	6,685
Purchases of capital assets	(44,898)
Principal paid on capital debt and leases	(6,813)
Interest paid on capital debt and leases	<u>(4,384)</u>
Net cash provided (used) by capital and related financing activities	<u>(5,257)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	253
Interest on investments	<u>1,641</u>
Net cash provided (used) by investing activities	<u>1,894</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 10,347

Cash and cash equivalents-beginning of year	<u>105,295</u>
Cash and cash equivalents-end of year	<u><u>\$ 115,642</u></u>

See accompanying notes to the financial statements

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Statement of Cash Flows
For the Year Ended June 30, 2018
(in thousands)

**RECONCILIATION OF NET OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES:**

Net loss from operations	\$ (118,216)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	20,069
Deferred inflows of resources	6,059
Deferred outflows of resources	(24,190)
Changes in assets and liabilities:	
Receivables, net	1,556
Other assets	(167)
Accounts payable, accrued liabilities and deposits	(433)
Unearned revenue	(239)
Pension and OPEB	49,640
Long-term liabilities	(131)
Net cash used by operating activities	\$ (66,052)

SUPPLEMENTAL CASH FLOWS INFORMATION

Capital assets acquired through capital lease	\$ 162
Gifts of capital assets	167
Capital asset acquisitions in accounts payable	8,337

See accompanying notes to the financial statements

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 1 – Organization and Summary of Significant Accounting Policies

a. Reporting Entity

Northern Kentucky University (the University) is a component unit of the Commonwealth of Kentucky (Commonwealth) and is included in the general-purpose financial statements of the Commonwealth. The financial statements of the University include the operations of the Northern Kentucky University Research Foundation (Research Foundation) which is a legally separate, tax-exempt organization supporting the University. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, the Research Foundation is reported as a blended component unit of the University and condensed financial information is provided in Note 12.

The Northern Kentucky University Foundation, Inc. (the Foundation) is a legally separate, tax-exempt organization supporting the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation's Board of Directors is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The accompanying financial statements do not include the financial position or operating results of the Chase College Foundation, Inc. This foundation is a separately incorporated not-for-profit entity organized for the purpose of promoting the educational mission of the University's Salmon P. Chase College of Law. Although this entity benefits the University's Salmon P. Chase College of Law, it is governed by an independent Board of Directors and is not controlled by the University.

b. Basis of Presentation

The accompanying financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. In accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35) and subsequent standards issued by GASB, the University has elected to report as an entity engaged in business-type activities (BTA). BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services. GASB 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
 - Nonexpendable* – Net position subject to externally imposed stipulations that they be maintained permanently by the University.
 - Expendable* – Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Expendable net position consists primarily of amounts for specified capital construction projects.
- **Unrestricted:** Net position whose use by the University is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Regents or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation required by GASB is intended to provide a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

c. Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

d. Cash and Cash Equivalents

Cash and cash equivalents include all readily available sources of cash such as petty cash, demand deposits, certificates of deposit and temporary investments in marketable debt securities with original maturities less than three months. Funds held by the Commonwealth of Kentucky are also considered cash equivalents.

e. Notes, Loans and Accounts Receivable

This classification consists of tuition and fee charges to students, charges for auxiliary enterprise services provided to students, faculty and staff, loans to students and amounts due from sponsors for reimbursement of expenses made pursuant to contracts and grants. Accounts receivable are recorded net of estimated uncollectible amounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

f. Capital Assets

All capital assets are recorded at cost at date of acquisition, or acquisition value at date of donation. Equipment with a unit cost of \$5,000 or more and having an estimated useful life of greater than one year is capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The University capitalizes interest costs as a component of construction in progress based on the interest cost of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, generally 40 years for land improvements, 10 – 40 years for buildings and fixed equipment, 10 years for library books and 3 – 10 years for equipment. The University capitalizes, but does not depreciate, works of art and historical treasures that are held for exhibition, education, research and public service.

g. Compensated Absences

University policies permit employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized except for employees currently eligible to retire from the Kentucky Employers Retirement System (KERS). A liability is accrued equal to the estimated amount to be paid to KERS for sick leave converted to time worked at retirement. Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

h. Investments

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit are carried at cost. Investment income consists of interest and dividend income, realized gains and losses and the net change for the year in the fair value of investments carried at fair value.

i. Unearned Revenue

Unearned revenue includes amounts received for tuition and other student fees prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenue also includes amounts received from grants and contracts sponsors that have not yet been earned.

j. Deposits

Noncurrent deposits consist primarily of deposits held in a wetland restoration fund pursuant to a memorandum of agreement with a federal agency.

k. Cost-Sharing Defined Benefit Pension Plan

The University participates in a cost-sharing multiple-employer defined benefit pension plan Kentucky Retirement Systems (KRS). 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 the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

l. Cost-Sharing Defined Benefit Other Postemployment Benefit Plan

The University participates in a cost-sharing multiple-employer defined benefit other postemployment benefit plan, KRS, (the OPEB Plan). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

m. Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a loss in net position by the University that is applicable to a future reporting period. Deferred outflows of resources are reported in the statement of net position, but are not recognized in the financial statements as expense until in the related period. Deferred outflows of resources include \$3,277,000 of losses on bond refunding for the year ended June 30, 2018. The remaining balance of deferred outflows for year ended June 30, 2018 consists of the KERS pension and OPEB related unamortized balances.

A deferred inflow of resources is a gain in net position by the University that is applicable to a future reporting period. Deferred inflows of resources are reported in the statement of net position but are not recognized in the financial statements as revenue until in the related period. The agreement between the University and the University's food service providers resulted in a deferred inflow of resources of \$1,565,000 at June 30, 2018. The deferred inflows of resources related to this agreement are recognized evenly over the life of the contract. The remaining deferred inflows of resources for the year ended June 30, 2018 consist of the KERS pension and OPEB related unamortized balances.

See Notes 7 and 8 for details of pension and OPEB related deferred outflows of resources and deferred inflows of resources.

n. Scholarship Allowances

Student tuition and fee revenues and other student related revenues are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the differences between the stated charge for services provided by the University, and the amounts that are paid by the students or third parties making payments on a student's behalf. To the extent that revenues from such programs are used to satisfy tuition and fees, and other student charges, the University has recorded a scholarship allowance.

o. Income Taxes

The University is an agency and instrumentality of the Commonwealth, pursuant to Kentucky Revised Statutes sections 164.290 through 164.475. Accordingly, the University is generally exempt from federal income taxes as an organization described in Section 115 of the Internal Revenue Code of 1986, as amended. The Research Foundation has received a determination from the Internal Revenue Service granting exemption from federal income taxation pursuant to the provisions of Internal Revenue Code section 501(c)(3).

p. Restricted Asset Spending Policy

The University's policy states that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

q. Operating Activities

The University defines operating activities, as reported on the statement of revenues, expenses and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenues relied upon for operations, such as state appropriations, gifts, and investment income, are recorded as nonoperating revenues, in accordance with GASB 35. In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* and related GASB implementation guidance, Pell Grants, College Access Program (CAP) Grants and Kentucky Educational Excellence Scholarship (KEES) are considered nonexchange transactions and are recorded as nonoperating revenues in the accompanying financial statements.

r. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

s. Component Unit Disclosure

The accompanying financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

See Note 13 for further details of related party transactions between the University and Foundation. Complete financial statements for the Foundation can be obtained from the Northern Kentucky University Foundation, Inc. at Lucas Administrative Center Room 820, Nunn Drive, Highland Heights, KY 41099.

t. Change in Accounting Principle

During fiscal year 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* (GASB 75): GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Employers that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to the employer's proportionate share for the collective OPEB liability for all employers participating in the plan.

GASB 75 requires extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. See Note 8 for required note disclosures.

The adoption of GASB 75 resulted in a decrease in net position at July 1, 2017 of \$47,064,000. This change is in accordance with generally accepted accounting principles.

u. Recent Accounting Pronouncements

In June 2017, the GASB approved Statement No. 87, *Leases*. The objective of this Statement is to improve the accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It 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 this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this statement are effective for reporting periods beginning after December 15, 2019. The University is currently evaluating the effects of this statement on its financial statements.

In June 2018, the GASB approved Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The University is currently evaluating the effects of this statement on its financial statements.

Note 2 – Cash, Cash Equivalents and Investments

At June 30, 2018, petty cash funds totaled \$57,000 and the carrying amount of the deposits was \$115,585,000 with a corresponding total bank balance of \$119,300,000. Of the bank balance, \$22,231,000 was covered by federal depository insurance, or collateralized with securities held by the pledging bank, or bank's agents, in the University's name and \$97,069,000 was held and invested by the Commonwealth. These deposits were covered by federal depository insurance or by collateral held by the Commonwealth in the Commonwealth's name.

Investments

The investments which the University may purchase are limited by the Commonwealth's law and the University's bond resolutions to the following (1) securities or obligations which are fully guaranteed by the U.S. Government or agencies of the U.S. Government as to principal and interest; (2) certificates of deposit or time deposits of banks, trust companies or national banking associations which are insured by the Federal Deposit Insurance Corporation; and (3) mutual funds investing solely in U.S. securities.

Custodial credit risk: Custodial credit risk for deposits is the risk that in the event of a bank failure, a government's deposits or collateral securities may not be returned to it. The University currently uses commercial banks and the Commonwealth as its depositories. Deposits with commercial banks are substantially covered by federal depository insurance or collateral held by the bank in the University's name. At the Commonwealth, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth-pooled deposits are substantially covered by federal depository insurance or by collateral held by the

Commonwealth in the Commonwealth's name. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The fair value of the University's investments at June 30, 2018 was \$13,431,000. These investments represent the University's Regional University Excellence Trust Fund endowments which are invested in an investment pool managed by the Foundation. See Note 13 (c) for the required GASB fair value disclosures for the University's investments that are included in the Foundation's investment pool. University assets in the Foundation investment pool at June 30, 2018 are invested as follows:

Type of Investment:	
Fixed income funds	14%
Domestic equity funds	33%
International equity funds	13%
Emerging markets	9%
Private equity	5%
Natural resources	13%
Other	13%
Total Investments	<u>100%</u>

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As stated in the University's investment policy, the bond resolution governs the investment of bond reserves. The bond resolution limits the investment maturities by the lesser of the remaining life of the bond issue or ten years. Certificates of deposit can have a maturity of not more than two years from the date of issue.

Credit Risk: Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires investments to be in compliance with state statute. University investments that are managed by the Foundation are governed by the Foundation's investment policy. This policy contains several provisions which are intended to limit credit risk, including a requirement that fixed income portfolios maintain a weighted average credit rating of at least AA (Standard and Poor's) and have no more than 10 percent of the portfolio in below investment grade bonds.

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 user. The University debt service reserves are invested by the bond trustees in accordance with the governing bond resolutions. There are no specific limits on the maximum amount of investment securities held in bond debt service reserve funds that may be invested in one issuer. However, such investments are limited to interest bearing direct obligations of the U.S. government or obligations fully guaranteed by the U.S. government.

Foreign Currency Risk: This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The University had no investments denominated in foreign currency at June 30, 2018.

Note 3 – Notes, Loans and Accounts Receivable

Notes, loans and accounts receivable as of June 30, 2018 are as follows (in thousands):

	Gross		Net
	Receivable	Allowance	Receivable
Student loans	\$ 1,478	\$ (488)	\$ 990
Student accounts receivable	12,339	(4,768)	7,571
Reimbursement receivable grants and contracts	738	-	738
State appropriations receivable	4,447	-	4,447
NKU Foundation receivable	3,058	-	3,058
Other	3,536	(1,240)	2,296
Total	<u>\$ 25,596</u>	<u>\$ (6,496)</u>	<u>\$ 19,100</u>
Current portion			\$ 17,186
Noncurrent portion			1,914
Total			<u>\$ 19,100</u>

Note 4 – Capital Assets, net

Capital assets for the year ended June 30, 2018 is summarized as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Cost:				
Indefinite life intangible assets	\$ 4,206	\$ -	\$ 4,206	\$ -
Land	9,607	316	294	9,629
Land improvements	37,964	5,756	1,638	42,082
Buildings	452,166	80,512	1,512	531,166
Equipment	69,760	8,864	962	77,662
Library books	16,788	271	2,058	15,001
Construction in process	53,764	877	50,545	4,096
	<u>644,255</u>	<u>96,596</u>	<u>61,215</u>	<u>679,636</u>
Accumulated Depreciation:				
Land improvements	9,192	1,076	223	10,045
Buildings	190,538	14,751	776	204,513
Equipment	60,809	3,669	851	63,627
Library books	14,246	573	2,058	12,761
	<u>274,785</u>	<u>20,069</u>	<u>3,908</u>	<u>290,946</u>
Capital assets, net	<u>\$ 369,470</u>	<u>\$ 76,527</u>	<u>\$ 57,307</u>	<u>\$ 388,690</u>

The estimated cost to complete construction under contract at June 30, 2018 was approximately \$5,177,000.

As of June 30, 2018, the net book value of equipment acquired through capital leases included in the above schedules totaled \$162,000.

In 2018, the University discontinued operations of three radio stations that were being subsidized by the University and redirected the resources to core mission priorities. In August and September of 2017, the radio stations, WNKU, WNKE and WNKN, were sold. The sales resulted in a gain of \$1,659,000 which is included on the Statement of Revenues, Expenses and Changes in Net Position as other nonoperating revenue.

Note 5 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2018 are as follows (in thousands):

Payable to vendors and contractors	\$ 14,791
Accrued expenses, primarily payroll and vacation leave	6,089
Employee withholdings and deposits payable to third parties	3,246
Self-insured health liability	1,383
Total	<u>\$ 25,509</u>

Note 6 – Long-term Liabilities

The changes in long-term liabilities for the year ended June 30, 2018 are summarized as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Housing and Dining Revenue Bonds	\$ 785	\$ -	\$ 185	\$ 600	\$ 195	\$ 405
General Receipts Bonds (net of discounts and premiums)	119,107	-	7,216	111,891	7,992	103,899
Total bonds	<u>119,892</u>	<u>-</u>	<u>7,401</u>	<u>112,491</u>	<u>8,187</u>	<u>104,304</u>
Municipal lease obligations	-	-	-	-	-	-
Notes and leases payable	23	275	23	275	60	215
Total debt	<u>119,915</u>	<u>275</u>	<u>7,424</u>	<u>112,766</u>	<u>8,247</u>	<u>104,519</u>
Deferred compensation	227	-	82	145	39	106
Federal portion of loan programs	1,558	-	487	1,071	-	1,071
Unearned revenue	5,712	5,462	5,701	5,473	5,425	48
KERS-sick leave	674	220	131	763	76	687
Other	700	-	175	525	175	350
Total other long-term liabilities	<u>8,871</u>	<u>5,682</u>	<u>6,576</u>	<u>7,977</u>	<u>5,715</u>	<u>2,262</u>
Deposits	12,798	1,483	2,219	12,062	294	11,768
Net pension and OPEB liability*	275,585	99,784	-	375,369	-	375,369
Total long-term liabilities	<u>\$ 417,169</u>	<u>\$ 107,224</u>	<u>\$ 16,219</u>	<u>\$ 508,174</u>	<u>\$ 14,256</u>	<u>\$ 493,918</u>

*The additions column includes the cumulative effect as a result of the adoption of GASB 75.

a. Bonds

The gross revenues of the Housing and Dining system operations are pledged for the retirement of the Housing and Dining System Revenue Bonds. The \$210,000 reserve requirement for the Housing and Dining issue was fully funded as of June 30, 2018. The \$348,000 required housing repair and replacement fund was fully funded as of June 30, 2018.

The outstanding obligation as of June 30, 2018 for the Northern Kentucky University General Receipts Bonds are reported net of discounts totaling \$9,000 and premiums of \$7,520,000. General Receipts Bonds are collateralized by the operating and nonoperating income of the University excluding income which as a condition of the receipt is not available for payment of debt service charges.

On August 25, 2016, Northern Kentucky University General Receipts Bonds were issued in the amount of \$15,225,000 and a net interest cost of 2.02 percent. The proceeds partially refunded the General Receipts Bonds, 2008 Series A maturing on or after September 1, 2019. The refunding reduced the University's total debt service payments over the term by \$1,818,000, representing an economic gain of \$1,600,000. Economic gain is determined by calculating the difference between the present value of the debt service payments on the old and new debt. As of June 30, 2018, a balance of \$15,794,000 is being held in escrow by the trustee to fund the debt service on the refunded portion of the 2008 Series A until the bonds are called for redemption on September 1, 2018.

b. Leases

In May 2018, the University entered into a new capital lease obligation through a third party financial institution, in the amount of \$275,000, with an interest rate of 4.43 percent. This obligation was used to fund computer equipment.

The total bonds payable and leases as of June 30, 2018 are as follows (in thousands):

Housing and Dining System Revenue bonds payable	
Series B, dated November 1, 1980, with an interest rate of 3.00%. Final principal payment date November 1, 2020.	\$ 600
Total Housing and Dining System Revenue bonds payable	<u>600</u>
General Receipts bonds payable	
Series A 2007, dated May 23, 2007, with an interest rate of 4.00%. Final principal payment date September 1, 2018.	2,395
Series A 2008, dated June 18, 2008, with interest rates from 3.50% to 4.00%. Final principal payment date September 1, 2018.	995
Series A 2010, dated June 29, 2010, with interest rates from 2.00% to 3.50%. Final principal payment date September 1, 2020.	935
Series B 2010, dated October 21, 2010, with interest rates from 2.00% to 3.75%. Final principal payment date September 1, 2027.	8,350
Series A 2011, dated August 4, 2011, with interest rates from 2.00% to 4.00%. Final principal payment date September 1, 2030.	7,200
Series A 2013, dated February 26, 2013, with an interest rate of 2.00%. Final principal payment date September 1, 2022.	2,620
Series A 2014, dated January 7, 2014, with interest rates from 2.00% to 5.00%. Final principal payment date September 1, 2033.	41,120
Series A 2016, dated May 17, 2016, with interest rates from 2.00% to 5.00%. Final principal payment date September 1, 2027.	25,640
Series A 2016, dated August 25, 2016, with interest rates from 2.00% to 4.00%. Final principal payment date September 1, 2028.	15,125
Total General Receipts bonds payable	<u>104,380</u>
Capital lease payables	
Capital equipment lease, dated May 1, 2018, with an interest rate of 4.43%. Final principal payment date May 1, 2023.	275
Total capital lease payable	<u>275</u>
Plus: Net discounts and premiums	7,511
Total debt	<u>\$ 112,766</u>

Principal maturities and interest on debt for the next five years and in subsequent five-year periods are as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 7,590	\$ 4,123	\$ 11,713
2020	7,455	3,851	11,306
2021	7,743	3,563	11,306
2022	7,585	3,263	10,848
2023	7,947	2,950	10,897
2024-2028	43,760	9,494	53,254
2029-2033	19,585	2,918	22,503
2034	<u>3,590</u>	<u>85</u>	<u>3,675</u>
Subtotal	105,255	30,247	135,502
Plus: Net discounts and premiums	7,511	-	7,511
Total	<u>\$ 112,766</u>	<u>\$ 30,247</u>	<u>\$ 143,013</u>

Note 7 – Pension Plans and Accrued Compensated Absences

Employees of the University are covered by one of the following plans:

a. Defined Contribution Plan

A Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA CREF) sponsored plan, adopted by the Board of Regents in July 1970, is available upon completion of ninety days of service, to all regular full-time members of the faculty, administrative officers and others who have educational related duties. The TIAA CREF retirement plan is a defined contribution, money purchase retirement plan. The employees contribute 5 percent of their base salary to the plan, and the University contributes 10 percent. All payments are vested immediately and the contracts with the providers are owned by the individual employees. The employee is entitled to various payment options upon retirement. Benefit payments at retirement depend on the total contributions with interest deposited into the employee's account. Retirement benefits can begin upon retirement or termination of employment with the University. Covered payroll totaled \$47,000,000 for the year ended June 30, 2018. The University's contribution totaled \$4,700,000 for the year ended June 30, 2018.

b. Defined Benefit Plan

Plan Description - All regular employees not participating in the above plan are required to participate in either the Nonhazardous or Hazardous cost-sharing multiple employer defined benefit pension plan, both of which are under the KERS, that is administered by the Board of Trustees of the KRS. The defined benefit plans provide for retirement, disability and death benefits. Participants have a fully vested interest after the completion of 60 months of service, 12 of which are current service. KERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601-6124 or by calling (502) 696-8800.

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/2013	Tier 3 Participation on or after 1/1/2014
Nonhazardous			
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	1.97%, or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No money purchase calculations.	
Reduced Retirement Benefit:	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit.

Tier 1
Participation Prior to
9/1/2008

Tier 2
Participation
9/1/2008 through 12/31/2013

Tier 3
Participation on or after
1/1/2014

Hazardous

Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Highest 3 fiscal years (must contain at least 24 months). Includes lump-sum compensation payments (before and at retirement).	3 highest salaries; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	2.49%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. Greater than 25 years = 2.50%.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 60 months of service.	Any age with 25 years of service. Age 60 with 5 years of service.	Any age with 25 years of service. Age 60 with 5 years of service.
Reduced Retirement Benefit:	Age 50 with 15 years of service.	Age 50 with 15 years of service.	No reduced retirement benefit

Contributions- Benefit and contribution rates are established by state statute. Per Kentucky Revised Statute 61.565 contribution requirements of the active employees and the participating organizations are established and may be amended by the KRS Board. For the fiscal year ended June 30, 2018, University employees were required to contribute 5 percent of their annual covered salary for retirement benefits. The University was contractually required to contribute 41.06 percent of covered payroll to the nonhazardous KERS pension plans. The University also was contractually required to contribute 21.44 percent of covered payroll to the hazardous KERS pension plans.

The required contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The University's total required contribution to the KERS nonhazardous pension plan for the year ended June 30, 2018 was \$14,596,000. The required contribution to the KERS hazardous pension plan for the year ended June 30, 2018 was \$180,000.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2018, the University reported a liability of \$314,022,000, for its proportionate share of the nonhazardous net pension liability. The University's hazardous pension liability was \$1,844,000 for the year ended June 30, 2018. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the University's proportion was 2.345 percent for nonhazardous and 0.371 percent for hazardous.

For the year ended June 30, 2018, the University recognized nonhazardous pension expense of \$43,243,000; and hazardous pension expense of \$308,000.

At June 30, 2018 the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Nonhazardous		
Differences between expected and actual experience	\$ 56	\$ 2,022
Change of assumptions	39,841	-
Net difference between projected and actual earnings on investments	1,519	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	7,041
Contributions subsequent to the measurement date	14,596	-
Hazardous		
Differences between expected and actual experience	70	-
Change of assumptions	339	-
Net difference between projected and actual earnings on investments	20	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7	109
Contributions subsequent to the measurement date	180	-
Total	<u>\$ 56,628</u>	<u>\$ 9,172</u>

At June 30, 2018, the University reported \$14,776,000 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018, related to pensions will be recognized in pension expense as follows (in thousands):

Year Ending June 30	
2019	\$ 20,764
2020	11,920
2021	452
2022	<u>(456)</u>
	<u>\$ 32,680</u>

Pension Actuarial assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement for nonhazardous and hazardous pensions.

	<u>Nonhazardous</u>	<u>Hazardous</u>
Inflation	2.30%	2.30%
Salary Increases	3.05%, average, including inflation	3.05%, average, including inflation
Investment Rate of Return	5.25%, net of pension plan investment expense, including inflation	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four years for males) is used for the period after disability retirement. There is some margin in the current mortality table for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent actuarial experience study was for the period July 1, 2008 through June 30, 2013. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The KRS Board of Trustees plans to have the next experience study conducted using the plan's experience for the five-year period ended June 30, 2018. The actuarial assumptions that result from that experience study will be first used to prepare the June 30, 2019 valuation.

The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following tables:

<u>Asset Class</u>	<u>Nonhazardous Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US equity*	17.50%	5.75%
International equity*	17.50%	7.38%
Global bonds	10.00%	2.63%
Global credit	17.00%	3.63%
High yield	0.00%	5.75%
Emerging market debt	0.00%	5.50%
Private credit	0.00%	8.75%
Real estate*	5.00%	6.63%
Absolute return	10.00%	5.63%
Real return*	10.00%	5.13%
Private equity	10.00%	8.25%
Cash	3.00%	1.88%
Total	<u>100.00%</u>	

Asset Class	Hazardous	
	Target Allocation	Long Term Expected Real Rate of Return
US equity*	17.50%	5.97%
International equity*	17.50%	7.85%
Global bonds	4.00%	2.63%
Global credit	2.00%	3.63%
High yield	7.00%	5.75%
Emerging market debt	5.00%	5.50%
Private credit	10.00%	8.75%
Real estate*	5.00%	7.63%
Absolute return	10.00%	5.63%
Real return*	10.00%	6.13%
Private equity	10.00%	8.25%
Cash Equivalent	2.00%	1.88%
Total	100.00%	

*Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan.

Pension Discount rate – The discount rate used to measure the total pension liability was 5.25 percent for the nonhazardous plan, and 6.25 percent for the hazardous plan. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year (closed) amortization period of the unfunded actuarial accrued liability. As the assets are deemed sufficient to pay future benefits, the discount rate determination does not use a municipal bond rate.

Sensitivity of the University’s proportionate share of the net pension liability to changes in the discount rate - The University’s proportionate share of the net pension liability has been calculated using a discount rate of 5.25 percent for the nonhazardous and 6.25 percent for hazardous. The following presents the University’s proportionate share of the net pension liability calculated using a discount rate 1 percent higher and 1 percent lower than the current rate (in thousands):

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Nonhazardous			
Proportionate share of the Collective Net Pension Liability	\$ 358,542	\$ 314,022	\$ 277,006
	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Hazardous			
Proportionate share of the Collective Net Pension Liability	\$ 2,345	\$ 1,844	\$ 1,428

Payable to the pension plan - The University reported payables of \$1,637,000 for the outstanding amount of employer contributions to the pension plan required for the year ended June 30, 2018.

Effective July 1, 2010 KRS 61.546 states “the value of any accumulated sick leave that is added to the member’s service credit in the KERS on or after July 1, 2010, shall be paid to the retirement system by the last participating KERS employer based upon a formula adopted by the Board.” The KERS sick leave liability as of June 30, 2018 was \$763,000.

c. Compensated Absences

University employees begin to accumulate annual vacation allowance from the initial date of employment; however, no vacation is granted until three months of continuous employment have been completed. The maximum accumulation of vacation leave is limited to the number of days that can be accumulated in twelve months, based upon length of service and employment classification. Eligible employees are paid their accumulated vacation upon termination, subject to certain limitations. At June 30, 2018, the University had recognized an accrued vacation liability of \$3,020,000.

Note 8 – Other Post-Employment Benefits

a. Defined Benefit Plan

Plan Description - The University contributes to the KRS Insurance Fund, a cost-sharing multiple employer defined benefit other post-employment plan (the OPEB plan), which was established to provide hospital and medical insurance for eligible members receiving benefits from KERS. The OPEB plan pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The OPEB plan is administered by the Board of Trustees of the KRS. Benefit provisions are contained in the plan document and were established and can be amended by action of the Commonwealth of Kentucky Legislature. KERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601-6124 or by calling (502) 696-8800.

<i>Benefits Provided –</i>			
	Tier 1 Participation Prior to 7/1/2003	Tier 2 Participation 7/1/2003 through 8/31/2008	Tier 3 Participation on or after 9/1/2008
Nonhazardous			
Eligibility:	Recipient of a retirement allowance	Recipient of a retirement allowance, with at least 120 months of service at retirement	Recipient of a retirement allowance, with at least 180 months of service at retirement
Benefit:	Allowance for medical insurance coverage based on years and type of service. Less than 4 years = 0%. At least 4 years, but less than 10 = 25%. At least 10 years, but less than 15 = 50%. At least 15 years, but less than 20 = 75%. 20 or more years = 100%.	Monthly contribution of \$10 for each year of earned service.	
Cost of Living Adjustment (COLA):	N/A	Monthly contribution is increased by 1.5% each July 1. As of July 1, 2016, the nonhazardous monthly contribution was \$12.99/year of service.	
	Tier 1 Participation Prior to 7/1/2003	Tier 2 Participation 7/1/2003 through 8/31/2008	Tier 3 Participation on or after 9/1/2008
Hazardous			
Eligibility:	Recipient of a retirement allowance	Recipient of a retirement allowance, with at least 120 months of service at retirement	Recipient of a retirement allowance, with at least 180 months of service at retirement
Benefit:	Allowance for medical insurance coverage based on years and type of service. Less than 4 years = 0%. At least 4 years, but less than 10 = 25%. At least 10 years, but less than 15 = 50%. At least 15 years, but less than 20 = 75%. 20 or more years = 100%.	Monthly contribution of \$15 for each year of earned service.	
Cost of Living Adjustment (COLA):	N/A	Monthly contribution is increased by 1.5% each July 1. As of July 1, 2016, the hazardous monthly contribution was \$19.48/year of service.	

Contributions- Benefit and contribution rates are established by state statute. Per Kentucky Revised Statute 61.565, contribution requirements of the participating organizations are established and may be amended by the KRS Board. Employees with a participation date after September 1, 2008 are required to contribute 1 percent of their covered salary for retiree healthcare benefits. For the fiscal year ended June 30, 2018, the University was contractually required to contribute 8.41 percent of covered payroll to the nonhazardous KERS OPEB plan. The University also was contractually required to contribute 2.26 percent of covered payroll to the hazardous KERS OPEB plan.

The required contributions to the KERS nonhazardous OPEB plan for the year ended June 30, 2018 was \$2,989,000. The required contributions to the KERS hazardous OPEB plan for the year ended June 30, 2018 was \$19,000.

OPEB liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – At June 30, 2018, the University reported a liability of \$59,481,000 for its proportionate share of the nonhazardous net OPEB liability. The University’s hazardous net OPEB liability was \$22,000. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to the measurement date. The University’s proportion of the net OPEB liability was based on the University’s actual contributions to the OPEB plan relative to the contributions of all participating employers for the measurement period. At June 30, 2018, the University’s proportion was 2.345 percent for nonhazardous and 0.371 percent for hazardous.

For the year ended June 30, 2018, the University recognized nonhazardous OPEB expense of \$5,690,000 and hazardous OPEB expense of \$49,000.

At June 30, 2018 the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Nonhazardous		
Differences between expected and actual experience	\$ -	\$ 74
Changes in assumptions	7,788	-
Net difference between projected and actual earnings on investments	-	770
Changes in proportion and differences between the University's contributions and proportionate share of contributions	-	437
Contributions subsequent to the measurement date	2,989	-
Hazardous		
Differences between expected and actual experience	-	3
Changes in assumptions	279	-
Net difference between projected and actual earnings on investments	-	80
Changes in proportion and differences between the University's contributions and proportionate share of contributions	-	3
Contributions subsequent to the measurement date	19	-
Total	<u>\$ 11,075</u>	<u>\$ 1,367</u>

At June 30, 2018, the University reported \$3,008,000 as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018, related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year Ending June 30	
2019	\$ 1,654
2020	1,654
2021	1,654
2022	1,654
2023	69
Thereafter	15
	<u>\$ 6,700</u>

Actuarial assumptions - The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement for nonhazardous and hazardous OPEB.

Inflation	2.30%
Salary Increases	3.05%, average, including inflation
Health care cost trend rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Investment Rate of Return	6.25%
Mortality	RP-2000 Combined Mortality Table, projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality table for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected rate of return on OPEB 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 OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

OPEB Asset Allocations

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
US Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real Return	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	2.0%	1.88%
Total	100%	

*Long-term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan.

Discount rate - The discount rate used to measure the total OPEB liability was 5.83% for the nonhazardous plan, and 5.87% for the hazardous plan. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, a municipal rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate - The University's proportionate share of the net OPEB liability has been calculated using a discount rate of 5.83% for the nonhazardous and 5.87% for hazardous. The following presents the University's share of the net OPEB liability calculated using a discount rate 1% higher and 1% lower than the current rate (in thousands):

	<u>1% Decrease (4.83%)</u>	<u>Current Discount Rate (5.83%)</u>	<u>1% Increase (6.83%)</u>
Nonhazardous			
Proportionate share of the Collective Net OPEB Liability	\$ 69,540	\$ 59,481	\$ 51,121
	<u>1% Decrease (4.87%)</u>	<u>Current Discount Rate (5.87%)</u>	<u>1% Increase (6.87%)</u>
Hazardous			
Proportionate share of the Collective Net OPEB Liability (Asset)	\$ 272	\$ 22	\$ (183)

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the health care cost trend rates - The University's proportionate share of the net OPEB liability has been calculated using an initial pre-65 health care trend rate of 7.25%, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The post-65 health care trend rate starts at 5.10%, gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rates</u>	<u>1% Increase</u>
Nonhazardous			
Proportionate share of the Collective Net OPEB Liability	\$ 50,539	\$ 59,481	\$ 70,708
	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rates</u>	<u>1% Increase</u>
Hazardous			
Proportionate share of the Collective Net OPEB Liability (Asset)	\$ (184)	\$ 22	\$ 279

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan annual report.

Payable to the OPEB plan - The University reported payables of \$333,000 for the outstanding amount of employer contributions to the OPEB plan required for the year ended June 30, 2018.

Note 9 – Operating Expenses By Natural Classification

The University's operating expenses by natural classification are as follows for the year ended June 30, 2018 (in thousands):

Salaries and wages	\$ 99,919
Employee benefits-pension and OPEB	49,510
Employee benefits-other	27,602
Utilities	5,414
Supplies and other services	38,322
Depreciation	20,069
Student scholarships and financial aid	15,637
Total	<u>\$ 256,473</u>

Note 10 – Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by (1) the State Fire and Tornado Insurance Fund (the Fund), (2) Sovereign Immunity and the Kentucky Claims Commission, or (3) in the case of risks not covered by the Fund and Sovereign Immunity, commercial insurance, participation in insurance risk retention groups or self-insurance.

The Fund covers losses to property from fire, wind, earthquake, flood and most other causes of loss between \$5,000 and \$1 million per occurrence. Losses in excess of \$1 million are insured by commercial carriers up to \$1.5 billion per occurrence with buildings insured at replacement cost and contents on an actual cash value basis. As a state agency, the University is vested with Sovereign Immunity and is subject to the provisions of the *Board of Claims Act*, under which the University's liability for certain negligence claims is limited to \$250,000 for any one person or \$400,000 for all persons damaged by a single act of negligence. Claims against educators' errors and omissions and wrongful acts are insured through a reciprocal risk retention group. There have been no significant reductions in insurance coverage from 2017 to 2018. Settlements have not exceeded insurance coverage during the past three years.

The University began self-insuring employee health insurance as of January 1, 2014. Accrued expenses are based on the estimated costs of health care claims based on claims filed subsequent to year end and an additional amount for incurred but not yet reported claims based on prior experience. The University purchases both specific and aggregate stop loss coverage on medical and prescription drug claims. The stop loss insurance limits its exposure for claims to \$250,000 per individual and 125 percent of projected aggregate claims.

The health self-insurance liability as of June 30, 2018 is detailed below (in thousands):

Liability, beginning of year	\$ 1,415
Claims and changes in estimates	13,992
Claims paid	(14,024)
Liability, end of year	<u>\$ 1,383</u>

The University also self-insures certain other employee benefits, including worker's compensation claims to the extent not covered by insurance. The University has recorded an estimate for asserted claims at June 30, 2018.

Note 11 – Contingencies

The University is a party to various litigation and other claims in the ordinary course of business. University officials are of the opinion, based upon the advice of legal counsel, that the ultimate resolution of these matters will not have a material effect on the financial position of the University.

Note 12 – Blended Entity Condensed Financial Information

Condensed financial information for Northern Kentucky University Research Foundation (NKURF) is provided below for the year ended June 30, 2018 (in thousands):

Condensed Statement of Net Position

ASSETS	
Current assets	\$ 1,161
Noncurrent assets	11,730
Total assets	<u>12,891</u>
LIABILITIES	
Current liabilities	279
Due to the University - current	77
Noncurrent liabilities	11,730
Total liabilities	<u>12,086</u>
NET POSITION	
Restricted expendable	4
Unrestricted	801
Total net position	<u>\$ 805</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

OPERATING REVENUES	
Grants and contracts	\$ 2,267
Recoveries of facilities and administrative costs	179
Total operating revenues	<u>2,446</u>
OPERATING EXPENSES	
Educational and general	<u>2,279</u>
Total operating expenses	<u>2,279</u>
Net income (loss) from operations	<u>167</u>
NONOPERATING REVENUES (EXPENSES)	
Non-capital transfers (to)/from the University	<u>(206)</u>
Net nonoperating revenues (expenses)	<u>(206)</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(39)</u>
Capital transfers (to) the University	<u>(6)</u>
Total other revenues (expenses)	<u>(6)</u>
Increase (decrease) in net position	<u>(45)</u>
NET POSITION	
Net position-beginning of year	<u>850</u>
Net position-end of year	<u>\$ 805</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 471
Net cash provided (used) by noncapital financing activities	(1,110)
Net cash provided by (used in) capital and related financing activities	<u>(6)</u>
Net increase (decrease) in cash and cash equivalents	<u>(645)</u>
Cash and cash equivalents-beginning of year	13,319
Cash and cash equivalents-end of year	<u>\$ 12,674</u>

Note 13 – Northern Kentucky University Foundation, Inc. Notes to Financial Statements

Selected disclosures from the Foundation are included as follows:

a. Summary of Significant Accounting Policies

1. Scope of Statements

The consolidated financial statements of the Northern Kentucky Foundation, Inc. include the operations of the Foundation and several single member limited liability companies. All material intercompany transactions and balances have been eliminated for the year ended June 30, 2018.

2. Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Foundation in preparation of its consolidated financial statements.

These statements are presented on the accrual basis of accounting, and have been prepared to focus on the Foundation as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of balances and transactions into three classes of net assets - permanently restricted, temporarily restricted and unrestricted net assets.

Net assets and changes therein are classified as follows:

- **Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use the returns on the related investments over time for general or specific purposes.
- **Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time. Temporarily restricted net assets are generally established in support of colleges or departments of the University, often for specific purposes such as faculty support, scholarships and fellowships, library acquisitions, equipment or building projects and other specific purposes.
- **Unrestricted net assets** - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Restricted contributions and net investment returns earned are reported as temporarily restricted support and reclassified as unrestricted when any donor-imposed restrictions are satisfied. Expirations of temporary restrictions on net assets are met when a donor stipulated time restriction ends or purpose restriction is accomplished and reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions receivable are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of such factors as prior collection history, type of contribution and nature of the fund-raising activity.

Income and realized net gains on long-term investments are reported as follows:

- As increases in permanently restricted net assets – if the terms of the gift require that they be added to the principal of a permanent endowment fund.
- As increases in temporarily restricted net assets – if the terms of the gift impose restrictions on the use of the income.
- As increases in unrestricted net assets – in all other cases.

3. Cash and Cash Equivalents

Cash and cash equivalents includes all readily available sources of cash such as petty cash, demand deposits and temporary investments in marketable securities with maturities of less than three months. Cash and cash equivalents representing investments purchased with endowment net assets are reported as investments.

At various times throughout the year, the Foundation has cash in certain financial institutions in excess of insured limits. Additionally, at June 30, 2018, \$2,305,000 was collateralized with securities held by the financial institution's trust department or agent, but not in the Foundation's name. At June 30, 2018, a balance of \$10,491,000 was neither insured nor collateralized.

4. Loans and Accounts Receivable

Loans receivable consists primarily of loans made to students under privately funded loan programs. The advances are evidenced by signed promissory notes, bearing interest at varying stated interest rates, with varying due dates. Loans, accounts and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for a probable uncollectible allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts at June 30, 2018 was approximately \$120,000.

5. Investments

Investments in equity securities with readily determinable fair values and all debt securities are reported at their fair value. The estimated fair value of investments is based on quoted market prices, except for investments for which quoted market prices are not available. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The estimated fair value of certain alternative investments, such as private equity interests, is based on valuations provided by the external investment managers adjusted for cash receipts, cash disbursements and distributions. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

The Foundation invests its endowment investment portfolio and allocates the related earnings for expenditure in accordance with the total return concept. A distribution of endowment return that is independent of the cash yield and appreciation (depreciation) of investments earned during the year is provided for program support.

The Foundation has significant exposure to a number of risks including interest rate, market and credit risks for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the Foundation's consolidated financial statements.

All true endowment investments and long-term net assets functioning as endowments are managed in a pool, unless special considerations or donor stipulations require that they be held separately.

6. Land and Land Improvements

At June 30, 2018, land and land improvements (in thousands) consisted of:

Type of asset:		
Land		\$ 178
Land held for future use by the University		162
Land improvements		208
Total land and land improvements		<u><u>\$ 548</u></u>

Assets acquired for Foundation use with a useful life greater than one year and a value of \$5,000 or more are capitalized. Annual depreciation for land improvements is calculated on a straight-line basis, beginning in the month of acquisition based on a useful life of 30 years. At June 30, 2018, all land improvements were fully depreciated.

Assets purchased or constructed through the Foundation for immediate use by Northern Kentucky University are recorded by the Foundation as a program expense.

7. Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

b. Unconditional and Conditional Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts are computed using a risk free interest rate and amortization of the discount is included in gifts and bequests revenue.

At June 30, 2018, the Foundation recognized contributions based on the following unconditional promises to give (in thousands):

Purpose:		
Endowment giving		\$ 827
Capital purposes		2,050
Operating programs		1,794
Gross unconditional promises		<u>4,671</u>
Less: Discount and allowance for uncollectible accounts		(222)
Net unconditional promises to give		<u><u>\$ 4,449</u></u>
Amounts due in:		
Less than one year		3,125
One to five years		1,516
More than five years		30
Total		<u><u>\$ 4,671</u></u>

The discount rates used to calculate the present value of contributions receivable at June 30, 2018 vary from 1.2 percent to 3.4 percent depending on when the promise was made.

Conditional promises to give are not included as support until such time as the conditions are substantially met. The Foundation had received conditional promises to give of approximately \$3.1 million at June 30, 2018, consisting of the face value of life insurance policies, net of accumulated cash surrender value, as well as a conditional promise of \$2.1 million from a single donor in 2018.

Approximately 44 percent of total pledges receivable were due from one donor at June 30, 2018.

c. Fair Value Measurements

The three levels of the fair value hierarchy under generally accepted accounting principles are described as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Other inputs that are observable for the asset or liability;
- Other inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 investments include short term money market funds, cash surrender value, fixed income funds and equity funds.

Level 2 investments are based on quoted prices of securities or other property with similar characteristics and include a remainder interest in real property subject to a life estate.

Level 3 investments include those in which there is no active market. The Foundation holds no Level 3 investments at June 30, 2018. The Foundation adopted Accounting Standards Update 2015-07 which eliminates the requirement that investments valued using the net asset value expedient be categorized as Level 2 or 3. These investments are now shown in a separate column on the table below. This treatment was applied retroactively.

The following assets were measured at fair value on a recurring basis as of June 30, 2018 (in thousands):

	Fair Value Measurements Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
Type of Investment:					
Short-term money market funds	\$ 8	\$ 8	\$ -	\$ -	\$ -
Cash surrender value	429	429	-	-	-
Fixed income funds:					
Core	1,611	1,611	-	-	-
Core plus	4,422	4,422	-	-	-
Global	1,737	1,737	-	-	-
Treasury inflation protected securities	1,589	1,589	-	-	-
Equity funds:					
Large/mid-cap - broad	23,443	23,443	-	-	-
Large/mid-cap - value	7,056	7,056	-	-	-
Small cap - growth	1,563	1,563	-	-	-
Small cap - value	2,181	2,181	-	-	-
International - core	7,727	7,727	-	-	-
International - value	3,608	3,608	-	-	-
International small cap - value	2,984	2,984	-	-	-
Emerging markets - value	4,793	4,793	-	-	-
Emerging markets - small cap	4,382	4,382	-	-	-
Real estate investment trust	18	18	-	-	-
Exchange traded funds	106	106	-	-	-
Remainder interest in real property and other	685	-	685	-	-
Public natural resources-master limited partnerships	3,103	-	-	-	3,103
Fixed income high yield	1,794	-	-	-	1,794
Private equity	7,127	-	-	-	7,127
Private debt	3,012	-	-	-	3,012
Natural resources	11,217	-	-	-	11,217
Private real estate	2,072	-	-	-	2,072
Low-volatility	10,283	-	-	-	10,283
Total investments	\$ 106,950	\$ 67,657	\$ 685	\$ -	\$ 38,608

d. Investments

The market value (in thousands) of the Foundation's investments as of June 30, 2018 are categorized by type below:

Type of Investment:	
Short-term money market funds	\$ 8
Cash and cash surrender value	1,776
Fixed income funds:	
Core	1,611
Core plus	4,422
Global	1,737
High yield	1,794
Treasury inflation protected securities	1,589
Equity funds:	
Large/mid cap - broad	23,443
Large/mid cap - value	7,056
Small cap - growth	1,563
Small cap - value	2,181
International - core	7,727
International - value	3,608
International small cap - value	2,984
Emerging markets - value	4,793
Emerging markets - small cap	4,382
Real estate investment trust	18
Exchange traded funds	106
Public natural resources - master limited partnerships	3,103
Remainder interest in real property and other	685
Private equity:	
Buyout	1,480
Diversified	1,844
Venture capital	1,352
Secondary	2,451
Private debt:	
Distressed	2,937
Mezzanine	75
Natural resources:	
Diversified	3,849
Energy	5,142
Commodities	2,226
Private real estate:	
Opportunistic	1,023
Value added	1,049
Low-volatility:	
Diversifying strategies	10,283
Total Investments	<u>\$ 108,297</u>

Investment return (in thousands) for the year ended June 30, 2018 consists of:

Interest and dividend income	\$ 1,928
(net of investment fees: \$652)	
Net realized gains (losses)	1,544
Net unrealized gains (losses)	3,537
Total investment return	<u>\$ 7,009</u>

The Foundation records the cost of managing its endowment portfolio as a decrease in investment income within the appropriate net asset class in the consolidated statement of activities. Some of the Foundation's investment managers report investment transactions net of fees. The fees noted above are only those fees separately stated by the managers.

The investments of the Foundation are commingled with certain investments which the Foundation holds in trust for Northern Kentucky University. The market value of funds held in trust for the University at June 30, 2018 was approximately \$13,431,000. See Note 13g. for further explanation of the trust funds.

At June 30, 2018, the Foundation had committed approximately \$44.1, of its endowment investment resources to alternative investments, of which \$9.5 million, had not yet been called by the investment managers. Alternative investments for which commitments have been made consist of private equity/debt, natural resources, private real estate and low-volatility.

Alternative investments of the Foundation have limited marketability and the related investment agreements generally contain restrictive redemption provisions to the extent that the underlying investments should be considered illiquid for the duration of the investment through normal maturity. Early redemption of such investments would likely result in recovery of significantly less than the original investment amount. Foundation management believes the investment portfolio contains sufficient liquidity among other asset classes to make early redemption of alternative investments unlikely for reasons of meeting current spending needs.

e. Endowments

The Foundation's endowment consists of 321 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The board, at their discretion, can at any time permit spending from the principal of any quasi-endowed fund, provided the expenditure complies with any donor-imposed restrictions related to the fund.

Kentucky enacted the *Kentucky Uniform Prudent Management of Institutional Funds Act* (KUPMIFA), the provisions of which apply to endowment funds existing on or established after enactment, with an effective date of July 15, 2010.

An interpretation of KUPMIFA provisions by the Foundation Board of Directors requires that the historical dollar amount of a donor-restricted endowment fund be preserved. As a result of this requirement, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. The net appreciation of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

Under KUPMIFA, the Foundation endowment spending policy allows for prudent spending of future endowment earnings for accounts without accumulated earnings based upon consideration of the following factors, if applicable:

- Duration and preservation of the endowment fund
- Purpose of the institution and the endowment fund
- General economic conditions
- Possible effect of inflation or deflation
- Expected total return on investments
- Other resources of the institution
- Investment policy

The approved annual endowment spending rate is reduced by a proportion of 5 percent for each 1 percent the affected endowment is below the value of original and subsequent gifts to the permanent endowment (i.e. principal).

Return Objectives and Risk Parameters. The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return a rate equal to the Consumer Price Index plus 5 percent, net of investment fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that includes fixed income investments as well as publicly traded equity-based investments and various alternative investment strategies to achieve its long-term return objectives within prudent risk parameters.

Spending Policy and How the Objectives Relate to Spending Policy. The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The current spending policy is to distribute an amount at least equal to 3-5 percent of a moving sixteen quarter average of the fair value of the endowment funds. Accordingly, over the long term, the Foundation expects its current spending policy to allow the Foundation to meet its objective to maintain the historical dollar amount of endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of endowment (in thousands) as of June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor restricted endowment funds	\$ -	\$ 37,681	\$ 45,458	\$ 83,139
Quasi-endowment funds	<u>2,614</u>	<u>6,088</u>	<u>-</u>	<u>8,702</u>
Total endowment funds	<u>\$ 2,614</u>	<u>\$ 43,769</u>	<u>\$ 45,458</u>	<u>\$ 91,841</u>

Changes in endowment net assets (in thousands) as of June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 2,449	\$ 40,579	\$ 44,223	\$ 87,251
Contributions collected	-	43	1,142	1,185
Investment income	50	1,726	-	1,776
Net investment gain (loss)	136	4,682	-	4,818
Amounts appropriated for expenditure	(21)	(3,261)	-	(3,282)
Reclassify to permanently restricted	<u>-</u>	<u>-</u>	<u>93</u>	<u>93</u>
Endowment net assets, end of year	<u>\$ 2,614</u>	<u>\$ 43,769</u>	<u>\$ 45,458</u>	<u>\$ 91,841</u>

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or KUPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were approximately \$1,000 at June 30, 2018. The deficiencies resulted from unfavorable market conditions that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

f. Contingent Liabilities

Legal counsel for the Foundation have advised that they know of no pending or threatened litigation, claims or assessments involving the Foundation that could have a material adverse financial effect on the Foundation.

g. Regional University Excellence Trust Fund

The Foundation holds certain funds, consisting of endowment matching funds received by Northern Kentucky University from the Commonwealth of Kentucky's Regional University Excellence Trust Fund, which were subsequently transferred to the Foundation for management and investment. The Foundation reports these funds and accumulated earnings as assets held in trust for the University. Investment earnings, gains and losses and expenditures from these funds are reported as changes in the balance held in trust rather than as revenue and expenses of the Foundation.

h. Subsequent Events

Events occurring after June 30, 2018 have been evaluated for possible adjustment to the consolidated financial statements or disclosure through September 10, 2018, the date on which the consolidated financial statements were available to be issued.

i. Related Party Transactions

During the year ended June 30, 2018, the Foundation made payments on behalf of the University of \$320,000, for salaries, benefits, and other administrative costs for University staff that directly support the Foundation's operations. These payments are made by agreement between the Foundation and University. As of June 30, 2018, approximately \$5,000 was owed to the University for such costs.

In support of University programs for the year ended June 30, 2018, the Foundation incurred program expenses of \$8,885,000 which consisted of payments on behalf of the University of \$4,128,000. In addition, the Foundation transferred to the University \$4,757,000 in 2018 for restricted purposes.

j. Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances.

The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities (December 15, 2017, for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities (December 15, 2018, for not-for-profits that are conduit debt obligors). The Foundation is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Presentation of Financial Statements for Not-for-Profit Entities

The Financial Accounting Standards Board recently issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for fiscal years beginning after December 15, 2017.

A summary of the changes by financial statement area most relevant to the Association are as follows:

Statement of financial position:

- The statement of financial position will distinguish between two new classes of net assets - those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets - unrestricted, temporarily restricted and permanently restricted.

Statement of activities:

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the financial statements:

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of financial position.
- Amounts and purposes of governing Board designations and appropriations as of the end of the period are disclosed.

The Foundation is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2019. The Foundation is evaluating the impact the standard will have on the consolidated financial statements.

Required Supplementary Information

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of the University's Proportionate Share of the Collective Net Pension Liability
Kentucky Employees' Retirement System
(in thousands)

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Nonhazardous				
University's proportionate share of the net pension liability	2.345490%	2.403742%	2.447755%	2.489115%
University's proportionate share of the collective net pension liability	\$ 314,022	\$ 274,014	\$ 245,556	\$ 223,319
University's covered-employee payroll	\$ 37,584	\$ 39,206	\$ 37,799	\$ 39,266
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	835.52%	698.91%	649.64%	568.73%
Pension plan fiduciary net position as a % of the total pension liability	13.30%	14.80%	18.83%	22.30%
Hazardous				
University's proportionate share of the net pension liability	0.370876%	0.040113%	0.444514%	0.414511%
University's proportionate share of the collective net pension liability	\$ 1,844	\$ 1,571	\$ 1,524	\$ 1,059
University's covered-employee payroll	\$ 662	\$ 637	\$ 563	\$ 535
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	278.50%	246.58%	270.64%	197.80%
Pension plan fiduciary net position as a % of the total pension liability	54.80%	57.41%	61.70%	68.70%

*The amounts presented for the fiscal year were determined as of June 30 of the previous fiscal year (measurement date).

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of the University's Pension Contributions
Kentucky Employees' Retirement System
(in thousands)

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Nonhazardous				
Contractually required contribution	\$ 14,596	\$ 14,738	\$ 12,069	\$ 12,320
University's contributions in relation to the contractually required contribution	14,596	14,738	12,069	12,320
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 35,548	\$ 36,626	\$ 39,131	\$ 39,948
Contributions as a percentage of covered-employee payroll	41.06%	40.24%	30.84%	30.84%
Hazardous				
Contractually required contribution	\$ 180	\$ 170	\$ 127	\$ 136
University's contributions in relation to the contractually required contribution	180	170	127	136
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 838	\$ 806	\$ 776	\$ 831
Contributions as a percentage of covered-employee payroll	21.44%	21.08%	16.37%	16.37%

Notes to the Schedule:

Changes in assumptions - In fiscal year 2018, the KERS nonhazardous investment rate and discount rate both decreased from 6.75% to 5.25%. The KERS hazardous investment rate and discount rate both decreased from 7.50% to 6.25%. The estimated salary increases decreased from 4.00% to 0.00% for the nonhazardous plan and from 4.00% to 2.00% to the hazardous plan. The KERS plan inflation rate decreased from 3.25% to 2.30% for both the nonhazardous and hazardous plans.

* The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

** This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of the University's Proportionate Share of the Net OPEB Liability
Kentucky Employees' Retirement System
(in thousands)

	June 30, 2018
Nonhazardous	
University's proportionate share of the net OPEB liability (asset)	2.345490%
University's proportionate share of the net net OPEB liability (asset)	\$ 59,481
University's covered-employee payroll	\$ 37,366
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	159.2%
Plan fiduciary net position as a % of the total OPEB liability	24.4%
Hazardous	
University's proportionate share of the net OPEB liability (asset)	0.370876%
University's proportionate share of the net net OPEB liability (asset)	\$ 22
University's covered-employee payroll	\$ 635
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	3.5%
Plan fiduciary net position as a % of the total OPEB liability	98.8%

*The amounts presented for the fiscal year were determined as of June 30, of the previous fiscal year (measurement date).

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

Northern Kentucky University and Affiliate
A Component Unit of the Commonwealth of Kentucky
Schedule of the University's OPEB Contributions
Kentucky Employees' Retirement System
(in thousands)

	June 30, 2018
Nonhazardous	
Contractually required contribution	\$ 2,989
University's contributions in relation to the contractually required contribution	2,989
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 35,548
Contributions as a percentage of covered-employee payroll	8.41%
Hazardous	
Contractually required contribution	\$ 19
University's contributions in relation to the contractually required contribution	19
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 838
Contributions as a percentage of covered-employee payroll	2.26%

Notes to the Schedule:

Changes in assumptions - In fiscal year 2018, the KERS nonhazardous and hazardous investment rate decreased from 7.50% to 6.25%. The nonhazardous discount rate decreased from 6.90% to 5.83%, and the hazardous discount rate decreased from 7.20% to 5.87%. The estimated salary increases decreased from 4.00% to 2.00% for both the nonhazardous and hazardous plans. The KERS plan inflation rate decreased from 3.25% to 2.30 for both the nonhazardous and hazardous plans.

* The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

** This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Supplementary Information

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
US Department of Education				
Direct Programs -				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grant Program	84.007	-	\$ -	\$ 279,876
Federal Work Study Program	84.033	-	-	428,157
Federal Perkins Loan Program	84.038	-	-	1,886,110
Federal Pell Grant Program	84.063	-	-	16,103,946
Teacher Education Assistance for College and Higher Education Grants	84.379	-	-	23,000
Federal Student Direct Loans	84.268	-	-	71,103,702
Nursing Faculty Loan Program	93.264	-	-	96,498
Total Student Financial Assistance Cluster			-	89,921,289
TRIO Cluster				
Student Support Services	84.042A	-	-	316,310
Educational Talent Search	84.044A	-	-	83,301
Upward Bound	84.047A	-	-	329,417
Total TRIO Cluster			-	729,028
AmeriCorps National Service Trust	84.UNKNOWN	-	-	76,929
CCAMPIS Program	84.335A	-	-	26,734
Pass-Through Programs -				
Kentucky Education Professional Standards Board				
CTE KTIP 2018	84.048	PO2 183 18000003071	-	1,643
Kentucky Department of Education				
Special Education Cluster (IDEA)				
Kentucky Traineeship in Special Education 2018	84.027A	PON2 540 1700002284	-	639,225
Kentucky Traineeship in Special Education 2017	84.027A	PON2 540 16000027011	-	118,089
Total Special Education Cluster (IDEA)			-	757,314
KY Non-public School Commission				
KyCC ATC Sites 2018	84.367A	PON2 540 1700001669	-	15,523
Catholic Diocese of Kentucky	84.367A	PON2 540 180000492 1	-	27,000
		PON2 540 1700001683	-	20,525
			-	63,048
Kentucky Council on Postsecondary Education				
CPE IEQ Year 14 FLIP EKY year 2	84.367B	PO 241516000033261	-	5,819
NKY-FAME CEP IEQ	84.367B	PO2 415 5170000439 2	-	63,235
			-	69,054
Total U.S. Department of Education			\$ -	\$ 91,645,039

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development Cluster				
Direct Programs -				
National Aeronautics and Space Administration				
Helix: The High Energy Light Isotope Experiment	43.001	-	\$ -	\$ 21,320
ISS-CREAM Data Analysis Manger (DM)	43.001	-	-	5,777
ISS-CREAM	43.001	-	-	44,531
			-	71,628
US National Science Foundation				
RUI: Unusual Oxidation & Domino Reactions via Palladium-cata	47.049	-	-	18,178
TIM Consortium:A Dispersed REU Site in Theoretically Interes	47.049	-	44,336	98,267
RUI: Search for Verifiable Complex Diffusion Mechanisms	47.049	-	-	22,259
Stellar Companions by Stellar Parameters 2017-19	47.049	-	-	14,377
REU Site: The Parker Academy: Investigating the Intersection	47.075	-	-	73,316
Collaborative Research: TECHNO: TECHnology-centered Mathemat	47.076	-	16,952	16,952
Project SOAR #2: 2012-2017 Scholarships, Opportunities, Achi	47.076	-	-	68,735
IRES:RUI International Research Experience for Students	47.079	-	-	199
NKU FSML-Planning Grant: a 5 Year Plan	47.074	-	-	12,046
			61,288	324,329
US National Institute of Health				
NIH AREA Marczin-Acute effects of alcohol and energy drinks	93.273	-	21,979	72,445
NIH AREA BARDGETT Long-term effects early life antipsychotic	93.279	-	-	115,000
NIH AREA Strome R15 Investigation of Candidate Modifier Loci	93.859	-	-	35,300
NIH AREA GUY R15 Novel Human tRNA	93.859	-	-	29,974
			21,979	252,719
Pass-Through Programs -				
Kenton County Detention Center				
Comprehensive Opioid Abuse Site-based Program	16.838	2017-AR-BX-K043	-	20,408
Eastern Kentucky University				
DIGITIZATION TCN Collaborative Research: The key to the Cabi	47.074	452944-15-219	-	1,575
Juniata College				
Juniata College RCN-UBE: Yeast Orphan Gene Project	47.074	JUNIATA	-	4,835
University of Kentucky Research Foundation				
Telomere Roles in Fungal Genome Evolution and Adaptation	47.074	3200001363-18-084	-	4,938
The Regents of the University of California				
NCANDA - Admin	93.273	92298570	-	23,487
University of Louisville Research Foundation				
KBRIN Strome Post Doc Fellow	93.859	ULRF 13-1493C-05	-	28,542
KBRIN Shifley IDEA #3	93.859	ULRF 13-1493C-05	-	31,220
KBRIN Strome Bridge	93.859	ULRF 13-1493D-06	-	10,743
KBRIN Guy IDEA #2	93.859	ULRF 13-1493C-05	-	29,877
KBRIN Marczinski Post Doc Fellow Award	93.859	ULRF 13-1493C-05	-	2,913
KBRIN Bardgett Post Doc Fellow	93.859	ULRF 13-1493C-05	-	26,041
KBRIN Lead 2017-2018	93.859	ULRF 13-1493C-05	-	17,133
KBRIN Yates IDEA #4	93.859	ULRF 13-1493D-06	-	15,733
KBRIN Brumback Faculty Start-Up	93.859	ULRF 13-1493C-05	-	30,424
KBRIN Lead 2018-2019	93.859	ULRF 13-1493D-06	-	864
KBRIN Marczinski Bridge	93.859	ULRF 13-1493D-06	-	14,397
KBRIN Bardgett Post Doc Fellow Award	93.859	ULRF 13-1493D-06	-	5,814
KBRIN Yates IDEA #3	93.859	ULRF 13-1493C-05	-	38,752
			-	252,453
Total Research and Development Cluster			\$ 83,267	\$ 956,372

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Other Programs				
Child Nutrition Cluster				
U.S. Department of Agriculture				
Pass- Through Programs -				
Kentucky Department of Education				
Upward Bound Summer Food Service Program	10.555	12146	\$ -	\$ 2,340
Total Child Nutrition Cluster			-	2,340
TANF Cluster				
U.S. Department of Health and Human Services				
Pass-Through Programs -				
KY Cabinet for Health & Family Services				
LEAP - KTAP Postsecondary Education Program FY 2017	93.558	PO2 736 1600004584 1	-	144,076
Total TANF Cluster/477 Cluster			-	144,076
U.S. Department of Interior				
Direct Programs -				
Bureau of Indian Education	15.114	-	-	3,284
Total U.S. Department of Interior/477 Cluster			-	3,284
U.S. National Aeronautics and Space Administration				
Pass-Through Programs -				
University of Louisville Research Foundation				
LSST Science Preparation	43.008	ULRF16-1248-02	-	1,622
Total U.S. National Aeronautics and Space Administration			-	1,622
Federal Emergency Management Agency				
Pass-Through Programs -				
Kentucky Division of Emergency Management				
Pre-Disaster Mitigation Planning Project	97.047	PON2 019 1700001204	-	34,012
Total Federal Emergency Management Agency			-	34,012
Small Business Administration				
Pass-Through Programs -				
University of Kentucky Research Foundation				
Federal Small Business Development Center 17-18	59.037	UKRF3200001644-18-261	-	77,309
Federal Small Business Development Center 16-17	59.037	UKRF3200001037-17-161	-	27,418
Total Small Business Administration			-	104,727
U.S. Environmental Protection Agency				
Pass-Through Programs -				
Kentucky Association for Environmental Education				
Addressing Climate Literacy in Kentucky at the Local Level	66.951	2015 KAEE EPA	-	3,159
Total U.S. Environmental Protection Agency			-	3,159

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Direct Programs -				
Behavioral Health Workforce Education and Training for Profe	93.243	-	\$ -	\$ 23,434
SBIRT Health Professions Student Training Project	93.243	-	-	230,333
Pass-Through Programs -				
Eastern Kentucky University				
Public Child Welfare Certification Program 2018	93.658	453445-18-109	-	11,995
University Training Consortium 2018	93.658	45442-18-107	-	48,871
Total U.S. Department of Health and Human Services				314,633
Corporation for National and Community Service				
Direct Programs -				
Americorps VISTA 2017-2018	94.013	-	-	21,089
Americorps VISTA 2016-2017	94.013	-	-	39
Pass-Through Programs -				
KY Cabinet for Health & Family Services				
Kentucky Service Corps 2017	94.006	PON2 730 170000002001	-	789
Kentucky College Coaches on Campus 2018	94.006	PO2 730 1800000308	-	57,316
Federal Kentucky College Coaches 2018	94.006	PO2 730 1800000078	-	359,371
Federal Kentucky College Coaches 2017	94.006	PON2 730 1700000014	-	199,055
Alternative Service Breaks Pilot	94.021	PON2 730 1800000078 3	-	12,138
Total Corporation for National and Community Service				649,797
Total Other Programs			-	1,257,650
Total Expenditures of Federal Awards			\$ 83,267	\$ 93,859,061

Notes to Schedule

- The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Northern Kentucky University under programs of the federal government for the year ended June 30, 2018. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.
- Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in *OMB A21, Cost Principles for Educational Institutions* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The University has a federally negotiated indirect cost rate of 32.5%.
- The federal loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2018, consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2018
84.038	Federal Perkins Loan Program	\$ 1,410,362
93.264	Nursing Faculty Loan Program	\$ 67,483

**Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditor's Report

Board of Regents
Northern Kentucky University
Highland Heights, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Northern Kentucky University (University) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 5, 2018, which contained an emphasis of matter paragraph regarding a change in accounting principle. The financial statements of Northern Kentucky University Foundation, Inc., a discretely presented component unit included in the financial statements of the University's reporting entity, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the University's management in a separate letter dated October 5, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Cincinnati, Ohio
October 5, 2018

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With Uniform Guidance

Independent Auditor's Report

Board of Regents
Northern Kentucky University
Highland Heights, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Northern Kentucky University's (University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2018. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Cincinnati, Ohio
October 5, 2018

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The University qualified as a low-risk auditee?

Yes

No

Findings Required to be Reported by *Government Auditing Standards*

**Reference
Number**

Finding

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

**Reference
Number**

Finding

No matters are reportable.

Northern Kentucky University
A Component Unit of the Commonwealth of Kentucky
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Reference Number	Summary of Finding	Status
2017-001	<p>U.S. Department of Education – Student Financial Assistance Cluster CFDA No. 84.007, Federal Supplemental Educational Opportunity Grant Program CFDA No. 84.033, Federal Work Study Program CFDA No. 84.038, Federal Perkins Loan Program CFDA No. 84.379, Teacher Educational Assistance for College and Higher Education Grants CFDA No. 93.264, Nursing Faculty Loan Program CFDA No. 84.268, Federal Direct Student Loan Program CFDA No. 84.063, Federal Pell Grant Program Program Year 2016-2017 - Special Tests and Provisions – Return of Title IV Funding (34 CFR 668.22) – Upon a student’s withdrawal from the program, the University is required to determine whether student financial aid should be refunded to the Department of Education</p>	Resolved

**Independent Auditor's Report on Compliance
With Specified Requirements of Commonwealth of
Kentucky House Bill 622**

Board of Regents
Northern Kentucky University
Highland Heights, Kentucky
and
Secretary of Finance and
Administration Cabinet of the
Commonwealth of Kentucky
Frankfort, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Northern Kentucky University (University) and its discretely presented component unit, collectively, a component unit of the Commonwealth of Kentucky, which comprise the statement of net position as of June 30, 2018, and the statement of revenues, expenses and changes in net position and the statement of cash flows for the year then ended. The discretely presented component unit's financial statements are comprised of the consolidated statement of financial position as of June 30, 2018, and the consolidated statement of activities for the year then ended. We have issued our report thereon dated October 5, 2018, which contained an emphasis of a matter paragraph regarding a change in accounting principles.

In connection with our audit, nothing came to our attention that caused us to believe the University failed to comply with the provisions set forth in the Commonwealth of Kentucky's House Bill 622 (KRS164A.555 to 164A.630) insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the University's noncompliance with the above-referenced requirements, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of regents, management of the University and Secretary of Finance and Administration Cabinet of the Commonwealth of Kentucky and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

Cincinnati, Ohio
October 5, 2018

Northern Kentucky University

Independent Accountant's Report on Applying Agreed-Upon Procedures
Performed on the Intercollegiate Athletic Program as
Required by NCAA Bylaw 3.2.4.15

June 30, 2017

Northern Kentucky University

June 30, 2017

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. Gerard St. Amand, Interim President
Northern Kentucky University
Highland Heights, Kentucky

We have performed the procedures enumerated below, which were agreed to by the management of Northern Kentucky University (University), solely to assist you with respect to evaluating whether the accompanying statement of revenue and expenses ("Statement") of Northern Kentucky University ("University") is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.15 for the year ended June 30, 2017. Northern Kentucky University's management is responsible for the statement of revenue and expenses ("Statement") and the Statement's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

Statement of Revenue and Expenses

1. We obtained the Statement, as prepared by the Department of Athletics of the University ("Athletics"), for the year ended June 30, 2017. We compared the revenue and expense amounts reported on the Statement, which were greater than 4.0% of revenue or expenses, respectively, to the supporting schedules prepared by management of the University noting they agreed without exception.
2. We compared a sample (see items 4-44 below) of operating revenue and operating expenses obtained from the above operating revenue and expense supporting schedules to supporting schedules. Excluding item 23 below, no exceptions were noted.
3. We compared each major revenue category greater than 10% of total revenues and each major expense category greater than 10% of total expenses on the Statement to prior year amounts and current year budgeted amounts. We obtained, from management of the University, and documented an understanding of any significant variances (greater than a 10% change) from prior year amounts and current year budgeted amounts and noted the following:

Actual Revenue and Expenses as Compared to Prior Year

No variances met the above criteria.

Actual Revenue and Expenses as Compared to Current Year Budget

We discussed with Dan McIver, Senior Associate Athletic Director for Business and Finance, the process for which budget to actual financial data is reviewed. There is no formal review of budget vs. actual based on the NCAA reporting line items. Athletics is budgeted a set amount during the University's budgeting process. Athletics will spend amounts based on needs during the year. Therefore, all variances from budget to actual would be 100% since there is no formal budget based on NCAA reporting line items.

Revenue

4. *Ticket Sales* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
5. *Student Fees* - We inquired as to whether student fees are allocated to Athletics, and the University's management represented there are no restricted fee allocations from the University to Athletics. All allocations are unrestricted and reported as direct institutional support.
6. *Direct State or Other Governmental Support* - We inquired of the University's management who represented there were no direct state or other governmental support during the year ended June 30, 2017.
7. *Direct Institutional Support* - We compared direct institutional support recorded by the University with institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculated totals, noting no exceptions.
8. *Transfers Back to the Institution* - We inquired of the University's management who represented there were no transfers back to the institution during the year ended June 30, 2017.
9. *Indirect Institutional Support* - We compared the indirect institutional support recorded by the University during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculated totals, noting no exceptions.
10. *Guarantees* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
11. *Contributions* - We obtained a list of contributions of all money, goods or services received directly by Athletics from individuals and other donors, noting no individual contributions greater than 10% of total contributions.
12. *In-Kind Contributions* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
13. *Compensation and Benefits Provided by a Third-Party* - We inquired of the University's management as to whether Athletics received any revenues or contributions to specifically support compensation or benefits from outside organizations for the year ended June 30, 2017, and they represented there were no compensation or benefits provided by third parties.
14. *Media Rights* - We inquired of the University's management who represented there was no media rights revenue during the year ended June 30, 2017.

15. *NCAA Distributions* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
16. *Conference Distributions* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
17. *Program Sales, Concession, Novelty Sales and Parking* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
18. *Royalties, Licensing, Advertisements and Sponsorships* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
19. *Sports Camps Revenue* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
20. *Athletics Restricted Endowment and Investment Income* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
21. *Other Operating Revenue* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
22. *Bowl Revenue* - We inquired of the University's management who represented there were no bowl revenues during the year ended June 30, 2017.

Expenses

23. *Athletic Student Aid* - We recalculated totals from the NCAA Membership Financial Reporting System (System) for each sport and overall without exception. As the University utilized the NCAA Compliance Assistance software, we selected a sample of 10% of students (21) from the listing of the University's student-athlete aid recipients and performed the following:
 - a. For each selection, we obtained individual student account detail and compared total aid allocated from the student account system to the amounts reported to the System, noting an aggregate difference of \$1,351 resulting from the following:
 - 1) For ten selections, the amount reported in the student account detail as compared to that reported in the System was higher by \$4,851 in the aggregate. Management represented that this is due to book expense awards being reported at \$800 per student automatically for each student in the System, whereas these expenses are reported using actual expense amounts in the student account detail.
 - 2) For one selection, the amount reported in the student account detail as compared to that reported in the System was lower by \$3,500.
 - b. For each selection, we compared each student selected to the data in the System, and noted all students whose full grant amount agreed to internal documentation.
 - c. For each selection who received a Pell Grant, we noted whether the value of the grant was included in the calculation of equivalencies or the total dollar amount of student-athletic aid, noting no exceptions. We also noted whether the students selected were included in the total number and total value of Pell Grants reported, noting no exceptions.

24. *Guarantees* - We noted this line item was below the prescribed threshold of 4.0%, thus no additional procedures were performed.
25. *Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities* - We obtained a listing of coaches employed by the University and randomly selected three coaches, which included baseball, men's basketball and women's basketball coaches. We compared and agreed the financial terms and conditions of their contracts, and compared the salaries and bonuses for each selection to the related coaching salaries, benefits and bonuses recorded in the Statement and noted no exceptions. We further inspected payroll summary registers for the year ended June 30, 2017, for each selection and agreed them to the related coaching salaries, benefits and bonuses paid by the University and related entities expense recorded by the University in the Statement and noted no exceptions.
26. *Coaching Other Compensation and Benefits Paid by a Third Party* - We inquired of the University's management, as to whether there were any coaching compensation or benefits paid by a third party and they represented there were no other compensation or benefits provided by third parties.
27. *Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities* - We selected a sample of three support staff/administrative personnel employed by the University and related entities during the reporting period. We obtained reporting period summary payroll registers for each selection. We compared and agreed related summary payroll registers to the related support staff/administrative salaries, benefits and bonuses paid by the University and related entities expense recorded by the University in the Statement during the reporting period and recalculated totals without exception.
28. *Support Staff/Administrative Salaries, Benefits and Bonuses Paid by a Third Party* - We inquired of the University's management as to whether there were any support staff/administrative salaries, benefits or bonuses paid by a third party and they represented there were no support staff/administrative compensation or benefits provided by third parties.
29. *Severance Payments* - We inquired of the University's management who represented there were no severance payments during the year ended June 30, 2017.
30. *Recruiting* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
31. *Team Travel* - We obtained an understanding of the University's team travel policies and compared them to existing University and NCAA-related policies. We obtained general ledger detail of team travel expenses and compared to amounts reported in the Statement without exception.
32. *Sports Equipment, Uniforms and Supplies* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
33. *Game Expenses* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
34. *Fund Raising, Marketing and Promotion* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
35. *Sports Camp Expenses* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.

36. *Spirit Groups* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
37. *Athletic Debt Service, Leases and Rental Fees* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
38. *Direct Overhead and Administrative Expenses* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
39. *Indirect Institutional Support* - We compared the indirect institutional support recorded by the University during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculated totals without exception.
40. *Medical Expenses and Medical Insurance* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
41. *Memberships and Dues* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
42. *Student-Athlete Meals* - We noted this line item was below the prescribed testing threshold of 4.0%, thus no additional procedures were performed.
43. *Other Operating Expenses* - We obtained general ledger detail and compared to total expenses reported. We selected a sample of three transactions from the general ledger detail and compared to supporting documentation without exception.
44. *Bowl Expenses* - We inquired of the University's management who represented there were no bowl expenses during the year ended June 30, 2017.

Additional Minimum Agreed Upon Procedures

45. We compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the University, noting they agreed without exception.
46. We obtained the University's Sports Sponsorship and Demographics Forms Report for the fiscal year and noted whether the countable sports reported by the University met the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum contest requirement, noting no discrepancies.
47. We compared countable sports per #46 above, with countable sports for revenue distribution purposes within the NCAA Membership Financial Reporting System, noting no discrepancies.
48. We were unable to agree the total number of student-athletes who received Pell Grant awards and the value of those awards from the University's financial aid record to the NCAA Membership Financial Reporting System, because the University has not yet entered data into the NCAA Membership Financial Reporting System.

Other Reporting Items

49. *Excess Transfers to Institution and Conference Realignment Expenses* - We inquired of the University's management who represented there were no excess transfers or conference realignment expenses during the year ended June 30, 2017.
50. *Total Athletics Related Debt* - We inquired of the University's management who represented there was no athletic related capital debt during the year ended June 30, 2017.
51. *Total Institutional Debt* - We agreed the total outstanding debt of the University to supporting documentation and the University's audited financial statements, without exception.
52. *Value of Athletics Dedicated Endowments* - We inquired of the University's management and obtained a schedule of athletic endowments. We noted all athletic related funds are pooled within multiple funds along with many other University Funds. We were able to agree the total fair market value of University endowments to supporting documentation, the University's general ledger and the audited financial statements, without exception, as described at item 53 below.
53. *Value of Institutional Endowments* - We agreed the total fair market value of University endowments to supporting documentation, the University's general ledger and the audited financial statements, without exception.
54. *Total Athletics Related Capital Expenditures* - We inquired of the University's management who represented there were no athletic related capital expenditures during the year ended June 30, 2017.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the specified elements, accounts and items described above or on compliance with the requirements noted above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties identified above and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Cincinnati, Ohio
January 2, 2018

**Northern Kentucky University
Intercollegiate Athletics Program
Statement of Revenue and Expenses
For the Year Ended June 30, 2017**

	MENS BASKETBALL	WOMENS BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTAL
Operating Revenue					
Ticket Sales	\$ 153,831	\$ 18,225	\$ 9,370	\$ 228	\$ 181,654
Direct Institutional Support	1,123,057	1,117,515	4,925,977	2,551,545	9,718,094
Indirect Institutional Support	-	-	-	2,721,458	2,721,458
Guarantees	160,000	-	29,500	-	189,500
Contributions	161,536	14,066	81,282	338,259	595,143
In-Kind	27,965	11,750	129,146	62,276	231,137
NCAA Distributions	15,888	-	8,400	21,525	45,813
Conference Distributions	35,091	3,984	-	31,578	70,653
Program, Novelty, Parking and Concession Sales	-	-	24	87	111
Royalties, Licensing, Advertisement and Sponsorships	-	-	298	276,615	276,913
Sports Camp Revenues	300	-	2,450	9,383	12,133
Athletics Restricted Endowment and Investments Income	18,629	15,892	55,015	10,727	100,263
Other Operating Revenue	-	-	34,395	35,899	70,294
Total Operating Revenue	<u>1,696,297</u>	<u>1,181,432</u>	<u>5,275,857</u>	<u>6,059,580</u>	<u>14,213,166</u>
Operating Expenses					
Athletics Student Aid	451,445	350,973	2,267,936	26,171	3,096,525
Guarantees	4,100	3,000	1,914	-	9,014
Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities	647,082	470,590	1,290,756	-	2,408,428
Support Staff/Administrative Compensation, Benefits and Bonuses Paid by the University and Related Entities	96,987	57,720	8,479	2,002,183	2,165,369
Recruiting	73,266	49,686	68,194	-	191,146
Team Travel	231,876	149,139	672,868	-	1,053,883
Sports Equipment, Uniforms and Supplies	77,543	36,571	381,562	-	495,676
Game Expenses	191,249	124,305	100,237	59,619	475,410
Fund Raising, Marketing and Promotion	-	-	1,899	513,303	515,202
Sports Camp Expenses	920	1,618	-	-	2,538
Spirit Groups	-	-	-	116,476	116,476
Athletics Facilities Debt Service, Leases and Rental Fees	-	-	28,003	220,574	248,577
Direct Overhead and Administrative Expenses	6,484	6,851	14,249	78,617	106,201
Indirect Institutional Support	-	-	-	2,721,458	2,721,458
Medical Expenses and Insurance	920	4,572	2,819	99,791	108,102
Membership and Dues	760	773	4,637	7,388	13,558
Student-Athlete Meals (non-travel)	14,072	5,944	37,174	910	58,100
Other Operating Expenses	52,797	29,724	423,116	343,239	848,876
Total Operating Expenses	<u>1,849,501</u>	<u>1,291,466</u>	<u>5,303,843</u>	<u>6,189,729</u>	<u>14,634,539</u>
Excess/(Deficiencies) of Revenue Over/(Under) Expense	<u>\$ (153,204)</u>	<u>\$ (110,034)</u>	<u>\$ (27,986)</u>	<u>\$ (130,149)</u>	<u>\$ (421,373)</u>

Northern Kentucky University
Intercollegiate Athletics Program
Notes to the Statement of Revenue and Expenses
June 30, 2017

Note 1: Contributions From the Northern Kentucky University Foundation, Inc. (“Foundation”)

The Foundation receives gifts and contributions that are restricted for the related athletics programs. These funds are used when additional funds are needed for current expenses and/or special projects. Foundation revenue are recorded in the Statement in an amount equal to the amount expended during the fiscal year.

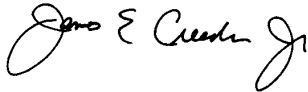
Note 2: Capital Assets

Assets acquired, depreciated and disposed of for athletic purposes follow the University’s capitalization policy. All capital assets, as defined by University policy, are recorded at cost at the date of acquisition, or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to functional expense categories. Assets under leases are amortized over the estimated useful life of the asset, or the lease term, whichever is shorter. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

October 5, 2018

Board of Regents and Audit Committee
Northern Kentucky University
Highland Heights, Kentucky
and
Kentucky Auditor of Public Accounts
Frankfort, Kentucky
and
Secretary of Finance and
Administration Cabinet, Department
for Facilities Management of the
Commonwealth of Kentucky
Frankfort, Kentucky
and
Governor of Kentucky
Frankfort, Kentucky
and
Council on Postsecondary Education
Frankfort, Kentucky

During the year ended June 30, 2018, Northern Kentucky University did not enter into any new leases and did not renew any existing leases for real property. Therefore, procedures related to Kentucky Revised Statutes (KRS) § 48.111 and 56.800 through 56.832 (Kentucky Lease Law) were not performed.



James E. Creeden, Jr., CPA
Partner

**Northern Kentucky University Research
Foundation, Inc.**
**A Component Unit of
Northern Kentucky University**
Independent Auditor's Report and Financial Statements
June 30, 2018 and 2017



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Independent Auditor's Report

Board of Directors
Northern Kentucky University Research Foundation, Inc.
Highland Heights, Kentucky

We have audited the accompanying financial statements of Northern Kentucky University Research Foundation, Inc. (Research Foundation), a component unit of Northern Kentucky University, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Research Foundation's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Research Foundation as of June 30, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Cincinnati, Ohio
October 5, 2018

Northern Kentucky University Research Foundation, Inc.
A Component Unit of Northern Kentucky University
Management's Discussion and Analysis
Years Ended June 30, 2018 and 2017

Northern Kentucky University Research Foundation, Inc.'s (the Research Foundation) Management's Discussion and Analysis of its financial condition provides an overview of the financial performance of the Research Foundation for the year ended June 30, 2018, with selected comparative information for the years ended June 30, 2017 and 2016. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

Reporting Entity

The Research Foundation is organized for educational purposes to support Northern Kentucky University's (the University) efforts to promote the development, implementation, and coordination of extramurally-sponsored and foundation-supported programs involving research, instruction, public service, including the administration of conservation easements, and other projects that further the mission of the University. The Research Foundation is a not-for-profit Kentucky corporation affiliated with the University and is included within the University's financial statements as a blended component unit.

NorseCo LLC (NorseCo), a 100 percent owned, for-profit subsidiary of the Research Foundation, is included within the University and Research Foundation's financial statements as a blended component unit. On February 7, 2017, NorseCo was dissolved.

Financial Highlights

The financial position of the Research Foundation remains in stable condition at June 30, 2018. Net position decreased \$45,000 due to the decrease in grant activity within the Research Foundation. Over the last two years, grant activity has declined due to a management decision to administer new grants and contracts through the University. The Research Foundation will continue to apply for grants and contracts that sponsors must award to 501(c)(3) entities. The resulting decline in state and federal grant activity brought about a decrease in operating revenues and operating expenses for the year ended June 30, 2018. Operating income for the year decreased by \$163,000.

Using the Financial Statements

The Research Foundation's financial report includes three financial statements: the statement of net position; the statement of revenues, expenses and changes in net position and the statement of cash flows. These financial statements and accompanying footnotes are prepared in accordance with Government Accounting Standards Board (GASB) principles, which establishes standards for external financial reporting for public colleges and universities.

Statement of Net Position

The statement of net position reflects the financial position of the Research Foundation as of June 30, 2018, with comparative information as of June 30, 2017. This statement includes all assets, deferred outflows and inflows of resources, liabilities and net position. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. A summarized comparison of the Research Foundation's assets, liabilities and net position at June 30, 2018, 2017 and 2016 follows:

Condensed Statements of Net Position (in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Current assets	\$ 1,161	\$ 1,536	\$ 2,301
Noncurrent assets	<u>11,730</u>	<u>12,392</u>	<u>11,721</u>
Total assets	<u>12,891</u>	<u>13,928</u>	<u>14,022</u>
LIABILITIES			
Current liabilities	356	686	1,282
Noncurrent liabilities	<u>11,730</u>	<u>12,392</u>	<u>11,721</u>
Total liabilities	<u>12,086</u>	<u>13,078</u>	<u>13,003</u>
NET POSITION			
Restricted expendable	4	13	3
Unrestricted	<u>801</u>	<u>837</u>	<u>1,016</u>
Total net position	<u>\$ 805</u>	<u>\$ 850</u>	<u>\$ 1,019</u>

Assets

A \$1,037,000 decrease in the Research Foundation's assets for the year ended June 30, 2018 combined with a \$94,000 decrease in assets for the year ended June 30, 2017, resulted in a total decrease of \$1,131,000, or 8.1 percent, since June 30, 2016. The decline in total assets from 2016 to 2018 resulted primarily from a \$1,140,000 decrease in current assets, including a \$746,000 decline in accounts receivable balances. Noncurrent assets consist of agency deposits held by the Research Foundation, including a stream and wetland restoration fund administered by the Research Foundation pursuant to a memorandum of agreement with a federal agency.

Liabilities

The Research Foundation's liabilities decreased by \$917,000, or 7.1 percent, from June 30, 2016 to June 30, 2018, primarily due to a \$926,000 decline in current liabilities that resulted from decreases in accounts payable and accrued liabilities and amounts due to the University. Noncurrent liabilities consist of agency deposits held by the Research Foundation for the stream and wetland restoration fund.

Net Position

Net position represents the difference between the Research Foundation's total assets and total liabilities. Net position at June 30, 2018 totaled \$805,000, or 6.2 percent, of total assets. Restricted and unrestricted net position represented 0.5 percent and 99.5 percent of total net position, respectively. Restricted expendable net position decreased by \$9,000 and unrestricted net position decreased by \$36,000, from June 30, 2017 to June 30, 2018. This overall decline in net position resulted primarily from capital and noncapital transfers to the University during the fiscal year 2018. Noncapital transfers to the University consist primarily of facilities and administrative cost revenues earned on the Research Foundation's grants and contracts that are being transferred to the University.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. GASB requires gifts, investment income and capital and nonexchange grants and contracts to be classified as nonoperating revenues. This statement is prepared on the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. A summarized comparison of the Research Foundation's revenues, expenses and changes in net position for the years ended June 30, 2018, 2017 and 2016 follows:

Condensed Statements of Revenues, Expenses and Changes in Net Position (in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
OPERATING REVENUES			
Grants and contracts	\$ 2,267	\$ 3,836	\$ 4,368
Recoveries of facilities and administrative costs	179	467	451
Other operating revenues	-	1	-
Total operating revenues	<u>2,446</u>	<u>4,304</u>	<u>4,819</u>
OPERATING EXPENSES			
Educational and general	2,279	3,973	4,462
Other operating	-	1	2
Total operating expenses	<u>2,279</u>	<u>3,974</u>	<u>4,464</u>
Operating income (loss)	<u>167</u>	<u>330</u>	<u>355</u>
NONOPERATING REVENUES (EXPENSES)			
Noncapital transfers (to)/from the University	(206)	(567)	(274)
Gifts and grants revenues (expenses)	-	36	24
Net nonoperating revenues (expenses)	<u>(206)</u>	<u>(531)</u>	<u>(250)</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(39)</u>	<u>(201)</u>	<u>105</u>
Capital transfers (to)/from the University	(6)	50	(195)
Capital gifts and grants	-	(18)	195
Total other revenues/(expenses)	<u>(6)</u>	<u>32</u>	<u>-</u>
Increase (decrease) in net position	(45)	(169)	105
Net position, beginning of year	850	1,019	914
Net position, end of year	<u>\$ 805</u>	<u>\$ 850</u>	<u>\$ 1,019</u>

Operating and Nonoperating Revenues

Operating and nonoperating revenues totaled \$2,446,000 for the year ended June 30, 2018. The most significant sources of revenues for the Research Foundation are state and local grants and contracts, totaling \$1,188,000 or 48.6 percent, federal grants and contracts, totaling \$963,000 or 39.4 percent, and recoveries of facilities and administrative costs, totaling \$179,000 or 7.3 percent. Administrative fees paid by the stream and wetland restoration fund to the Research Foundation decreased by \$130,000 from 2017 to 2018 due to a \$2,176,000 decline in the amount of in lieu fees deposited to the stream corridor and wetland restoration agency fund during the year. Facilities and administrative costs recovered from grants and contracts declined by \$158,000 resulting in a combined decrease of \$288,000 in administrative fee revenue for fiscal year 2018. Operating revenues decreased by \$1,858,000 from 2017 to 2018 and \$515,000 from 2016 to 2017 due primarily to a reduction in federal, state and local grants and contracts and the decline in the recoveries of facilities and administrative costs.

Operating and Nonoperating Expenses

Operating and nonoperating expenses totaled \$2,491,000 for the year ended June 30, 2018. The primary categories of the Research Foundation's operating expenses for 2018 are public service, totaling \$1,566,000 or 62.9 percent, and student services, totaling \$293,000 or 11.8 percent. Operating expenses decreased \$1,695,000 from 2017 to 2018 and \$490,000 from 2016 to 2017 resulting in a total decline of \$2,185,000 over the two-year period. This decrease was attributable to reductions in grants and contracts activity.

Statement of Cash Flows

The statement of cash flows provides information about the Research Foundation's cash position by reporting the sources and uses of cash during the year. The statement of cash flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities. The primary purpose of the statement of cash flows is to provide information about the cash receipts and cash payments made by the Research Foundation during the year that will allow financial statement readers to assess the entity's ability to generate future net cash flows and its ability to meet obligations as they become due. A comparative summary of the Research Foundation's statement of cash flows for the years ended June 30, 2018, 2017 and 2016 follows:

Condensed Statements of Cash Flows (in thousands)

	2018	2017	2016
Net cash provided (used) by:			
Operating activities	\$ 471	\$ 601	\$ 355
Noncapital financing activities	(1,110)	(365)	(197)
Capital and related financing activities	(6)	32	-
Investing activities	-	-	2,000
Net increase (decrease) in cash and cash equivalents	(645)	268	2,158
Cash and cash equivalents, beginning of year	13,319	13,051	10,893
Cash and cash equivalents, end of year	<u>\$ 12,674</u>	<u>\$ 13,319</u>	<u>\$ 13,051</u>

The Research Foundation's cash and cash equivalents decreased by \$645,000 in 2018. Net cash provided by operating activities totaled \$471,000 for 2018 and \$601,000 for 2017. The sources of cash included in operating activities for the year ended June 30, 2018 were grants and contracts of \$2,638,000 and recoveries of facilities and administrative costs of \$179,000. The cash payments for operating activities for the year ended June 30, 2018 consisted of payments made to the University for the reimbursement of employee salaries and benefits \$1,591,000 and payments to vendors \$755,000.

Net cash used by noncapital financing activities totaled \$1,110,000 for 2018 and \$365,000 for 2017. The agency receipts and disbursements related to the stream and wetland fund represent the majority of the noncapital financing activity. Noncapital cash transfers from the Research Foundation to the University totaled \$206,000 and \$567,000 in 2018 and 2017, respectively.

Net cash used by capital and related financing activities totaled \$6,000 in 2018. Capital assets purchased by the Research Foundation are transferred to the University.

Cash provided by investing activities totaled \$2,000,000 for 2016 due to the maturing of investments related to the stream and wetland restoration agency fund. There was no activity related to investments in 2017 or 2018.

Capital Asset and Debt

The Research Foundation transferred capital assets to the University totaling \$6,000 and \$145,000 for the years ended June 30, 2018 and 2017, respectively. During fiscal year 2017, equipment originally purchased by the Research Foundation and transferred to the University was subsequently returned to the vendor. This return resulted in a net capital transfer of \$50,000 from the University to the Research Foundation. The Research Foundation did not have any outstanding debt as of June 30, 2018, 2017 or 2016.

Factors Impacting Future Periods

The Office of Research, Grants and Contracts (RGC) is committed to supporting research and scholarly activities throughout the university community; to increasing external support for research, university programs and service activities while maintaining compliance with federal, state and institutional requirements. RGC continues to build infrastructure that best supports faculty needs. The University 2018-2019 fiscal year shows a decrease in the number of tenured faculty campus-wide, who are the primary grant recipients for the University. This may impact the number of faculty participating in sponsored research and the number of research grants awarded to the University in the coming year.

Northern Kentucky University Research Foundation, Inc.
A Component Unit of Northern Kentucky University
Statements of Net Position
June 30, 2018 and 2017
(in thousands)

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 801	\$ 828
Cash and cash equivalents - agency funds	143	99
Accounts receivable, net	201	577
Interest receivable - agency funds	16	10
Other current assets	-	22
Total current assets	1,161	1,536
Noncurrent Assets		
Cash and cash equivalents - agency funds	11,730	12,392
Total noncurrent assets	11,730	12,392
Total Assets	12,891	13,928
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	60	149
Accounts payable - agency funds	159	109
Unearned revenue	60	65
Due to Northern Kentucky University	77	363
Total current liabilities	356	686
Noncurrent Liabilities		
Deposits - agency funds	11,730	12,392
Total noncurrent liabilities	11,730	12,392
Total Liabilities	12,086	13,078
NET POSITION		
Restricted expendable	4	13
Unrestricted	801	837
Total Net Position	\$ 805	\$ 850

See accompanying notes to the financial statements.

Northern Kentucky University Research Foundation, Inc.
A Component Unit of Northern Kentucky University
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2018 and 2017
(in thousands)

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Federal grants and contracts	\$ 963	\$ 1,582
State and local grants and contracts	1,188	2,196
Nongovernmental grants and contracts	116	58
Recoveries of facilities and administrative costs	179	467
Other operating revenues	-	1
Total operating revenues	<u>2,446</u>	<u>4,304</u>
OPERATING EXPENSES		
Educational and general		
Instruction	120	1,256
Research	215	324
Public service	1,566	1,800
Academic support	8	79
Student services	293	298
Institutional support	-	3
Student aid	77	213
Other expenses	-	1
Total operating expenses	<u>2,279</u>	<u>3,974</u>
Operating income (loss)	<u>167</u>	<u>330</u>
NONOPERATING REVENUES (EXPENSES)		
Noncapital transfers (to)/from the University	(206)	(567)
Gifts and grants revenues (expenses)	-	36
Net nonoperating revenues (expenses)	<u>(206)</u>	<u>(531)</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(39)</u>	<u>(201)</u>
Capital transfers (to)/from the University	(6)	50
Capital grants and gifts	-	(18)
Total other revenues/(expenses)	<u>(6)</u>	<u>32</u>
Increase (decrease) in net position	(45)	(169)
NET POSITION		
Net position-beginning of year	850	1,019
Net position-end of year	<u>\$ 805</u>	<u>\$ 850</u>

See accompanying notes to the financial statements.

Northern Kentucky University Research Foundation, Inc.
A Component Unit of Northern Kentucky University
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017
(in thousands)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contracts	\$ 2,638	\$ 4,204
Payments to vendors	(755)	(2,033)
Salaries and benefits reimbursement to Northern Kentucky University	(1,591)	(2,037)
Recoveries of facilities and administrative costs	179	467
Net cash provided (used) by operating activities	<u>471</u>	<u>601</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts and grants for other than capital purposes	-	36
Agency program receipts	974	3,055
Agency program disbursements	(1,592)	(2,599)
(Repayment) advance (to)/from the University	(286)	(290)
Noncapital transfers (to)/from the University	(206)	(567)
Net cash provided (used) by noncapital financing activities	<u>(1,110)</u>	<u>(365)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants and gifts received	-	(18)
(Purchases)/refunds of capital asset activity	(6)	50
Net cash provided (used) by capital and related financing activities	<u>(6)</u>	<u>32</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(645)	268
Cash and cash equivalents-beginning of year	13,319	13,051
Cash and cash equivalents-end of year	<u>\$ 12,674</u>	<u>\$ 13,319</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ 167	\$ 330
Changes in assets and liabilities:		
Accounts receivable, net	376	370
Other current assets	22	-
Accounts payable and accrued liabilities	(89)	(97)
Unearned revenue	(5)	(2)
Net cash provided by (used in) operating activities	<u>\$ 471</u>	<u>\$ 601</u>
Noncash Investing, Capital and Financing Activities		
Transfer of capital assets (to)/from Northern Kentucky University	\$ (6)	\$ 50

See accompanying notes to the financial statements.

Northern Kentucky University Research Foundation, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2018 and 2017

Note 1 – Description of the Organization

Northern Kentucky University Research Foundation, Inc. (the “Research Foundation”) is organized for educational purposes, more specifically to support Northern Kentucky University’s (the “University”) efforts to promote the development, implementation, and coordination of extramurally-sponsored and foundation-supported programs involving research, instruction, public service, including the administration of conservation easements and other projects that further the mission of the University. The Research Foundation is a not-for-profit Kentucky corporation affiliated with the University. The Research Foundation is included within the University’s financial statements as a blended component unit.

NorseCo LLC (“NorseCo”), a 100 percent owned, for-profit subsidiary of the Research Foundation is included within both the University and Research Foundation’s financial statements as a blended component unit. On February 7, 2017, NorseCo was dissolved. The financial activity of NorseCo. was not significant for the year ended June 30, 2017.

Note 2 – Summary of Significant Accounting Policies

The accompanying financial statements of the Research Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Research Foundation prepares its financial statements as a business-type activity (BTA) in conformity with applicable pronouncements of GASB.

In accordance with GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities* (GASB 35) and subsequent standards issued by GASB, the Research Foundation has elected to report as an entity engaged in BTAs. BTAs are those activities that are financed in whole or part by fees charged to external parties for goods and services. GASB 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
 - Nonexpendable* – Net position subject to externally imposed stipulations that they be maintained permanently by the Research Foundation.
 - Expendable* – Net position whose use by the Research Foundation is subject to externally imposed stipulations that can be fulfilled by actions of the Research Foundation pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** Net position whose use by the Research Foundation is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

The financial statement presentation required by GASB is intended to provide a comprehensive, entity-wide perspective of the Research Foundation’s assets, liabilities, net position, revenues, expenses, changes in net position and cash flows.

Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Research Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital asset purchases, equipment with a unit cost of \$5,000 or more and having an estimated useful life of greater than one year, are transferred to the University. For the years ended June 30, 2018 and 2017, the Research Foundation purchased capital assets totaling \$6,000 and \$145,000, respectively, which were transferred to the University and recorded as property of the University. During fiscal year 2017, the University returned equipment to the Research Foundation which was subsequently returned to the vendor resulting in a net capital transfer of \$50,000 from the University to the Research Foundation.

Unearned Revenue

Unearned revenue includes amounts received from sponsors of grants and contracts that have not yet been earned. Revenue from the grants and contracts is earned as qualifying expenses are incurred.

Restricted Asset Spending Policy

The Research Foundation's policy states that restrictions on assets cannot be fulfilled by the expenditure of unrestricted funds for similar purposes. The determination on whether restricted or unrestricted funds are expended for a particular purpose is made on a case-by-case basis. Restricted funds remain restricted until spent for the intended purpose.

Operating Activities

The Research Foundation defines operating activities, as reported on the statement of revenues, expenses and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for services and goods received. Nearly all of the Research Foundation's expenses are from exchange transactions. Certain revenues relied upon for operations, such as gifts and investment income, are recorded as nonoperating revenues, in accordance with GASB 35.

Income Tax Status

The Research Foundation is exempt from federal income tax under the Internal Revenue Code as a 501(c)(3) organization.

Note 3 – Cash, Cash Equivalents and Investments

Cash balances of the Research Foundation are included in bank accounts administered by the University in accordance with the University's investment policy. Details of accounting transactions affecting cash are maintained in such a manner as to ensure an appropriate segregation of amounts maintained by each entity. At June 30, 2018 and 2017, the carrying amount of deposits totaled \$12,674,000 and \$13,319,000, respectively.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Research Foundation's deposits or collateral securities may not be returned. As a means of limiting exposure to custodial credit risk, as required by the University's investment policy, these deposits and investments were covered by federal depository insurance or by collateral held in the University's name or in the Commonwealth of Kentucky's name.

Note 4 – Transactions with Northern Kentucky University

All salaries, wages and benefits represent charges for University employees. In addition, the University provides certain facilities and administrative services to the Research Foundation in exchange for a share of the facilities and administrative cost recoveries per the management agreement between the University and the Research Foundation. Noncapital transfers from the Research Foundation to the University totaled \$206,000 and \$567,000 for the years ended June 30, 2018 and 2017, respectively.

Note 5 – Accounts Receivable

Accounts receivable as of June 30, 2018 and 2017 are \$217,000 and \$587,000, respectively, primarily represented by reimbursement receivables from sponsors for expenditures for grants and contracts. There were no noncurrent accounts receivable as of June 30, 2018 or 2017. Based upon management’s assessment, there was no need to establish an allowance for bad debts at June 30, 2018 or 2017. Accounts receivable as of June 30, 2018 and 2017 are as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Current:		
Grants and contracts	\$ 201	\$ 577
Interest receivable - agency funds	16	10
Total	<u>\$ 217</u>	<u>\$ 587</u>

Note 6 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2018 and 2017 are as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Payable to vendors and contractors	\$ 39	\$ 116
Payable to vendors and contractors - agency funds	159	109
Accrued expenses, primarily payroll	21	33
Total	<u>\$ 219</u>	<u>\$ 258</u>

At June 30, 2018 and 2017, the Research Foundation held noncurrent agency deposits of \$11,730,000 and \$12,392,000, respectively, including a wetland restoration fund pursuant to a memorandum of agreement with a federal agency. During June 30, 2018 and 2017, there were \$974,000 and \$3,055,000, respectively, of agency program receipts. During June 30, 2018 and 2017, there were \$1,592,000 and \$2,599,000, respectively, of agency program disbursements.

Note 7 – Unearned Revenue

Unearned revenue as of June 30, 2018 and 2017 totaled \$60,000 and \$65,000, respectively, primarily represented by funds advanced for state and local grants and contracts, and nongovernmental grants and contracts.

Note 8 – Operating Expenses by Natural Classification

The Research Foundation’s operating expenses by natural classification were as follows for the years ended June 30, 2018 and 2017 (in thousands):

	<u>2018</u>	<u>2017</u>
Salaries and wages	\$ 1,212	\$ 1,495
Employee benefits	366	509
Supplies and other services	624	1,757
Student scholarships and financial aid	77	213
Total	<u>\$ 2,279</u>	<u>\$ 3,974</u>

Note 9 – Agency Funds

Pursuant to a memorandum of agreement with the U.S. Army Corps of Engineers, the Research Foundation acts as custodian for the Stream Corridor and Wetland Restoration Fund. These funds are classified as agency funds on the statements of net position. The University’s Center for Environmental Restoration (the Center) proposes restoration projects which require approval by the Corps. Once approved, the Center implements the restoration projects. The Center is reimbursed for expenses by the Research Foundation through the release of agency funds. Administrative fees are collected and recognized as operating revenue by the Research Foundation.

Note 10 – Risk Management

The Research Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by (1) the State Fire and Tornado Insurance Fund (the Fund) or (2) in the case of risks not covered by the Fund, commercial insurance, and participation in insurance risk retention groups or self-insurance.

The Fund covers losses to property from fire, wind, earthquake, flood and other named perils between \$5,000 and \$1,000,000 per occurrence. Losses in excess of \$1,000,000 are insured by commercial carriers up to \$1.5 billion per occurrence, on a replacement cost basis. Claims against educators' errors and omissions and wrongful acts are insured through a risk retention group or commercial insurance. There have been no significant reductions in insurance coverage from 2017 to 2018. Settlements have not exceeded insurance coverage since the inception of the Research Foundation.

Note 11 – Future Accounting Pronouncements

GASB Statement No. 84, Fiduciary Activities (GASB 84)

GASB 84 establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries.

GASB 84 is effective for financial statements for fiscal years beginning after December 15, 2018. The Research Foundation is in the process of evaluating the impact the statement will have on the financial statements.

Northern Kentucky University

Report to the Audit & Compliance Committee

October 5, 2018

Results of the 2018 Financial Statement Audit and Other Required
Communications

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Appendix

Management Representation Letter and Summary of Uncorrected Misstatements	<i>Appendix</i>
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October 5, 2018

Audit & Compliance Committee of the Board of Regents
Northern Kentucky University
Highland Heights, Kentucky

Dear Audit & Compliance Committee:

We have completed our audit of the financial statements of Northern Kentucky University (University) as of and for the year ended June 30, 2018. This report includes communication required under auditing standards generally accepted in the United States of America, as well as other matters.

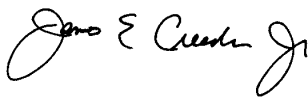
Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for the University. Specifically, auditing standards require us to:

- Express an opinion on the June 30, 2018, financial statements and supplementary information of the University.
- Report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Uniform Guidance.
- Issue communications required under auditing standards generally accepted in the United States of America to assist the board in overseeing management's financial reporting and disclosure process.

This report also presents an overview of areas of audit emphasis, as well as future accounting standards and other observations as a result of our audit.

This communication is intended solely for the information and use of management, the audit and compliance committee, the board of regents and others within the University and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



James E. Creeden, Jr., CPA
Partner

Summary of Our Audit Approach and Results

Our Approach

BKD’s audit approach focuses on areas of higher risk—the unique characteristics of the University’s operating environment, the design effectiveness of your internal controls and your financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

Areas of Audit Emphasis

The principal areas of audit emphasis and results were as follows:

Risk Area	Results
<ul style="list-style-type: none"> <i>Management override of controls</i> – The risk that management may override existing and functioning accounting controls is an inherent risk to the University. 	<p>BKD performed the following procedures relevant to this risk area:</p> <ul style="list-style-type: none"> Reviewed accounting estimates for bias Tested journal entries Evaluated business rationale for unusual transactions <p>➔ No matters are reportable</p>
<ul style="list-style-type: none"> <i>Improper revenue recognition</i> – The risk that revenue is improperly categorized or recorded in an improper period. 	<p>BKD performed the following procedures relevant to this risk area:</p> <ul style="list-style-type: none"> Performed tuition revenue reasonableness test Vouched state appropriations to support <p>➔ No matters are reportable</p>
<ul style="list-style-type: none"> <i>Notes, loans and accounts receivable, net</i> – The assumptions and methods used by management to value the allowance for receivables. 	<p>BKD performed the following procedures relevant to this risk area:</p> <ul style="list-style-type: none"> Reviewed and recalculated management’s calculation of allowances Performed analytical tests on allowances for unusual trends and collection issues <p>➔ No matters are reportable</p>

Risk Area	Results
<ul style="list-style-type: none"> <i>GASB 75 implementation</i> – The assumptions used by management to value the total other post-employment benefits (OPEB) liability and the risk that net OPEB liability, OPEB expense and deferred inflows and outflows of resources are properly recorded or disclosed in the financial statements. 	<p>BKD performed the following procedures relevant to this risk area:</p> <ul style="list-style-type: none"> Reviewed and recalculated management’s calculation of the liability and related deferred inflows and outflows of resources and expenses Vouched inputs to OPEB plan audit reports Reviewed disclosures for compliance with accounting standards and consistency with OPEB plan documents <p>➡ No matters are reportable</p>
<ul style="list-style-type: none"> <i>Related parties</i> – The risk that there are undisclosed related parties to the University that are material to the financial statements. 	<p>BKD performed the following procedures relevant to this risk area:</p> <ul style="list-style-type: none"> Reviewed board minutes for discussion of unidentified related parties Discussed related parties with management during audit planning interviews Reviewed disclosures to ensure material related parties were properly disclosed <p>➡ No matters are reportable</p>

Opinion

Unmodified, or “Clean,” Opinion Issued on Financial Statements

We have issued an unmodified opinion as to whether the financial statements of the University as of and for the year ended June 30, 2018, are fairly presented, in all material respects.

Requirements Under U.S. Office of Management and Budget Uniform Guidance

Our audit included reporting on major federal award programs and includes:

- Schedule of Expenditures of Federal Awards
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*
- Report on Compliance with Requirements for Each Major Program and on Internal Control Over Compliance
- Schedule of Findings and Questioned Costs
- Data Collection Form

Required Communications

Generally accepted auditing standards require the auditor to provide to those charged with governance additional information regarding the scope and results of the audit that may assist you in overseeing management's financial reporting and disclosure process. Below, we summarize these required communications.

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this communication or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Area	Comments
<p>Significant Accounting Policies</p> <p>Significant accounting policies are described in Note 1 of the financial statements.</p>	<p>➔ No matters are reportable</p>
<p>Alternative Accounting Treatments</p>	<p>➔ No matters are reportable</p>
<p>Management Judgments and Accounting Estimates</p> <p>Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Areas involving significant areas of such estimates for which we are prepared to discuss management’s estimation process and our procedures for testing the reasonableness of those estimates are listed in the adjacent comments section.</p>	<p>➔ Allowance for uncollectible receivables</p> <p>➔ Net pension and OPEB liability</p> <p>➔ Functional expense allocations</p>
<p>Financial Statement Disclosures</p> <p>The areas listed in the adjacent comments section involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures.</p>	<p>➔ Pension plans</p> <p>➔ OPEB plans</p>

Area	Comments
<p>Audit Adjustments</p> <p>During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated. Adjustments proposed were not recorded because they are not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.</p>	<p><u>Proposed Audit Adjustments Not Recorded</u></p> <p>The Appendix contains a summary of uncorrected misstatements we identified during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.</p>
<p>Auditor’s Judgments About the Quality of the University’s Accounting Policies</p>	<p>➡ No matters are reportable</p>

Other Material Communication

Other material communication between management and us related to the audit include:

- Management representation letter (Appendix)

Other Matters

We observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements if you require.

Information System Review**Change Management**

Information system changes are reviewed at the weekly change management team meeting. However, this review process is not documented in the meeting minutes. Proper review of system changes is important to prevent inappropriate or unauthorized changes to application systems or programs (*i.e.*, configurable settings, automated algorithms, automated calculations, and automated data extraction). We recommend that information system change approvals be documented in the change management weekly meeting minutes to provide contemporaneous evidence of proper review.

Management Response – IT agrees with the BKD audit finding relative to including documentation on after action reviews of change activities in the minutes of our change management process. Discussion of these changes had been occurring, but no formal documentation was in the change management minutes. IT has already implemented the suggested adjustment to the documentation of change management minutes.

Security

The Sigma application does not have the ability to enforce complex password settings. Enforcement of complex password settings helps mitigate the risk of unauthorized access to critical applications. We recommend that management work with the software vendor to enable enforcement of complex password settings.

Management Response – IT agrees with the BKD audit finding relative to working with Sigma to try to improve password settings of their product. To that end, we are actively reaching out to Sigma to see if there is anything additionally that they recommend related to password security.

Future Government Accounting Standards Board Pronouncements

<u>Pronouncement</u>	<u>Effective Date – NKU Fiscal Year</u>
GASB 83, <i>Certain Asset Retirement Obligations</i>	2019
GASB 84, <i>Fiduciary Activities</i>	2020
GASB 87, <i>Leases</i>	2021
GASB 89, <i>Accounting for Interest Costs Incurred before the End of a Construction Period</i>	2021

Management’s written response to the other matters identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.



This communication is intended solely for the information and use of management, the audit and compliance committee, the board of regents, and others within the University and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

Cincinnati, Ohio
October 5, 2018

Appendix

October 5, 2018

BKD, LLP

Certified Public Accountants
312 Walnut Street, Suite 3000
Cincinnati, Ohio 45202

We are providing this letter in connection with your audit of our financial statements as of and for the year ended June 30, 2018 and your audit of our compliance with requirements applicable to each of our major federal awards programs as of and for the year ended June 30, 2018. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated April 11, 2018, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.

- (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of meetings of the governing body held through the date of this letter. Minutes provided are the final approved versions.
 - (e) All significant contracts and grants.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We make the following assertions:
- (a) The University had no leases of space in a building owned by a governmental unit and had no leases of space required because of emergency (KRS § 56.805).
 - (b) The University had no real property leases that were executed or renewed during the year ended June 30, 2018, which were subject to testing.
 - (c) The Department of Facilities Management in the Finance and Administration Cabinet has delegated to the University the authority to enter into real property leases, and therefore, no written request to the Department for Facilities Management in the Finance and Administration Cabinet for the acquisition of additional space is required (KRS § 56.803).
 - (d) The Department of Facilities Management in the Finance and Administration Cabinet has delegated to the University the authority to enter into real property leases, and therefore, no written decision from the commissioner as to lessor selection is required (KRS § 56.803).
 - (e) The University has no build-to-suit leases executed during the year ended June 30, 2018 (KRS § 56.8161 through 56.8179 and KRS § 56.820).
 - (f) The University had no leases that had change in ownership of the leased premises during the year ended June 30, 2018 (KRS § 56.819).
 - (g) The University has no leases that were executed during the year ended June 30, 2018, that are classified as lease-purchases pursuant to KRS § 56.803 (KRS § 56.823).
 - (h) The University has no leases that were executed during the year ended June 30, 2018, that are in a foreign jurisdiction (KRS 56.832).

- (i) We have asserted that there are no persons owning 5 percent or more of the shares in lessors, which are corporations, partnerships, business trusts, organizations and the names of all partners including silent and limited partners.
 - (j) The University's policy for renewal of leases is in accordance with Kentucky Lease Law standards.
- 7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:
 - (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets, liabilities or net position.
- 8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
- 9. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
- 10. We have no knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, customers, regulators, suppliers or others.
- 11. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.
- 12. Except as reflected in the financial statements, there are no:
 - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - (b) Material transactions omitted or improperly recorded in the financial statements.

- (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - (e) Agreements to purchase assets previously sold.
 - (f) Restrictions on cash balances or compensating balance agreements.
 - (g) Guarantees, whether written or oral, under which the University is contingently liable.
13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We have no reason to believe the University owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
15. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
16. Adequate provisions and allowances have been accrued for any material losses from:
- (a) Uncollectible receivables.
 - (b) Reducing obsolete or excess inventories to estimated net realizable value.
 - (c) Sales commitments, including those unable to be fulfilled.
 - (d) Purchase commitments in excess of normal requirements or above prevailing market prices.
17. Except as disclosed in the financial statements, we have:
- (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

18. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
19. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.
20. With regard to deposit and investment activities:
 - (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
21. With respect to any nonattest services you have provided us during the year:
 - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
22. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
23. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
24. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

25. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
26. We have a process to track the status of audit findings and recommendations.
27. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
28. With regard to federal awards programs:
 - (a) We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.
 - (b) We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.
 - (c) We are responsible for complying, and have complied, with the requirements of Uniform Guidance.
 - (d) We are responsible to understand and comply with the requirements of federal statutes, regulations and the terms and conditions of federal awards related to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the University has complied with all applicable compliance requirements.
 - (e) We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards programs in compliance with federal statutes, regulations and the terms and conditions of the federal awards.

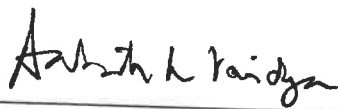
- (f) We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.
- (g) The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.
- (h) The costs charged to federal awards are in accordance with applicable cost principles.
- (i) The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency, the applicable payment system or pass-through entity in the case of a subrecipient.
- (j) Amounts claimed or used for matching were determined in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) regarding cost principles.
- (k) We have monitored any subrecipients to determine that they have expended federal awards in accordance with federal statutes, regulations and the terms and conditions of the subaward and have met the audit and other requirements of the Uniform Guidance.
- (l) We have taken appropriate corrective action on a timely basis after receipt of any subrecipient's auditor's report that identified findings and questioned costs pertaining to federal awards programs passed through to the subrecipient by us.
- (m) We have considered the results of any subrecipient's audits received and made any necessary adjustments to our books and records.
- (n) We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.
- (o) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.

- (p) Except as described in the schedule of findings and questioned costs, we are in agreement with the findings contained therein and our views regarding any disagreements with such findings are consistent, as of the date of this letter, with the description thereof in that schedule.
 - (q) We are responsible for taking corrective action on any audit findings and have developed a corrective action plan that meets the requirements of Uniform Guidance.
 - (r) The summary schedule of prior audit findings correctly states the status of all audit findings of the prior audit's schedule of findings and questioned costs and any uncorrected open findings included in the prior audit's summary schedule of prior audit findings as of the date of this letter.
 - (s) The reporting package does not contain any protected personally identifiable information.
29. With regard to compliance with the Commonwealth of Kentucky's House Bill 622 (Kentucky Revised Statutes (KRS) § 164A.555 through 164A.630):
- (a) We confirm the state has transferred funds to the University, which were approved through state appropriations, in accordance with KRS § 164A.555.
 - (b) We have elected to perform in accordance with KRS § 164A.555 to 164A.560 regarding acquisitions of funds, accounting, purchasing and capital construction.
 - (c) We have accounted for funds received and disbursed in accordance with KRS § 164A.560, while making deposits on a timely basis and developing processes and policies to support, approve and record disbursements for authorized purposes.
 - (d) We use an accrual basis for accounting that conforms with generally accepted accounting principles.
 - 1. The accounting system of the University includes an operating fund group, loan fund group, endowment fund group, agency fund group and plant fund group, as applicable.
 - 2. We have used all state appropriations for intended purposes and within the period awarded.
 - 3. For each capital construction project, we have submitted at the end of each fiscal year a report showing all revenues and expenditures and current status to the capital projects and bond oversight committee.
 - 4. We did have state general funds for capital constructions projects which were unexpended for applicable projects or are intended to be used by end projects. The funds were returned to a surplus account in accordance with KRS § 164A.565.

5. The land, buildings and capital equipment have been accounted for in the plant fund group, in accordance with KRS § 164A.565.
6. We have submitted an annual report, and the annual report does meet the requirements of the CPE's system of uniform financial reporting for institutions of higher education.
7. Each governing board has made the following available on the University's website:
 - i. Board approved operating and capital budgets for the current and prior two fiscal years
 - ii. The University's audited financial statements for the previous three fiscal years
 - iii. The agendas and actions of all meetings of the governing board for the previous three years
- (e) We have engaged a qualified, experienced CPA firm to conduct an annual audit.
- (f) Our procurement policy's purchasing procedures are consistent with this KRS § 164A.575.
- (g) Inventories of plant and equipment have been taken and maintained in accordance with KRS § 164A.575.
- (h) Our policies for disposals of real property are in accordance with KRS § 164A.575.
- (i) The governing board of the University has managed and administered capital construction projects in accordance with KRS § 164A.580.
- (j) We are following procedures, outlined in the KRSs, to contract for architectural and engineering services in accordance with KRS § 164A.590.
- (k) We are following procedures, outlined in KRSs, to contract for capital construction projects in accordance with KRS § 164A.585.
- (l) We are carrying out capital construction projects in accordance with KRS § 164A.595.
- (m) We have established an emergency repair fund for capital constructions and equipment purchases.
1. We have remained within the scope authorized by the General Assembly for all capital construction and equipment purchase projects in accordance with KRS § 164A.600.

2. We did not have emergency projects in the current year for which the board authorized funds to be transferred to other capital construction and equipment purchase projects.
- (n) In the current fiscal year, there have been no circumstances in which we were unable to make required principal and interest payments due to agency bonds. All principal and interest payments on bonds have been made in accordance with KRS § 164A.608.
- (o) We have affiliated corporations for which the following guidelines are adhered to in accordance with KRS § 164A.610:
 1. We obtain financial information on a quarterly basis.
 2. We are receiving external reimbursement for indirect expenses incurred throughout the year.
- (p) The provisions of KRS § 164A.555 to 164A.630 have not prevented the University from accepting gifts, awarding scholarships or any other functions assigned by the governing board.
- (q) We have followed the provisions of KRS § 164A.555 through 164A.630 and are bound by the statutes as outlined at KRS § 164A.630 pertaining to the following:
 1. Relocation assistance and lease of property for state use and related legislative approval of fiscal obligations.
 2. The Kentucky Model Procurement Code.
 3. The issuance and approval of revenue bonds and bond anticipation notes.
 4. Equal employment opportunity.
30. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
31. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

32. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, and pension and other post-employment benefit information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
33. With regard to supplementary information:
- (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
 - (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
 - (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
 - (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
 - (e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.
34. We acknowledge your use of our internal audit function to provide direct assistance during the audit. We have allowed the internal auditors to follow your instructions and have not intervened in the work the internal auditor has performed for you.



Dr. Ashish K. Vaidya, President



Mr. Michael Hales, Chief Financial Officer



Mr. Russell Kerdolff, Comptroller



Ms. Karen Mefford, Associate Comptroller

Northern Kentucky University

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	118,758,000		118,758,000	
Non-Current Assets & Deferred Outflows	491,939,000	463,704	492,402,704	0.09%
Current Liabilities	(39,765,000)		(39,765,000)	
Non-Current Liabilities & Deferred Inflows	(506,022,000)		(506,022,000)	
Current Ratio	2.986		2.986	
Total Assets & Deferred Outflows	610,697,000	463,704	611,160,704	0.08%
Total Liabilities & Deferred Inflows	(545,787,000)		(545,787,000)	
Total Net Position	(64,910,000)	(464,004)	(65,374,004)	0.71%
Operating Revenues	(138,257,000)		(138,257,000)	
Operating Expenses	256,473,000	(451,371)	256,021,629	-0.18%
Nonoperating (Revenues) Exp	(124,676,000)		(124,676,000)	
Change in Net Position	(6,460,000)	(451,371)	(6,911,371)	6.99%

Client: Northern Kentucky University
Period Ending: June 30, 2018

Major Enterprise Fund

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows				Liabilities & Deferred Inflows				Operating				Net Effect on Following Year					
			Current		Non-Current		Current		Non-Current		Revenues		Expenses		Nonoperating (Revenues) Exp		Net Position		Change in Net	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
To correct beginning balances for prior year correction to service concession agreement amortization.		F	0	0	0	0	0	0	0	0	(224,635)	0	224,635	0	0	0	0	0	0	
	Unrestricted Net Position												224,635							
	Operating Expenses										(224,635)									
To record the implicit subsidy deferred outflow related to the adoption of GASB 75.		F	0	463,704	0	0	0	0	0	0	(226,736)	0	(237,268)	0	0	0	0	0		
	Deferred Outflows			463,704																
	Cumulative Effect												(237,268)							
	OPEB Expense										(226,736)									
Total passed adjustments			0	463,704	0	0	0	0	0	0	(451,371)	0	(12,633)	0	0	0	0	0		
													Impact on Change in Net Position		(451,371)					
													Impact on Net Position		(464,004)					

Board of Directors
Northern Kentucky University Research Foundation, Inc.
Highland Heights, Kentucky

As part of our audit of the financial statements of Northern Kentucky University Research Foundation, Inc. (Research Foundation) as of and for the year ended June 30, 2018, we wish to communicate the following to you.

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Research Foundation's significant accounting policies are described in Note 2 of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following area involves significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for accounts receivable

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Transactions with Northern Kentucky University
- Agency funds

Audit Adjustments

No matters are reportable.

Auditor's Judgments About the Quality of the Research Foundation's Accounting Principles

No matters are reportable.

Other Material Communication

Other material written communication between management and us related to the audit consists of the management representation letter (attached).

* * * * *

This letter is intended solely for the information and use of the board of directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

Cincinnati, Ohio
October 5, 2018

October 5, 2018

BKD, LLP

Certified Public Accountants
312 Walnut Street, Suite 3000
Cincinnati, Ohio 45202

We are providing this letter in connection with your audits of our financial statements as of and for the years ended June 30, 2018 and 2017. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated April 11, 2018, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.

- (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of meetings of the governing body held through the date of this letter. Minutes provided are the final approved versions.
 - (e) All significant contracts and grants.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:
- (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets, liabilities or net position.
7. We have no knowledge of any known or suspected:
- (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Research Foundation received in communications from employees, customers, regulators, suppliers or others.
9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.

10. Except as reflected in the financial statements, there are no:
 - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - (b) Material transactions omitted or improperly recorded in the financial statements.
 - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - (e) Agreements to purchase assets previously sold.
 - (f) Restrictions on cash balances or compensating balance agreements.
 - (g) Guarantees, whether written or oral, under which the Northern Kentucky University Research Foundation (Research Foundation) is contingently liable.
11. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
12. We have no reason to believe the Research Foundation owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
13. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
14. Adequate provisions and allowances have been accrued for any material losses from:
 - (a) Uncollectible receivables.
 - (b) Sales commitments, including those unable to be fulfilled.


- (c) Purchase commitments in excess of normal requirements or above prevailing market prices.
15. Except as disclosed in the financial statements, we have:
- (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
16. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
17. With regard to deposit and investment activities:
- (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
18. With respect to any nonattest services you have provided us during the year:
- (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.

19. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
20. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
21. We acknowledge your use of our internal audit function to provide direct assistance during the audit. We have allowed the internal auditors to follow your instructions and have not intervened in the work the internal auditor has performed for you.

 10/8/18
Ms. Mary Ucci, Executive Director

 10-9-18
Mr. Michael Hales, Chief Financial Officer

 10/9/18
Mr. Russell Kerdolff, Comptroller

 10/8/18
Ms. Barbara Smith, Director of Research
Foundation Accounting/Grant
Administration

NORTHERN KENTUCKY UNIVERSITY FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2018



November 8, 2018

Dear NKU Foundation Board Members and Friends:

As the 50th anniversary of NKU winds down, we are happy to report that both the Foundation and Northern Kentucky University enjoyed another great year working together to support our students. As you know, NKU's sixth president, Dr. Ashish Vaidya, began his term in July and has rallied all of us to continue keeping student support as our number one priority.

Enclosed, please find our Consolidated Financial Statements for the years ending June 30, 2018 and June 30, 2017. They have been audited by BKD, LLP, whose report appears on page 4. The statements show that we are well positioned for another great year.

At 2018 fiscal year end the Foundation's total assets were \$127 million, an increase of \$6.2 million from the previous year. In addition to our fundraising efforts, much of the increase is attributed to our strong investment portfolio. The endowment pool, consisting of 321 individual donor restricted funds, continues to outperform its benchmarks and is ranked competitively against peer endowments nationally. I invite you to review the statements for a more in-depth look at our financial position.

As we reported to you last year, the Foundation engaged a consultant to review and assess the feasibility of undertaking a multi-year, comprehensive fundraising campaign for the university. We have already raised more than \$37 million through FY18 toward these efforts! Thank you for being supportive of our efforts to date and your continued support as we launch the public phase of the campaign next spring.

As I complete my term as president this month, I want to personally thank you for all that you have provided to the faculty, students and initiatives of Northern Kentucky University through its Foundation.

Yours truly,

A handwritten signature in cursive script that reads "Barry G. Kienzle".

Barry G. Kienzle
President
Northern Kentucky University Foundation, Inc.



Lucas Administrative Center 822
Highland Heights, KY 41099
(859) 572-5129 nku.edu/foundation.

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Ms. Mary E. Zalla '87

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Independent Auditor's Report

Board of Directors
Northern Kentucky University Foundation, Inc.
Highland Heights, Kentucky

We have audited the accompanying consolidated financial statements of Northern Kentucky University Foundation, Inc., which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northern Kentucky University Foundation, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The board of directors listing, letter from the president, and executive committee/officers listing are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Cincinnati, Ohio
September 10, 2018

Northern Kentucky University Foundation, Inc.

Consolidated Statements of Financial Position

As of June 30, 2018 and 2017

(in thousands)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 13,796	\$ 11,790
Loans and accounts receivable, net	97	103
Contributions receivable, net	4,449	6,203
Prepaid expenses and deferred charges	38	31
Investments	108,297	102,330
Land and land improvements	548	548
Accumulated depreciation	(208)	(208)
TOTAL ASSETS	<u>\$ 127,017</u>	<u>\$ 120,797</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 3,140	\$ 559
Annuities payable	-	2
Deferred revenue	215	208
Funds held in trust for Northern Kentucky University	13,431	12,968
TOTAL LIABILITIES	<u>16,786</u>	<u>13,737</u>
NET ASSETS		
Unrestricted		
For current operations	1,344	1,023
Amounts functioning as endowment funds	2,614	2,449
Invested in land and land improvements	340	340
Total unrestricted	<u>4,298</u>	<u>3,812</u>
Temporarily restricted		
Unexpended funds received for restricted purposes	12,038	12,027
Contributions receivable	3,663	5,229
Loan funds	219	216
Endowment funds	43,769	40,579
Total temporarily restricted	<u>59,689</u>	<u>58,051</u>
Permanently restricted		
Contributions receivable	786	974
Endowment funds	45,458	44,223
Total permanently restricted	<u>46,244</u>	<u>45,197</u>
TOTAL NET ASSETS	<u>110,231</u>	<u>107,060</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 127,017</u>	<u>\$ 120,797</u>

See accompanying notes to the consolidated financial statements

Northern Kentucky University Foundation, Inc.

Consolidated Statement of Activities

For the year ended June 30, 2018

(in thousands)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and bequests	\$ 2	\$ 4,144	\$ 954	\$ 5,100
Rental income	131			131
Investment return	346	6,663		7,009
Other revenue	115	308		423
Total revenues and gains	594	11,115	954	12,663
Net assets released from restrictions	9,352	(9,352)		
Reclassifications of net assets	-	(93)	93	-
Total revenues, gains and other support	9,946	1,670	1,047	12,663
EXPENSES AND LOSSES				
Program expenses				
Instruction	693			693
Research	38			38
Public service	175			175
Libraries	40			40
Academic support	725			725
Student services	524			524
Institutional support	1,002			1,002
University facilities and equipment acquisition	3,187			3,187
Student financial aid	2,469			2,469
Other program expenses and losses		32	-	32
Total program expenses	8,853	32	-	8,885
Support expenses				
Management and general	428			428
Fund raising support	179			179
Total support expenses	607	-	-	607
TOTAL EXPENSES AND LOSSES	9,460	32	-	9,492
INCREASE (DECREASE) IN NET ASSETS	486	1,638	1,047	3,171
NET ASSETS - BEGINNING OF YEAR	3,812	58,051	45,197	107,060
NET ASSETS - END OF YEAR	\$ 4,298	\$ 59,689	\$ 46,244	\$ 110,231

See accompanying notes to the consolidated financial statements

Northern Kentucky University Foundation, Inc.

Consolidated Statement of Activities

For the year ended June 30, 2017

(in thousands)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and bequests	\$ 3	\$ 4,075	\$ 929	\$ 5,007
Rental income	130			130
Investment return	382	10,879		11,261
Other revenue	112	288		400
Total revenues and gains	627	15,242	929	16,798
Net assets released from restrictions	6,277	(6,277)		
Reclassifications of net assets	-	(258)	258	-
Total revenues, gains and other support	6,904	8,707	1,187	16,798
EXPENSES AND LOSSES				
Program expenses				
Instruction	725			725
Research	43			43
Public service	513			513
Libraries	36			36
Academic support	398			398
Student services	666			666
Institutional support	884			884
University facilities and equipment acquisition	752			752
Student financial aid	1,952			1,952
Other program expenses and losses		400	44	444
Total program expenses	5,969	400	44	6,413
Support expenses				
Management and general	381			381
Fund raising support	190			190
Rental property	3			3
Total support expenses	574	-	-	574
TOTAL EXPENSES AND LOSSES	6,543	400	44	6,987
INCREASE (DECREASE) IN NET ASSETS	361	8,307	1,143	9,811
NET ASSETS - BEGINNING OF YEAR	3,451	49,744	44,054	97,249
NET ASSETS - END OF YEAR	\$ 3,812	\$ 58,051	\$ 45,197	\$ 107,060

See accompanying notes to the consolidated financial statements

Northern Kentucky University Foundation, Inc.

Consolidated Statements of Cash Flows
For the years ended June 30, 2018 and 2017
(in thousands)

	2018	2017
Cash flows from operating activities:		
Interest and dividends received	\$ 1,928	\$ 1,135
Contributions received	3,435	3,246
Other receipts	566	519
Payments to vendors for goods and services	(1,937)	(1,348)
Subgrants to the University	(2,526)	(2,989)
Disbursements to students for financial aid	(2,469)	(2,027)
Net cash provided by (used for) operating activities	(1,003)	(1,464)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	7,968	9,814
Purchases of investments	(8,370)	(9,306)
Net cash provided by (used for) investing activities	(402)	508
Cash flows from financing activities:		
Endowment and other capital gifts	3,411	3,453
Payments to annuitants	-	(20)
Net cash provided by (used for) financing activities	3,411	3,433
Net change in cash and cash equivalents	2,006	2,477
Cash and cash equivalents at beginning of year	11,790	9,313
Cash and cash equivalents at end of year	\$ 13,796	\$ 11,790
Reconciliation of change in net assets to net cash provided by (used for) operating activities:		
Change in net assets	\$ 3,171	\$ 9,811
Bad debt expense adjustment	(5)	(4)
Provision for uncollectible pledges	2	2
Adjustment of annuities payable	(2)	(118)
Adjustment of life estate remainder interest	(47)	(106)
Contributions restricted for long-term investment	(3,411)	(3,453)
Net losses (gains) on investments	(5,081)	(10,126)
Changes in assets and liabilities:		
Accounts receivable	12	(11)
Contributions receivable	1,752	2,186
Prepaid expenses and deferred charges	(7)	9
Accounts payable	2,581	371
Deferred revenue	54	-
Cash surrender value of life insurance	(22)	(25)
Net cash provided by (used for) operating activities	\$ (1,003)	\$ (1,464)

See accompanying notes to the consolidated financial statements

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

NOTE A – HISTORY AND PURPOSE

Northern Kentucky University Foundation, Inc.

Northern Kentucky University Foundation, Inc. (the Foundation) was incorporated November 23, 1970, as a Kentucky non-stock, not-for-profit corporation. The purpose of the Foundation, as stated by the articles of incorporation, is to provide general and specific services and material things necessary or desirable for the growth and development of Northern Kentucky University (the University), and encompasses prospective students, students, alumni, faculty, and staff, as well as research and civic services and cooperative educational programs. Any and all things and acts in and incidental to the conduct of such activities deemed useful, necessary, proper and lawful, are also declared purposes.

Kentucky Revised Statutes define affiliation status for corporations supporting public education institutions. The Foundation is an unaffiliated corporation as defined by the statutes.

The Internal Revenue Service has determined that the Foundation is a tax-exempt organization under Section 501(c)(3) of the code and has determined that it is not a private foundation within Section 509(a) of the code. Contributions, bequests, legacies, devises, transfers and gifts made to the Foundation are deductible by donors, as provided in Section 170 of the code.

Scope of Statements

The consolidated financial statements of the Foundation include the operations of the Foundation as well as the following single member limited liability companies: NKUF Properties 1, LLC, NKUF Properties 2, LLC, NKUF Properties 3, LLC, NKUF Properties 4, LLC, NKUF Properties 5, LLC, NKUF Properties 6, LLC, and NKUF Properties 7, LLC. These entities hold title to real estate and other assets formerly held by the Foundation. All material intercompany transactions and balances have been eliminated.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Foundation in preparation of its consolidated financial statements.

These statements are presented on the accrual basis of accounting, and have been prepared to focus on the Foundation as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of balances and transactions into three classes of net assets - permanently restricted, temporarily restricted and unrestricted net assets.

Net assets and changes therein are classified as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use the returns on the related investments over time for general or specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time. Temporarily restricted net assets are generally established in support of colleges or departments of the University, often for specific purposes such as faculty support, scholarships and fellowships, library acquisitions, equipment or building projects and other specific purposes.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Restricted contributions and net investment returns earned are reported as temporarily restricted support and reclassified as unrestricted when any donor-imposed restrictions are satisfied. Expirations of temporary restrictions on net assets are met when a donor stipulated time restriction ends or purpose restriction is accomplished and reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions receivable are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of such factors as prior collection history, type of contribution and nature of the fund-raising activity.

Income and realized net gains on long-term investments are reported as follows:

- As increases in permanently restricted net assets – if the terms of the gift require that they be added to the principal of a permanent endowment fund.
- As increases in temporarily restricted net assets – if the terms of the gift impose restrictions on the use of the income.
- As increases in unrestricted net assets – in all other cases.

Cash and Cash Equivalents

Cash and cash equivalents include all readily available sources of cash such as petty cash, demand deposits and temporary investments in marketable securities with maturities of less than three months. Cash and cash equivalents representing investments purchased with endowment net assets are reported as investments.

At various times throughout the year, the Foundation has cash in certain financial institutions in excess of insured limits. Additionally, at June 30, 2018 and 2017, \$2,305,000 and \$1,416,000, respectively, was collateralized with securities held by the financial institution's trust department or agent, but not in the Foundation's name. At June 30, 2018 and 2017, balances of \$10,491,000 and \$9,372,000, respectively, were neither insured nor collateralized.

Loans and Accounts Receivable

Loans receivable consists primarily of loans made to students under privately funded loan programs. The advances are evidenced by signed promissory notes, bearing interest at varying stated interest rates, with varying due dates. Loans, accounts and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for a probable uncollectible allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts as of June 30, 2018 and 2017 was approximately \$120,000 and \$125,000, respectively.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are reported at their fair value. The estimated fair value of investments is based on quoted market prices, except for investments for which quoted market prices are not available. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The estimated fair value of certain alternative investments, such as private equity interests, is based on valuations provided by the external investment managers adjusted for cash receipts, cash disbursements and distributions. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

The Foundation invests its endowment investment portfolio and allocates the related earnings for expenditure in accordance with the total return concept. A distribution of endowment return that is independent of the cash yield and appreciation (depreciation) of investments earned during the year is provided for program support.

The Foundation has significant exposure to a number of risks including interest rate, market and credit risks for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the Foundation’s consolidated financial statements.

All true endowment investments and long-term net assets functioning as endowments are managed in a pool, unless special considerations or donor stipulations require that they be held separately.

Land and Land Improvements

At June 30, 2018 and 2017, land and land improvements (in thousands) consisted of:

Type of asset:	<u>2018</u>	<u>2017</u>
Land	\$ 178	\$ 178
Land held for future use by the University	162	162
Land improvements	<u>208</u>	<u>208</u>
Total land and land improvements	<u>\$ 548</u>	<u>\$ 548</u>

Assets acquired for Foundation use with a useful life greater than one year and a value of \$5,000 or more are capitalized. Annual depreciation for land improvements is calculated on a straight-line basis, beginning in the month of acquisition based on a useful life of 30 years. At June 30, 2018 and 2017 all land improvements were fully depreciated.

Assets purchased or constructed through the Foundation for immediate use by the University are recorded by the Foundation as a program expense.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

Reclassifications

Certain items have been reclassified for the year ended June 30, 2017 in order to conform to classifications used for the year ended June 30, 2018. These reclassifications had no effect on total net assets or the change in net assets.

NOTE C – PROPERTY LEASES

At June 30, 2018, the Foundation owned properties subject to lease agreements with unrelated parties, as follows:

One property is subject to a lease covering approximately 23 acres of Foundation land. The lease is for 48 years ending on July 31, 2040, with four additional lease option terms of ten years each. All lease payments were current as of June 30, 2018 and 2017. As a condition of the lease, the Foundation has executed fee title mortgages to institutional lenders which subordinates its title in the real estate leased as security for construction financing of permanent improvements thereon. Any improvements constructed on the leased property of the Foundation shall become the property of the Foundation only upon termination of the lease or termination of the last such renewal term as may be exercised.

A second property is subject to a property lease and easements covering approximately .2 (two tenths) acre of Foundation land. The initial lease term was 5 years, beginning January 1, 1997, with nine additional 5-year automatic renewals at the option of the lessee. All lease payments were current as of June 30, 2018 and 2017.

Rental Income was \$131,000 and \$130,000 for the years ended June 30, 2018 and 2017, respectively.

The following is a schedule by years of the future rentals receivable (in thousands) on property leases as of June 30, 2018:

<u>Year ending June 30</u>	
2019	131
2020	131
2021	142
2022	135
2023	126
2024 and thereafter	<u>2,562</u>
Total future rentals	<u>\$ 3,227</u>

NOTE D – UNCONDITIONAL AND CONDITIONAL PROMISES TO GIVE

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts are computed using a risk free interest rate and amortization of the discount is included in gifts and bequests revenue.

At June 30, 2018 and 2017, the Foundation recognized contributions based on the following unconditional promises to give (in thousands):

	<u>2018</u>	<u>2017</u>
Purpose:		
Endowment giving	\$ 827	\$ 1,053
Capital purposes	2,050	4,080
Operating programs	<u>1,794</u>	<u>1,398</u>
Gross unconditional promises	4,671	6,531
Less: Discount and allowance for uncollectible accounts	<u>(222)</u>	<u>(328)</u>
Net unconditional promises to give	<u>\$ 4,449</u>	<u>\$ 6,203</u>
 Amounts due in:		
Less than one year	3,125	3,178
One to five years	1,516	3,333
More than five years	<u>30</u>	<u>20</u>
Total	<u>\$ 4,671</u>	<u>\$ 6,531</u>

The discount rates used to calculate the present value of contributions receivable at June 30, 2018 and 2017 vary from 1.2% to 3.4%, depending on when the promise was made.

Conditional promises to give are not included as support until such time as the conditions are substantially met. The Foundation had received conditional promises to give of approximately \$3.1 million at June 30, 2018 and \$1 million at June 30, 2017, consisting of the face value of life insurance policies, net of accumulated cash surrender value, as well as a conditional promise of \$2.1 million from a single donor in 2018.

Approximately 44% of total pledges receivable were due from one donor at June 30, 2018. Approximately 61% of total pledges receivable were due from one donor at June 30, 2017.

NOTE E – FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under generally accepted accounting principles are described as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Other inputs that are observable for the asset or liability;
- Other inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 investments include short term money market funds, cash surrender value, fixed income funds and equity funds.

Level 2 investments are based on quoted prices of securities or other property with similar characteristics and include a remainder interest in real property subject to a life estate.

Level 3 investments include those in which there is no active market. The Foundation holds no Level 3 investments at June 30, 2018 or 2017.

The Foundation adopted Accounting Standards Update 2015-07 which eliminates the requirement that investments valued using the net asset value expedient be categorized as Level 2 or 3. These investments are now shown in a separate column on the table below. This treatment was applied retrospectively.

The following assets were measured at fair value on a recurring basis as of June 30, 2018 (in thousands):

	Fair Value Measurements Using				Investments Measured at NAV
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
June 30, 2018	Total				
Type of Investment:					
Short-term money market funds	\$ 8	\$ 8	\$ -	\$ -	\$ -
Cash surrender value	429	429	-	-	-
Fixed income funds:					
Core	1,611	1,611	-	-	-
Core Plus	4,422	4,422	-	-	-
Global	1,737	1,737	-	-	-
Treasury Inflation Protected Securities	1,589	1,589	-	-	-
Equity funds:					
Large/Mid-Cap - Broad	23,443	23,443	-	-	-
Large/Mid-Cap - Value	7,056	7,056	-	-	-
Small Cap - Growth	1,563	1,563	-	-	-
Small Cap - Value	2,181	2,181	-	-	-
International - Core	7,727	7,727	-	-	-
International - Value	3,608	3,608	-	-	-
International Small Cap - Value	2,984	2,984	-	-	-
Emerging Markets - Value	4,793	4,793	-	-	-
Emerging Markets - Small Cap	4,382	4,382	-	-	-
Real Estate Investment Trust	18	18	-	-	-
Exchange Traded Funds	106	106	-	-	-
Remainder interest in real property and other	685	-	685	-	-
Public Natural Resources-Master Limited Partnerships	3,103	-	-	-	3,103
Fixed Income High Yield	1,794	-	-	-	1,794
Private equity	7,127	-	-	-	7,127
Private debt	3,012	-	-	-	3,012
Natural resources	11,217	-	-	-	11,217
Private real estate	2,072	-	-	-	2,072
Low-Volatility	10,283	-	-	-	10,283
Total	\$ 106,950	\$ 67,657	\$ 685	\$ -	\$ 38,608

The following assets were measured at fair value on a recurring basis as of June 30, 2017 (in thousands):

	Fair Value Measurements Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
June 30, 2017					
Type of Investment:					
Short-term money market funds	\$ 8	\$ 8	\$ -	\$ -	\$ -
Cash surrender value	406	406	-	-	-
Fixed income funds:					
Core	1,605	1,605	-	-	-
Core Plus	4,382	4,382	-	-	-
Global	1,771	1,771	-	-	-
Treasury Inflation Protected Securities	1,560	1,560	-	-	-
Equity funds:					
Large/Mid-Cap - Broad	21,589	21,589	-	-	-
Large/Mid-Cap - Value	6,541	6,541	-	-	-
Small Cap - Growth	1,267	1,267	-	-	-
International - Core	7,066	7,066	-	-	-
International - Value	5,326	5,326	-	-	-
International Small Cap - Value	2,831	2,831	-	-	-
Emerging Markets - Value	4,533	4,533	-	-	-
Emerging Markets - Small Cap	4,154	4,154	-	-	-
Real Estate Investment Trust	16	16	-	-	-
Exchange Traded Funds	73	73	-	-	-
Remainder interest in real property and other	685	-	685	-	-
Public Natural Resources-Master Limited Partnerships	3,117	-	-	-	3,117
Fixed Income High Yield	1,725	-	-	-	1,725
Private equity	6,738	-	-	-	6,738
Private debt	2,672	-	-	-	2,672
Natural resources	11,228	-	-	-	11,228
Private real estate	1,833	-	-	-	1,833
Low-Volatility	11,080	-	-	-	11,080
Total	\$ 102,206	\$ 63,128	\$ 685	\$ -	\$ 38,393

NOTE F – INVESTMENTS

The market values (in thousands) of the Foundation's investments as of June 30, 2018 and 2017 are categorized by type below:

Type of Investment:	2018	2017
Short-term money market funds	\$ 8	\$ 8
Cash and cash surrender value	1,776	530
Fixed income funds:		
Core	1,611	1,605
Core Plus	4,422	4,382
Global	1,737	1,771
High Yield	1,794	1,725
Treasury Inflation Protected Securities	1,589	1,560
Equity funds:		
Large/Mid Cap - Broad	23,443	21,589
Large/Mid Cap - Value	7,056	6,541
Small Cap - Growth	1,563	1,267
Small Cap - Value	2,181	-
International - Core	7,727	7,066
International - Value	3,608	5,326
International Small Cap - Value	2,984	2,831
Emerging Markets - Value	4,793	4,533
Emerging Markets - Small Cap	4,382	4,154
Real Estate Investment Trust	18	16
Exchange Traded Funds	106	73
Public Natural Resources - Master Limited Partnerships	3,103	3,117
Remainder interest in real property and other	685	685
Private equity:		
Buyout	1,480	1,425
Diversified	1,844	1,683
Venture Capital	1,352	1,115
Secondary	2,451	2,515
Private debt:		
Distressed	2,937	2,477
Mezzanine	75	195
Natural Resources:		
Diversified	3,849	4,137
Energy	5,142	5,135
Commodities	2,226	1,956
Private real estate:		
Opportunistic	1,023	708
Value Added	1,049	1,125
Low-Volatility:		
Diversifying Strategies	10,283	11,080
Total Investments	\$ 108,297	\$ 102,330

Investment return (in thousands) for the years ended June 30, 2018 and 2017 consists of:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 1,928	\$ 1,135
(net of investment fees: 2018 - \$652, 2017 - \$593)		
Net realized gains (losses)	1,544	2,006
Net unrealized gains (losses)	3,537	8,120
	<u>\$ 7,009</u>	<u>\$ 11,261</u>

The Foundation records the cost of managing its endowment portfolio as a decrease in investment income within the appropriate net asset class in the consolidated statement of activities. Some of the Foundation's investment managers report investment transactions net of fees. The fees noted above are only those fees separately stated by the managers.

The investments of the Foundation are commingled with certain investments which the Foundation holds in trust for the University. The market value of funds held in trust for the University at June 30, 2018 and 2017 was approximately \$13,431,000 and \$12,968,000 respectively. (See Note I)

At June 30, 2018 and 2017, the Foundation had committed approximately \$44.1 and \$39.1 million, respectively, of its endowment investment resources to alternative investments, of which approximately \$9.5 and \$7.5 million, respectively, had not yet been called by the investment managers. Alternative investments for which commitments have been made consist of private equity/debt, natural resources, private real estate and low-volatility.

Alternative investments of the Foundation have limited marketability and the related investment agreements generally contain restrictive redemption provisions to the extent that the underlying investments should be considered illiquid for the duration of the investment through normal maturity. Early redemption of such investments would likely result in recovery of significantly less than the original investment amount. Foundation management believes the investment portfolio contains sufficient liquidity among other asset classes to make early redemption of alternative investments unlikely for reasons of meeting current spending needs.

NOTE G – ENDOWMENTS

The Foundation's endowment consists of 321 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The board, at their discretion, can at any time permit spending from the principal of any quasi-endowed fund, provided the expenditure complies with any donor-imposed restrictions related to the fund.

Kentucky enacted the Kentucky Uniform Prudent Management of Institutional Funds Act (KUPMIFA), the provisions of which apply to endowment funds existing on or established after enactment, with an effective date of July 15, 2010.

An interpretation of KUPMIFA provisions by the Foundation Board of Directors requires that the historical dollar amount of a donor-restricted endowment fund be preserved. As a result of this requirement, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. The net appreciation of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

Under KUPMIFA, the Foundation endowment spending policy allows for prudent spending of future endowment earnings for accounts without accumulated earnings based upon consideration of the following factors, if applicable:

- Duration and preservation of the endowment fund
- Purpose of the institution and the endowment fund
- General economic conditions
- Possible effect of inflation or deflation
- Expected total return on investments
- Other resources of the institution
- Investment policy

The approved annual endowment spending rate is reduced by a proportion of 5% for each 1% the affected endowment is below the value of original and subsequent gifts to the permanent endowment (i.e. principal).

Return Objectives and Risk Parameters. The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return a rate equal to the Consumer Price Index +5%, net of investment fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that includes fixed income investments as well as publicly traded equity-based investments and various alternative investment strategies to achieve its long-term return objectives within prudent risk parameters.

Spending Policy and How the Objectives Relate to Spending Policy. The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The current spending policy is to distribute an amount at least equal to 3-5% of a moving sixteen quarter average of the fair value of the endowment funds. Accordingly, over the long term, the Foundation expects its current spending policy to allow the Foundation to meet its objective to maintain the historical dollar amount of endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of endowment (in thousands) as of June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor restricted endowment funds	\$ -	\$ 37,681	\$ 45,458	\$ 83,139
Quasi-endowment funds	<u>2,614</u>	<u>6,088</u>	<u>-</u>	<u>\$ 8,702</u>
Total endowment funds	<u>\$ 2,614</u>	<u>\$ 43,769</u>	<u>\$ 45,458</u>	<u>\$ 91,841</u>

Changes in endowment net assets (in thousands) for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 2,449	\$ 40,579	\$ 44,223	\$ 87,251
Contributions collected	-	43	1,142	1,185
Investment income	50	1,726	-	1,776
Net investment gain (loss)	136	4,682	-	4,818
Amounts appropriated for expenditure	(21)	(3,261)	-	(3,282)
Reclassify to permanently restricted	<u>-</u>	<u>-</u>	<u>93</u>	<u>93</u>
Endowment net assets, end of year	<u>\$ 2,614</u>	<u>\$ 43,769</u>	<u>\$ 45,458</u>	<u>\$ 91,841</u>

Endowment net asset composition by type of endowment (in thousands) as of June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor restricted endowment funds	\$ -	\$ 34,531	\$ 44,223	\$ 78,754
Quasi-endowment funds	<u>2,449</u>	<u>6,048</u>	<u>-</u>	<u>\$ 8,497</u>
Total endowment funds	<u>\$ 2,449</u>	<u>\$ 40,579</u>	<u>\$ 44,223</u>	<u>\$ 87,251</u>

Changes in endowment net assets (in thousands) for the year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 2,158	\$ 32,638	\$ 43,018	\$ 77,814
Contributions collected	-	13	947	960
Investment income	31	1,067	-	1,098
Net investment gain (loss)	280	9,699	-	9,979
Amounts appropriated for expenditure	(20)	(2,838)	-	(2,858)
Reclassify to permanently restricted	<u>-</u>	<u>-</u>	<u>258</u>	<u>258</u>
Endowment net assets, end of year	<u>\$ 2,449</u>	<u>\$ 40,579</u>	<u>\$ 44,223</u>	<u>\$ 87,251</u>

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or KUPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were approximately \$1,000 at June 30, 2018. The deficiencies resulted from unfavorable market conditions that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no such deficiencies at June 30, 2017.

NOTE H – CONTINGENT LIABILITIES

Legal counsel for the Foundation have advised that they know of no pending or threatened litigation, claims or assessments involving the Foundation that could have a material adverse financial effect on the Foundation.

NOTE I – REGIONAL UNIVERSITY EXCELLENCE TRUST FUND

The Foundation holds certain funds, consisting of endowment matching funds received by the University from the Commonwealth of Kentucky's Regional University Excellence Trust Fund, which were subsequently transferred to the Foundation for management and investment.

The Foundation reports these funds and accumulated earnings as assets held in trust for the University. Investment earnings, gains and losses and expenditures from these funds are reported as changes in the balance held in trust, rather than as revenue and expenses of the Foundation. (See Note F)

NOTE J – SUBSEQUENT EVENTS

Events occurring after June 30, 2018 have been evaluated for possible adjustment to the consolidated financial statements or disclosure through September 10, 2018, the date on which the consolidated financial statements were available to be issued.

NOTE K – RELATED PARTY TRANSACTIONS

During the years ended June 30, 2018 and 2017, the Foundation made payments on behalf of the University of \$320,000 and \$396,000, respectively, for salaries, benefits, and other administrative costs for University staff that directly support the Foundation's operations. These payments are made by agreement between the Foundation and University. Approximately \$5,000 as of June 30, 2018 and \$40,000 as of June 30, 2017 was owed to the University for such costs.

In support of University Programs, the Foundation incurred program expenses of \$8,885,000 and \$6,413,000 for 2018 and 2017, respectively, which consisted of payments on behalf of the University of \$4,128,000 and \$3,710,000, for 2018 and 2017, respectively; and amounts transferred to the University for restricted purposes of \$4,757,000 and \$2,703,000 for 2018 and 2017, respectively.

NOTE L – FUTURE CHANGES IN ACCOUNTING PRINCIPLES

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances.

The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities (December 15, 2017, for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities (December 15, 2018, for not-for-profits that are conduit debt obligors). The Foundation is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Presentation of Financial Statements for Not-for-Profit Entities

The Financial Accounting Standards Board recently issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for fiscal years beginning after December 15, 2017.

A summary of the changes by financial statement area most relevant to the Association are as follows:

Statement of financial position:

- The statement of financial position will distinguish between two new classes of net assets - those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets - unrestricted, temporarily restricted and permanently restricted.

Statement of activities:

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the financial statements:

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of financial position.
- Amounts and purposes of governing Board designations and appropriations as of the end of the period are disclosed.

The Foundation is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2019. The Foundation is evaluating the impact the standard will have on the consolidated financial statements.

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foundation.nku.edu



312 Walnut Street, Suite 3000 // Cincinnati, OH 45202-4025 // 513.621.8300

Instructions for filing
NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.
Form 8879-EO - IRS E-file Signature Authorization
for the period ended June 30, 2017

Signature...

The original IRS e-file Signature Authorization form should be signed (use full name) and dated by the taxpayer. You must also select and enter a five digit Personal Identification Number for the taxpayer.

Filing...

Return your signed Form 8879-EO to:

BKD, LLP
312 WALNUT STREET, SUITE 3000
CINCINNATI OH 45202

Or fax your signed Form 8879-EO to:

BKD, LLP
E-File Coordinator
317.383.4200

Payment of tax...

No payment of tax is required.

Form 8879-EO serves as a replacement for your signature that would be affixed to form 990 if you paper filed your return. Please DO NOT separately file form 990 with the Internal Revenue Service. Doing so will delay the processing of your return.

We must receive your signed form before we can electronically transmit your return which is due on May 15, 2018. We would appreciate your returning this form as soon as possible as this will expedite the processing of your return. The Internal Revenue Service will notify us when your return is accepted. Your return is not considered filed until the Internal Revenue Service confirms their acceptance, which may occur after the due date of your return.

IRS e-file Signature Authorization for an Exempt Organization

For calendar year 2016, or fiscal year beginning 07/01, 2016, and ending 06/30, 20 17

▶ **Do not send to the IRS. Keep for your records.**

▶ **Information about Form 8879-EO and its instructions is at www.irs.gov/form8879eo.**

2016

Department of the Treasury
Internal Revenue Service

Name of exempt organization

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

Employer identification number

23-7116528

Name and title of officer

ERIC C. GENTRY, EXECUTIVE DIRECTOR

Part I Type of Return and Return Information (Whole Dollars Only)

Check the box for the return for which you are using this Form 8879-EO and enter the applicable amount, if any, from the return. If you check the box on line **1a**, **2a**, **3a**, **4a**, or **5a**, below, and the amount on that line for the return being filed with this form was blank, then leave line **1b**, **2b**, **3b**, **4b**, or **5b**, whichever is applicable, blank (do not enter -0-). But, if you entered -0- on the return, then enter -0- on the applicable line below. **Do not** complete more than 1 line in Part I.

1a	Form 990 check here ▶	<input checked="" type="checkbox"/>	b Total revenue , if any (Form 990, Part VIII, column (A), line 12) . . .	1b	<u>9,268,596.</u>
2a	Form 990-EZ check here ▶	<input type="checkbox"/>	b Total revenue , if any (Form 990-EZ, line 9)	2b	_____
3a	Form 1120-POL check here ▶	<input type="checkbox"/>	b Total tax (Form 1120-POL, line 22)	3b	_____
4a	Form 990-PF check here ▶	<input type="checkbox"/>	b Tax based on investment income (Form 990-PF, Part VI, line 5).	4b	_____
5a	Form 8868 check here ▶	<input type="checkbox"/>	b Balance Due (Form 8868, line 3c)	5b	_____

Part II Declaration and Signature Authorization of Officer

Under penalties of perjury, I declare that I am an officer of the above organization and that I have examined a copy of the organization's 2016 electronic return and accompanying schedules and statements and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the organization's electronic return and, if applicable, the organization's consent to electronic funds withdrawal.

Officer's PIN: check one box only

I authorize BKD, LLP to enter my PIN

4	5	2	0	2
---	---	---	---	---

 as my signature

ERO firm name

Enter five numbers, but do not enter all zeros

on the organization's tax year 2016 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I also authorize the aforementioned ERO to enter my PIN on the return's disclosure consent screen.

As an officer of the organization, I will enter my PIN as my signature on the organization's tax year 2016 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I will enter my PIN on the return's disclosure consent screen.

Officer's signature ▶

Date ▶

Part III Certification and Authentication

ERO's EFIN/PIN. Enter your six-digit electronic filing identification number (EFIN) followed by your five-digit self-selected PIN.

3	1	0	2	5	4	4	5	2	0	2
---	---	---	---	---	---	---	---	---	---	---

do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2016 electronically filed return for the organization indicated above. I confirm that I am submitting this return in accordance with the requirements of **Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.**

ERO's signature ▶

Date ▶

**ERO Must Retain This Form - See Instructions
Do Not Submit This Form To the IRS Unless Requested To Do So**

For Paperwork Reduction Act Notice, see back of form.

Return of Organization Exempt From Income Tax

2016

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

- ▶ Do not enter social security numbers on this form as it may be made public.
- ▶ Information about Form 990 and its instructions is at www.irs.gov/form990.

A For the 2016 calendar year, or tax year beginning 07/01, 2016, and ending 06/30, 2017

B Check if applicable: <input checked="" type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC. Doing business as Number and street (or P.O. box if mail is not delivered to street address) Room/suite LUCAS ADMINISTRATIVE CENTER 822 City or town, state or province, country, and ZIP or foreign postal code HIGHLAND HEIGHTS, KY 41099			D Employer identification number 23-7116528
	F Name and address of principal officer: BARRY G. KIENZLE SAME AS ABOVE			E Telephone number (859) 572-5129
	I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			G Gross receipts \$ 9,401,254. H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions)
	J Website: ▶ HTTP://FOUNDATION.NKU.EDU			H(c) Group exemption number ▶
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶			L Year of formation: 1970 M State of legal domicile: KY	

Part I Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities: SUPPORT NORTHERN KENTUCKY UNIVERSITY THROUGH PROVISION OF SCHOLARSHIPS, FINANCIAL AID AND OTHER SUPPORT PROGRAMS.		
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	33.
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	33.
	5	Total number of individuals employed in calendar year 2016 (Part V, line 2a)	5	0.
	6	Total number of volunteers (estimate if necessary)	6	100.
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	179,825.
	b Net unrelated business taxable income from Form 990-T, line 34	7b	0.	
Revenue			Prior Year	Current Year
	8	Contributions and grants (Part VIII, line 1h)	11,785,733.	5,006,804.
	9	Program service revenue (Part VIII, line 2g)	0.	0.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	5,922,857.	3,731,463.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	403,619.	530,329.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	18,112,209.	9,268,596.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	2,058,712.	1,980,240.
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0.	0.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
		b Total fundraising expenses (Part IX, column (D), line 25) ▶ 216,321.		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	4,901,721.	5,717,469.
18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	6,960,433.	7,697,709.	
19	Revenue less expenses. Subtract line 18 from line 12	11,151,776.	1,570,887.	
Net Assets or Fund Balances			Beginning of Current Year	End of Year
	20	Total assets (Part X, line 16)	109,399,269.	120,797,282.
	21	Total liabilities (Part X, line 26)	12,150,545.	13,737,132.
22	Net assets or fund balances. Subtract line 21 from line 20	97,248,724.	107,060,150.	

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	▶ Signature of officer	Date			
	▶ Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	AARON HERSHBERGER				P00961884
	Firm's name ▶ BKD, LLP	Firm's EIN ▶ 44-0160260		Phone no. 513-621-8300	
	Firm's address ▶ 312 WALNUT STREET, SUITE 3000 CINCINNATI, OH 45202				

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

For Paperwork Reduction Act Notice, see the separate instructions.

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III [X]

1 Briefly describe the organization's mission:

ATTACHMENT 1

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? [] Yes [X] No

[] Yes [X] No

If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? [] Yes [X] No

[] Yes [X] No

If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ 2,027,000. including grants of \$) (Revenue \$)

STUDENT FINANCIAL AID

4b (Code:) (Expenses \$ 884,000. including grants of \$) (Revenue \$)

INSTITUTIONAL SUPPORT

4c (Code:) (Expenses \$ 752,000. including grants of \$) (Revenue \$)

UNIVERSITY FACILITIES AND EQUIPMENT ACQUISITION

4d Other program services (Describe in Schedule O.) ATTACHMENT 2 (Expenses \$ 3,379,661. including grants of \$) (Revenue \$)

4e Total program service expenses 7,042,661.

Part IV Checklist of Required Schedules

Table with 3 columns: Question Number, Question Text, Yes, No. Rows include questions 1 through 19 regarding organizational requirements and reporting.

Part IV Checklist of Required Schedules (continued)

Table with 3 columns: Question ID, Question Text, and Yes/No checkboxes. Rows include questions 20a through 38 regarding hospital facilities, financial statements, grants, compensation, tax-exempt bonds, and organizational transactions.

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

Table with columns for question numbers (1a-14b), Yes/No checkboxes, and numerical responses. Includes questions about Form 1096, Form W-2G, Form W-3, Form 990-T, Form 8886-T, Form 8899, Form 1098-C, Form 720, and Form 702.

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI [X]

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include 1a (33), 1b (33), 2, 3, 4, 5, 6, 7a, 7b, 8a, 8b, 9.

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

Table with 3 columns: Question, Yes, No. Rows include 10a, 10b, 11a, 11b, 12a, 12b, 12c, 13, 14, 15a, 15b, 16a, 16b.

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed KY,
18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
20 State the name, address, and telephone number of the person who possesses the organization's books and records:▶

JOHN P. BAILEY, AC608 NUNN DRIVE, HIGHLAND HEIGHTS, KY 41099

859-572-6457

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response or note to any line in this Part VII.

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) BARRY G. KIENZLE PRESIDENT	2.00 0.	X		X				0.	0.	0.
(2) JOHN M. LUCAS VICE PRESIDENT	2.00 0.	X		X				0.	0.	0.
(3) JASON O. JACKMAN TREASURER	1.00 0.	X		X				0.	0.	0.
(4) MARTIN C. BUTLER SECRETARY	1.00 0.	X		X				0.	0.	0.
(5) RICHARD A. BOEHNE BOARD MEMBER	1.00 0.	X						0.	0.	0.
(6) KRISTI P. NELSON BOARD MEMBER	1.00 0.	X						0.	0.	0.
(7) GERARD ST. AMAND BOARD MEMBER	1.00 0.	X						0.	0.	0.
(8) ANDRA R. WARD BOARD MEMBER	1.00 0.	X						0.	0.	0.
(9) AREF W. BSISU BOARD MEMBER	.50 0.	X						0.	0.	0.
(10) CHAD A. BILZ BOARD MEMBER	.50 0.	X						0.	0.	0.
(11) JOHN W. CARNES BOARD MEMBER	.50 0.	X						0.	0.	0.
(12) GREG P. COLE BOARD MEMBER	.50 0.	X						0.	0.	0.
(13) GARREN COLVIN BOARD MEMBER	.50 0.	X						0.	0.	0.
(14) BRENT M. COOPER BOARD MEMBER	.50 0.	X						0.	0.	0.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
15) EVA G. FARRIS BOARD MEMBER	.50 0.	X					0.	0.	0.	
16) MARTIN J. GERRETY BOARD MEMBER	.50 0.	X					0.	0.	0.	
17) KEVIN E. GESSNER BOARD MEMBER	.50 0.	X					0.	0.	0.	
18) JAKKI L. HAUSSLER BOARD MEMBER	.50 0.	X					0.	0.	0.	
19) BARBARA M. JOHNSON BOARD MEMBER	.50 0.	X					0.	0.	0.	
20) JACK KENKEL BOARD MEMBER	.50 0.	X					0.	0.	0.	
21) BRYSON P. LAIR BOARD MEMBER	.50 0.	X					0.	0.	0.	
22) JACQUELINE N. LEVOIR BOARD MEMBER	.50 0.	X					0.	0.	0.	
23) FRED A. MACKE, JR. BOARD MEMBER	.50 0.	X					0.	0.	0.	
24) KAREN D. MEYERS BOARD MEMBER	.50 0.	X					0.	0.	0.	
25) THOMAS R. SAELINGER BOARD MEMBER	.50 0.	X					0.	0.	0.	
1b Sub-total							0.	0.	0.	
c Total from continuation sheets to Part VII, Section A							0.	105,554.	0.	
d Total (add lines 1b and 1c)							0.	105,554.	0.	

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **0.**

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>		X
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	X	

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization **0.**

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(26) TIM SCHIGEL ----- BOARD MEMBER	.50 0.	X					0.	0.	0.	
(27) ROSEMARY SCHLACHTER ----- BOARD MEMBER	.50 0.	X					0.	0.	0.	
(28) JULIE SCHNEIDER ----- BOARD MEMBER	.50 0.	X					0.	0.	0.	
(29) TRACY N. SCHWEGMAN ----- BOARD MEMBER	.50 0.	X					0.	0.	0.	
(30) NATHAN G. SMITH ----- BOARD MEMBER	.50 0.	X					0.	0.	0.	
(31) KARA S. WILLIAMS ----- BOARD MEMBER	.50 0.	X					0.	0.	0.	
(32) MARY E. ZALLA ----- BOARD MEMBER	.50 0.	X					0.	0.	0.	
(33) ERIC C. GENTRY ----- EXECUTIVE DIRECTOR	10.00 0.	X		X			0.	0.	0.	
(34) KAREN ZERHUSEN KRUER ----- EXECUTIVE DIRECTOR	37.50 0.			X			0.	105,554.	0.	

1b Sub-total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)										

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **▶** 0.

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>		X
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	X	

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization **▶**

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII.

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a Federated campaigns	1a						
	b Membership dues	1b						
	c Fundraising events	1c	139,796.					
	d Related organizations	1d						
	e Government grants (contributions) . .	1e						
	f All other contributions, gifts, grants, and similar amounts not included above .	1f	4,867,008.					
	g Noncash contributions included in lines 1a-1f: \$		52,225.					
	h Total. Add lines 1a-1f			5,006,804.				
	Program Service Revenue	2a _____	Business Code					
b _____								
c _____								
d _____								
e _____								
f All other program service revenue								
g Total. Add lines 2a-2f				0.				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts).			1,727,875.		179,825.	1,107,796.	
	4 Income from investment of tax-exempt bond proceeds .			0.				
	5 Royalties			0.				
	6a Gross rents	(i) Real	130,426.					
		(ii) Personal						
		b Less: rental expenses						
		c Rental income or (loss)		130,426.				
	d Net rental income or (loss)				130,426.		130,426.	
	7a Gross amount from sales of assets other than inventory	(i) Securities	2,003,588.					
		(ii) Other						
		b Less: cost or other basis and sales expenses						
		c Gain or (loss)		2,003,588.				
	d Net gain or (loss)				2,003,588.		2,003,588.	
	8a Gross income from fundraising events (not including \$ 139,796. of contributions reported on line 1c). See Part IV, line 18	a		ATCH 4				
		b Less: direct expenses	b	142,017.				
c Net income or (loss) from fundraising events.			ATCH 5	9,359.			9,359.	
9a Gross income from gaming activities. See Part IV, line 19	a		0.					
	b Less: direct expenses	b	0.					
	c Net income or (loss) from gaming activities.			0.				
10a Gross sales of inventory, less returns and allowances	a		0.					
	b Less: cost of goods sold	b	0.					
	c Net income or (loss) from sales of inventory.			0.				
Miscellaneous Revenue		Business Code						
11a MISCELLANEOUS REVENUE		900099		390,544.			390,544.	
b _____								
c _____								
d All other revenue								
e Total. Add lines 11a-11d				390,544.				
12 Total revenue. See instructions.				9,268,596.		179,825.	3,641,713.	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21	1,980,240.	1,980,240.		
2 Grants and other assistance to domestic individuals. See Part IV, line 22	0.			
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16	0.			
4 Benefits paid to or for members	0.			
5 Compensation of current officers, directors, trustees, and key employees	0.			
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0.			
7 Other salaries and wages	0.			
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	0.			
9 Other employee benefits	0.			
10 Payroll taxes	0.			
11 Fees for services (non-employees):				
a Management	0.			
b Legal	35,808.	31,705.	2,748.	1,355.
c Accounting	29,145.	25,806.	2,236.	1,103.
d Lobbying	0.			
e Professional fundraising services. See Part IV, line 17.	0.			
f Investment management fees	592,595.	524,702.	45,472.	22,421.
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.)	358,694.	317,599.	27,524.	13,571.
12 Advertising and promotion	30,905.	27,365.	2,371.	1,169.
13 Office expenses	440,675.	390,187.	33,815.	16,673.
14 Information technology	1,207.	1,068.	93.	46.
15 Royalties	0.			
16 Occupancy	34,667.	30,695.	2,660.	1,312.
17 Travel	344,783.	305,281.	26,457.	13,045.
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0.			
19 Conferences, conventions, and meetings	0.			
20 Interest	0.			
21 Payments to affiliates	0.			
22 Depreciation, depletion, and amortization	0.			
23 Insurance	14,424.	12,771.	1,107.	546.
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a EXP REIMBURSEMENT TO NKU	3,099,160.	2,744,091.	237,812.	117,257.
b MEALS AND ENTERTAINMENT	337,920.	299,205.	25,930.	12,785.
c REPAIRS AND MAINTENANCE	108,149.	95,758.	8,299.	4,092.
d DUES AND SUBSCRIPTIONS	88,387.	78,261.	6,782.	3,344.
e All other expenses	200,950.	177,927.	15,421.	7,602.
25 Total functional expenses. Add lines 1 through 24e	7,697,709.	7,042,661.	438,727.	216,321.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)	0.			

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X. | |

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	8,040,978.	1	11,789,903.
	2 Savings and temporary cash investments	1,272,276.	2	0.
	3 Pledges and grants receivable, net	8,390,941.	3	6,203,241.
	4 Accounts receivable, net	-96,424.	4	31,137.
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	0.	5	0.
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L	0.	6	0.
	7 Notes and loans receivable, net	186,923.	7	72,531.
	8 Inventories for sale or use	0.	8	0.
	9 Prepaid expenses and deferred charges	39,690.	9	30,930.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	548,151.		
	b Less: accumulated depreciation	208,029.		
		340,122.	10c	340,122.
	11 Investments - publicly traded securities	64,395,514.	11	73,987,243.
	12 Investments - other securities. See Part IV, line 11	26,829,249.	12	28,342,175.
	13 Investments - program-related. See Part IV, line 11	0.	13	0.
	14 Intangible assets	0.	14	0.
15 Other assets. See Part IV, line 11	0.	15	0.	
16 Total assets. Add lines 1 through 15 (must equal line 34)	109,399,269.	16	120,797,282.	
Liabilities	17 Accounts payable and accrued expenses	188,116.	17	558,656.
	18 Grants payable	0.	18	0.
	19 Deferred revenue	27,011.	19	207,984.
	20 Tax-exempt bond liabilities	0.	20	0.
	21 Escrow or custodial account liability. Complete Part IV of Schedule D	0.	21	0.
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L	0.	22	0.
	23 Secured mortgages and notes payable to unrelated third parties	0.	23	0.
	24 Unsecured notes and loans payable to unrelated third parties	0.	24	0.
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	11,935,418.	25	12,970,492.
	26 Total liabilities. Add lines 17 through 25	12,150,545.	26	13,737,132.
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	2,779,805.	27	3,812,421.
	28 Temporarily restricted net assets	50,415,712.	28	58,050,995.
	29 Permanently restricted net assets	44,053,207.	29	45,196,734.
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
	33 Total net assets or fund balances	97,248,724.	33	107,060,150.
	34 Total liabilities and net assets/fund balances	109,399,269.	34	120,797,282.

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI.

1	Total revenue (must equal Part VIII, column (A), line 12)	1	9,268,596.
2	Total expenses (must equal Part IX, column (A), line 25)	2	7,697,709.
3	Revenue less expenses. Subtract line 2 from line 1	3	1,570,887.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	97,248,724.
5	Net unrealized gains (losses) on investments	5	8,122,527.
6	Donated services and use of facilities	6	0.
7	Investment expenses	7	0.
8	Prior period adjustments	8	0.
9	Other changes in net assets or fund balances (explain in Schedule O)	9	118,012.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	107,060,150.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII.

- 1** Accounting method used to prepare the Form 990: Cash Accrual Other _____
 If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.
- 2a** Were the organization's financial statements compiled or reviewed by an independent accountant?
 If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- b** Were the organization's financial statements audited by an independent accountant?
 If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- c** If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.
- 3a** As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?
- b** If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.

	Yes	No
2a		X
2b	X	
2c	X	
3a		X
3b		

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ.

▶ Information about Schedule A (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2016

Open to Public Inspection

Name of the organization

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

Employer identification number

23-7116528

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2 A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E (Form 990 or 990-EZ).)
- 3 A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4 A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state: _____
- 5 An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II.)
- 6 A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 8 A community trust described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 9 An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: _____
- 10 An organization that normally receives: (1) more than 33 1/3 % of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3 % of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2)**. (Complete Part III.)
- 11 An organization organized and operated exclusively to test for public safety. See **section 509(a)(4)**.
- 12 An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2)**. See **section 509(a)(3)**.
Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
 - a **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
 - b **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
 - c **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
 - d **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
 - e Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.
 - f Enter the number of supported organizations.

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
(A)						
(B)						
(C)						
(D)						
(E)						
Total						

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule A (Form 990 or 990-EZ) 2016

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Table with 7 columns: (a) 2012, (b) 2013, (c) 2014, (d) 2015, (e) 2016, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Tax revenues levied for the organization's benefit; 3 The value of services or facilities furnished by a governmental unit; 4 Total; 5 The portion of total contributions by each person; 6 Public support.

Section B. Total Support

Table with 7 columns: (a) 2012, (b) 2013, (c) 2014, (d) 2015, (e) 2016, (f) Total. Rows include: 7 Amounts from line 4; 8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources; 9 Net income from unrelated business activities; 10 Other income; 11 Total support; 12 Gross receipts from related activities; 13 First five years.

Section C. Computation of Public Support Percentage

Table with 2 columns: Line number, Percentage. Rows include: 14 Public support percentage for 2016 (46.76%); 15 Public support percentage from 2015 Schedule A, Part II, line 14 (47.12%); 16a 33 1/3% support test - 2016 (checked); 16b 33 1/3% support test - 2015; 17a 10%-facts-and-circumstances test - 2016; 17b 10%-facts-and-circumstances test - 2015; 18 Private foundation.

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Table with 7 columns: (a) 2012, (b) 2013, (c) 2014, (d) 2015, (e) 2016, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Gross receipts from admissions, merchandise sold or services performed; 3 Gross receipts from activities that are not an unrelated trade or business; 4 Tax revenues levied for the organization's benefit; 5 The value of services or facilities furnished by a governmental unit; 6 Total. Add lines 1 through 5; 7a Amounts included on lines 1, 2, and 3 received from disqualified persons; 7b Amounts included on lines 2 and 3 received from other than disqualified persons; 7c Add lines 7a and 7b; 8 Public support. (Subtract line 7c from line 6.)

Section B. Total Support

Table with 7 columns: (a) 2012, (b) 2013, (c) 2014, (d) 2015, (e) 2016, (f) Total. Rows include: 9 Amounts from line 6; 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources; 10b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975; 10c Add lines 10a and 10b; 11 Net income from unrelated business activities not included in line 10b; 12 Other income. Do not include gain or loss from the sale of capital assets; 13 Total support. (Add lines 9, 10c, 11, and 12.)

14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here.

Section C. Computation of Public Support Percentage

Table with 2 columns: Line number, Percentage. Row 15: Public support percentage for 2016 (line 8, column (f) divided by line 13, column (f)). Row 16: Public support percentage from 2015 Schedule A, Part III, line 15.

Section D. Computation of Investment Income Percentage

Table with 2 columns: Line number, Percentage. Row 17: Investment income percentage for 2016 (line 10c, column (f) divided by line 13, column (f)). Row 18: Investment income percentage from 2015 Schedule A, Part III, line 17.

19a 33 1/3% support tests - 2016. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization.

19b 33 1/3% support tests - 2015. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization.

20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions.

Part IV Supporting Organizations

(Complete only if you checked a box in line 12 on Part I. If you checked 12a of Part I, complete Sections A and B. If you checked 12b of Part I, complete Sections A and C. If you checked 12c of Part I, complete Sections A, D, and E. If you checked 12d of Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

	Yes	No
1 Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i>		
2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i>		
3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer (b) and (c) below.</i>		
b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i>		
c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i>		
4a Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked 12a or 12b in Part I, answer (b) and (c) below.</i>		
b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i>		
c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i>		
5a Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).</i>		
b Type I or Type II only. Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
c Substitutions only. Was the substitution the result of an event beyond the organization's control?		
6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i>		
7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i>		
b Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>		
c Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i>		
10a Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer 10b below.</i>		
b Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i>		

Part IV Supporting Organizations (continued)

		Yes	No
11	Has the organization accepted a gift or contribution from any of the following persons?		
a	A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?		
b	A family member of a person described in (a) above?		
c	A 35% controlled entity of a person described in (a) or (b) above? If "Yes" to a, b, or c, provide detail in Part VI .		

Section B. Type I Supporting Organizations

		Yes	No
1	Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.		
2	Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.		

Section C. Type II Supporting Organizations

		Yes	No
1	Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).		

Section D. All Type III Supporting Organizations

		Yes	No
1	Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?		
2	Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).		
3	By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.		

Section E. Type III Functionally Integrated Supporting Organizations

1	Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).			
a	<input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.			
b	<input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.			
c	<input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).			
2	Activities Test. Answer (a) and (b) below.		Yes	No
a	Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.			
b	Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.			
3	Parent of Supported Organizations. Answer (a) and (b) below.			
a	Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? Provide details in Part VI .			
b	Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? If "Yes," describe in Part VI the role played by the organization in this regard.			

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

1 Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (explain in Part VI). **See instructions.** All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1	Net short-term capital gain	1	
2	Recoveries of prior-year distributions	2	
3	Other gross income (see instructions)	3	
4	Add lines 1 through 3.	4	
5	Depreciation and depletion	5	
6	Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6	
7	Other expenses (see instructions)	7	
8	Adjusted Net Income (subtract lines 5, 6, and 7 from line 4).	8	

Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1 Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):			
a	Average monthly value of securities	1a	
b	Average monthly cash balances	1b	
c	Fair market value of other non-exempt-use assets	1c	
d	Total (add lines 1a, 1b, and 1c)	1d	
e Discount claimed for blockage or other factors (explain in detail in Part VI):			
2	Acquisition indebtedness applicable to non-exempt-use assets	2	
3	Subtract line 2 from line 1d.	3	
4	Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions).	4	
5	Net value of non-exempt-use assets (subtract line 4 from line 3)	5	
6	Multiply line 5 by .035.	6	
7	Recoveries of prior-year distributions	7	
8	Minimum Asset Amount (add line 7 to line 6)	8	

Section C - Distributable Amount			Current Year
1	Adjusted net income for prior year (from Section A, line 8, Column A)	1	
2	Enter 85% of line 1.	2	
3	Minimum asset amount for prior year (from Section B, line 8, Column A)	3	
4	Enter greater of line 2 or line 3.	4	
5	Income tax imposed in prior year	5	
6	Distributable Amount. Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions).	6	

7 Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions	Current Year
1 Amounts paid to supported organizations to accomplish exempt purposes	
2 Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	
3 Administrative expenses paid to accomplish exempt purposes of supported organizations	
4 Amounts paid to acquire exempt-use assets	
5 Qualified set-aside amounts (prior IRS approval required)	
6 Other distributions (describe in Part VI). See instructions.	
7 Total annual distributions. Add lines 1 through 6.	
8 Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions.	
9 Distributable amount for 2016 from Section C, line 6	
10 Line 8 amount divided by Line 9 amount	

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2016	(iii) Distributable Amount for 2016
1 Distributable amount for 2016 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2016 (reasonable cause required-explain in Part VI). See instructions.			
3 Excess distributions carryover, if any, to 2016:			
a			
b			
c From 2013.			
d From 2014.			
e From 2015.			
f Total of lines 3a through e			
g Applied to underdistributions of prior years			
h Applied to 2016 distributable amount			
i Carryover from 2011 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
4 Distributions for 2016 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2016 distributable amount			
c Remainder. Subtract lines 4a and 4b from 4.			
5 Remaining underdistributions for years prior to 2016, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in Part VI. See instructions.			
6 Remaining underdistributions for 2016. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI. See instructions.			
7 Excess distributions carryover to 2017. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a			
b Excess from 2013. . . .			
c Excess from 2014. . . .			
d Excess from 2015. . . .			
e Excess from 2016. . . .			

Part VI **Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a and 3b; Part V, line 1; Part V, Section B, line 1e; Part V, Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information. (See instructions.)

Schedule B
(Form 990, 990-EZ,
or 990-PF)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

OMB No. 1545-0047

2016

▶ **Attach to Form 990, Form 990-EZ, or Form 990-PF.**

▶ Information about Schedule B (Form 990, 990-EZ, or 990-PF) and its instructions is at www.irs.gov/form990.

Name of the organization

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

Employer identification number

23-7116528

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

501(c)(3) (enter number) organization

4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

Note: Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

Special Rules

For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33 1/3 % support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of **(1)** \$5,000 or **(2)** 2% of the amount on (i) Form 990, Part VIII, line 1h, or (ii) Form 990-EZ, line 1. Complete Parts I and II.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I, II, and III.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year ▶ \$ _____

Caution: An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

Employer identification number
23-7116528**Part I** Contributors (See instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	COMMUNITY FOUNDATION OF NORTHERN KY 31 SPIRAL DRIVE FLORENCE, KY 41075	\$ 260,801.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
2	DUKE ENERGY FOUNDATION PO BOX 8499 PRINCETON, NJ 41099	\$ 175,205.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
3	ETA RHO NKU ALUMNI ASSOCIATION PO BOX 17160 COVINGTON, KY 41011, KY	\$ 113,281.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
4	JOHNSON CHARITABLE GIFT FUND 3777 WEST FORK ROAD CINCINNATI, OH 45247	\$ 175,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
5	JRG FUND OF THE JOHNSON CHARITABLE GIFT 325 W. MAIN STREET, SUITE 1110 LOUISVILLE, KY 40202	\$ 350,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
6	LIFE FOUNDATION 4200 MALSBARY RD BLUE ASH, OH 41042	\$ 340,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.	Employer identification number 23-7116528
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Part I **Contributors** (See instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
7	THOMAS J. MUNNINGHOFF 8 QUEENS VIEW LN WILDER, KY 45249	\$ 128,870.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
8	JACK W. STEINMAN 39 MONTGOMERY STREET ERLANGER, KY 41018	\$ 104,740.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
9	TOYOTA USA FOUNDATION 601 LEXINGTON AVENUE, 49TH FLOOR NEW YORK, NY 10022	\$ 342,614.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
_____	_____ _____ _____	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
_____	_____ _____ _____	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
_____	_____ _____ _____	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization **NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.**

Employer identification number

23-7116528

Part II **Noncash Property** (See instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions)	(d) Date received
_____	_____ _____ _____	\$ _____	_____
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions)	(d) Date received
_____	_____ _____ _____	\$ _____	_____
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions)	(d) Date received
_____	_____ _____ _____	\$ _____	_____
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions)	(d) Date received
_____	_____ _____ _____	\$ _____	_____
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions)	(d) Date received
_____	_____ _____ _____	\$ _____	_____
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions)	(d) Date received
_____	_____ _____ _____	\$ _____	_____

Name of organization **NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.**

Employer identification number
23-7116528

Part III *Exclusively* religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this information once. See instructions.) ► \$ _____
Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
_____	_____ _____ _____	_____ _____ _____	_____ _____ _____

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
_____ _____ _____	_____ _____ _____

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
_____	_____ _____ _____	_____ _____ _____	_____ _____ _____

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
_____ _____ _____	_____ _____ _____

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
_____	_____ _____ _____	_____ _____ _____	_____ _____ _____

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
_____ _____ _____	_____ _____ _____

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
_____	_____ _____ _____	_____ _____ _____	_____ _____ _____

(e) Transfer of gift	
Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee
_____ _____ _____	_____ _____ _____

SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No. 1545-0047

2016

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Complete if the organization answered "Yes" on Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.

Attach to Form 990.

Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.

Name of the organization

Employer identification number

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

23-7116528

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.

Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include: 1 Total number at end of year, 2 Aggregate value of contributions to (during year), 3 Aggregate value of grants from (during year), 4 Aggregate value at end of year, 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?, 6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?

Part II Conservation Easements.

Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

Table with 2 columns: Held at the End of the Tax Year. Rows include: 1 Purpose(s) of conservation easements held by the organization (check all that apply), 2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year., 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year, 4 Number of states where property subject to conservation easement is located, 5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?, 6 Staff and volunteer hours devoted to monitoring, inspecting, handling of violations, and enforcing conservation easements during the year, 7 Amount of expenses incurred in monitoring, inspecting, handling of violations, and enforcing conservation easements during the year, 8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?, 9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

Table with 2 columns: Revenue, Assets. Rows include: 1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items., 1b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items: (i) Revenue included in Form 990, Part VIII, line 1, (ii) Assets included in Form 990, Part X., 2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items: a Revenue included in Form 990, Part VIII, line 1, b Assets included in Form 990, Part X.

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule D (Form 990) 2016

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

- 3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):
- a Public exhibition
 - b Scholarly research
 - c Preservation for future generations
 - d Loan or exchange programs
 - e Other _____
- 4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.
- 5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements.

Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

- 1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No
- b If "Yes," explain the arrangement in Part XIII and complete the following table:
- | | Amount |
|---------------------------------|--------|
| c Beginning balance | 1c |
| d Additions during the year | 1d |
| e Distributions during the year | 1e |
| f Ending balance | 1f |
- 2a Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? Yes No
- b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII

Part V Endowment Funds.

Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	77,814,000.	82,398,000.	82,222,000.	71,445,000.	64,061,000.
b Contributions	1,218,000.	652,000.	1,281,000.	524,000.	438,000.
c Net investment earnings, gains, and losses	11,077,000.	-2,510,000.	1,492,000.	12,287,000.	8,510,000.
d Grants or scholarships	2,133,000.	2,050,000.	2,249,000.	1,692,000.	1,291,000.
e Other expenditures for facilities and programs			-28,000.	-2,000.	-12,000.
f Administrative expenses	725,000.	676,000.	376,000.	344,000.	285,000.
g End of year balance	87,251,000.	77,814,000.	82,398,000.	82,222,000.	71,445,000.

- 2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:
- a Board designated or quasi-endowment 2.8100 %
 - b Permanent endowment 50.6800 %
 - c Temporarily restricted endowment 46.5100 %
- The percentages on lines 2a, 2b, and 2c should equal 100%.

- 3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

	Yes	No
(i) unrelated organizations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(ii) related organizations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R?	<input type="checkbox"/>	<input type="checkbox"/>

- 4 Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		340,122.		340,122.
b Buildings				
c Leasehold improvements		208,028.	208,028.	
d Equipment				
e Other				
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				340,122.

Part VII Investments - Other Securities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other ATTACHMENT 1		
(A) CF PRIVATE EQUITY PARTNERS VII	748,122.	FMV
(B) CF CAPITAL NATURAL RESOURCES	2,001,925.	FMV
(C) CENTRIFUSE FUND	522,670.	FMV
(D) QUELLOS-BLACKROCK REAL ASSETS	497,652.	FMV
(E) NORTHGATE VENTURE PARTNERS III	592,345.	FMV
(F) MREP III FUND	149,460.	FMV
(G) NORTHGATE PRIVATE EQUITY II	215,896.	FMV
(H) NORTHGATE PRIVATE EQUITY III	389,060.	FMV
Total. (Column (b) must equal Form 990, Part X, col. (B) line 12.) ▶	28,342,175.	

Part VIII Investments - Program Related.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

Part IX Other Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	

Part X Other Liabilities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) ANNUITIES PAYABLE	2,027.
(3) FUNDS HELD IN TRUST FOR NKU	12,968,465.
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	12,970,492.

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

Table with 5 main rows and sub-rows (a-e) for adjustments. Columns include descriptions, sub-headers (2a-2d, 4a-4b), and totals (2e, 3, 4c, 5).

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

Table with 5 main rows and sub-rows (a-e) for adjustments. Columns include descriptions, sub-headers (2a-2d, 4a-4b), and totals (2e, 3, 4c, 5).

Part XIII Supplemental Information.

Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

SCHEDULE D, PART V, LINE 4

INTENDED USE OF OF ENDOWMENT

ENDOWMENT IS TO BE USED PRIMARILY FOR STUDENT FINANCIAL AID AND

SCHOLARSHIPS AT NORTHERN KENTUCKY UNIVERSITY

Part XIII Supplemental Information (continued)ATTACHMENT 1SCHEDULE D, PART VII - INVESTMENTS - OTHER SECURITIES

<u>DESCRIPTION</u>	<u>BOOK VALUE</u>	<u>COST OR FMV</u>
NORTHGATE PRIVATE EQUITY IV	558,883.	FMV
NEWLIN ENERGY PARTNERS II LP	620,534.	FMV
LIQUID REALTY PARTNERS IV	69,048.	FMV
SIGULER GUFF DISTRESSED FUND	261,523.	FMV
VENTURE INVESTMENT ASSOCIATES	463,615.	FMV
KAYNE ANDERSON MEZZANINE	195,006.	FMV
AETHER REAL ASSETS I	527,085.	FMV
AETHER REAL ASSETS II	1,607,982.	FMV
HEALTHCARE ROYALTY PARTNERS II	297,797.	FMV
WCP REAL ESTATE III (WESTPORT)	906,054.	FMV
WESTERN ASSET MANAGEMENT COMP.	1,724,700.	FMV
AMBERBROOK VI, LLP	1,536,632.	FMV
AMBERBROOK VII, LP	382,532.	FMV
HARVEST MLP INCOME FUND II	3,117,577.	FMV
ROCKLAND POWER PARTNER II, LP	2,213,648.	FMV
FIR TREE VALUE FUND	2,750,076.	FMV
STRATEGIC VALUE FUND III	2,215,108.	FMV
NGP NATURAL RESOURCES XI, LP	1,181,245.	FMV
ORBIMED ROYALTY OPPORTUNITIES	826,155.	FMV
HOMESTEAD CAPITAL USA FARMLAND	1,769,845.	FMV
TOTALS	<u>28,342,175.</u>	

**SCHEDULE F
(Form 990)**

Statement of Activities Outside the United States

OMB No. 1545-0047

2016

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

- ▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 14b, 15, or 16.
- ▶ Attach to Form 990.
- ▶ Information about Schedule F (Form 990) and its instructions is at www.irs.gov/form990.

Name of the organization

Employer identification number

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

23-7116528

Part I **General Information on Activities Outside the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 14b.

- 1 **For grantmakers.** Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? Yes No
- 2 **For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.

3 **Activities per Region.** (The following Part I, line 3 table can be duplicated if additional space is needed.)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in the region	(d) Activities conducted in the region (by type) (such as, fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in the region	(f) Total expenditures for and investments in the region
(1) EUROPE (INCLUDING ICELAND AND			PASSIVE INVESTMENTS		2,479,292.
(2) EAST ASIA AND THE PACIFIC			PASSIVE INVESTMENTS		1,364,911.
(3) CENTRAL AMERICA AND THE CARIBB			PASSIVE INVESTMENTS		99,330.
(4)					
(5)					
(6)					
(7)					
(8)					
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					
(16)					
(17)					
3a Sub-total					3,943,533.
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)					3,943,533.

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule F (Form 990) 2016

Part II **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of noncash assistance	(h) Description of noncash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									
(5)									
(6)									
(7)									
(8)									
(9)									
(10)									
(11)									
(12)									
(13)									
(14)									
(15)									
(16)									

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter. ▶ _____

3 Enter total number of other organizations or entities. ▶ _____

Part III **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 16.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of noncash assistance	(g) Description of noncash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

Part IV Foreign Forms

- 1 Was the organization a U.S. transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)* Yes No
- 2 Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to separately file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A; do not file with Form 990)* Yes No
- 3 Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations (see Instructions for Form 5471)* Yes No
- 4 Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund (see Instructions for Form 8621)* Yes No
- 5 Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships (see Instructions for Form 8865)* Yes No
- 6 Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to separately file Form 5713, International Boycott Report (see Instructions for Form 5713; do not file with Form 990)* Yes No

Part V Supplemental Information

Provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

**SCHEDULE G
(Form 990 or 990-EZ)**

Department of the Treasury
Internal Revenue Service

Name of the organization

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" on Form 990, Part IV, lines 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.

▶ Attach to Form 990 or Form 990-EZ.

▶ Information about Schedule G (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2016

**Open to Public
Inspection**

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

Employer identification number

23-7116528

Part I Fundraising Activities. Complete if the organization answered "Yes" on Form 990, Part IV, line 17. Form 990-EZ filers are not required to complete this part.

- 1** Indicate whether the organization raised funds through any of the following activities. Check all that apply.
- a** Mail solicitations
 - b** Internet and email solicitations
 - c** Phone solicitations
 - d** In-person solicitations
 - e** Solicitation of non-government grants
 - f** Solicitation of government grants
 - g** Special fundraising events
- 2a** Did the organization have a written or oral agreement with any individual (including officers, directors, trustees, or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? Yes No
- b** If "Yes," list the 10 highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization.

	(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col. (i)	(vi) Amount paid to (or retained by) organization
			Yes	No			
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
Total							

3 List all states in which the organization is registered or licensed to solicit contributions or has been notified it is exempt from registration or licensing.

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Part II Fundraising Events. Complete if the organization answered "Yes" on Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		NORSE GALA	GOLF OUTING	23.	(add col. (a) through col. (c))
		(event type)	(event type)	(total number)	
Revenue	1 Gross receipts	112,187.	43,286.	126,340.	281,813.
	2 Less: Contributions	56,486.	25,600.	57,710.	139,796.
	3 Gross income (line 1 minus line 2)	55,701.	17,686.	68,630.	142,017.
Direct Expenses	4 Cash prizes				
	5 Noncash prizes			1,138.	1,138.
	6 Rent/facility costs	18,440.		8,973.	27,413.
	7 Food and beverages	8,969.	1,532.	50,209.	60,710.
	8 Entertainment			3,791.	3,791.
	9 Other direct expenses	11,099.	5,753.	22,754.	39,606.
	10 Direct expense summary. Add lines 4 through 9 in column (d) ▶				132,658.
	11 Net income summary. Subtract line 10 from line 3, column (d) ▶				9,359.

Part III Gaming. Complete if the organization answered "Yes" on Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col. (a) through col. (c))
		1 Gross revenue			
Direct Expenses	2 Cash prizes				
	3 Noncash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	<input type="checkbox"/> Yes _____% <input type="checkbox"/> No	<input type="checkbox"/> Yes _____% <input type="checkbox"/> No	<input type="checkbox"/> Yes _____% <input type="checkbox"/> No	
7 Direct expense summary. Add lines 2 through 5 in column (d) ▶					
8 Net gaming income summary. Subtract line 7 from line 1, column (d) ▶					

9 Enter the state(s) in which the organization conducts gaming activities: _____
a Is the organization licensed to conduct gaming activities in each of these states? Yes No
b If "No," explain: _____

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? Yes No
b If "Yes," explain: _____

- 11 Does the organization conduct gaming activities with nonmembers? Yes No
- 12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? Yes No
- 13 Indicate the percentage of gaming activity conducted in:

a The organization's facility	13a	%
b An outside facility	13b	%

14 Enter the name and address of the person who prepares the organization's gaming/special events books and records:

Name ▶ _____

Address ▶ _____

- 15 a Does the organization have a contract with a third party from whom the organization receives gaming revenue? Yes No
- b If "Yes," enter the amount of gaming revenue received by the organization ▶ \$ _____ and the amount of gaming revenue retained by the third party ▶ \$ _____.
- c If "Yes," enter name and address of the third party:

Name ▶ _____

Address ▶ _____

16 Gaming manager information:

Name ▶ _____

Gaming manager compensation ▶ \$ _____

Description of services provided ▶ _____

Director/officer Employee Independent contractor

- 17 Mandatory distributions:
 - a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? Yes No
 - b Enter the amount of distributions required under state law to be distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$ _____

Part IV Supplemental Information. Provide the explanation required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also provide any additional information (see instructions).

**SCHEDULE I
(Form 990)**

**Grants and Other Assistance to Organizations,
Governments, and Individuals in the United States**

OMB No. 1545-0047

2016

**Open to Public
Inspection**

Complete if the organization answered "Yes" on Form 990, Part IV, line 21 or 22.

▶ Attach to Form 990.

▶ Information about Schedule I (Form 990) and its instructions is at www.irs.gov/form990.

Department of the Treasury
Internal Revenue Service

Name of the organization

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

Employer identification number

23-7116528

Part I General Information on Grants and Assistance

- Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? Yes No
- Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States.

Part II Grants and Other Assistance to Domestic Organizations and Domestic Governments. Complete if the organization answered "Yes" on Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section (if applicable)	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of noncash assistance	(h) Purpose of grant or assistance
(1) NORTHERN KENTUCKY UNIVERSITY NUNN DRIVE, HIGHLAND HEIGHTS, KY 41099	61-1010545	501(C)(3)	1,980,240.				SUPPORT/SCHOLARSHIPS
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table ▶ 1.

3 Enter total number of other organizations listed in the line 1 table ▶

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule I (Form 990) (2016)

Part III Grants and Other Assistance to Domestic Individuals. Complete if the organization answered "Yes" on Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
1					
2					
3					
4					
5					
6					
7					

Part IV Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b); and any other additional information.

SCHEDULE I, PART I, LINE 2

PROCEDURES FOR MONITORING GRANTS

THE FOUNDATION MONITORS THE USE OF FUNDS GRANTED TO NKU THROUGH REVIEW OF

INVOICES PAID BY NKU. THE FOUNDATION IS ALSO ABLE TO MONITOR THE

PROGRESS OF NKU PROJECTS SUPPORTED WITH FOUNDATION FUNDS.

Part III Grants and Other Assistance to Domestic Individuals. Complete if the organization answered "Yes" on Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
1					
2					
3					
4					
5					
6					
7					

Part IV Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b); and any other additional information.

SCHEDULE I, PART II, LINE 1, COLUMN (H)

PURPOSE OF GRANT OR ASSISTANCE

SUBGRANT EXPENSES PAID FOR THE BENEFIT OF NORTHERN KENTUCKY UNIVERSITY

(NKU) TO HELP PROVIDE FUNDING FOR NKU FACULTY POSITIONS, CONSTRUCTION

PROJECTS AND VARIOUS OTHER OPERATING EXPENDITURES.

**SCHEDULE J
(Form 990)**

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 23.

▶ Attach to Form 990.

▶ Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2016

**Open to Public
Inspection**

Name of the organization

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

Employer identification number

23-7116528

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed on Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- | | |
|--|---|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (such as, maid, chauffeur, chef) |

b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked on line 1a?

3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.

- | | |
|--|--|
| <input type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed on Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?
- If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

Only section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must complete lines 5-9.

5 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization?
- b** Any related organization?
- If "Yes" on line 5a or 5b, describe in Part III.

6 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- a** The organization?
- b** Any related organization?
- If "Yes" on line 6a or 6b, describe in Part III.

7 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization provide any nonfixed payments not described on lines 5 and 6? If "Yes," describe in Part III.

8 Were any amounts reported on Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" on line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1a		
1b		
2		
3		
4a		
4b		
4c		
5a		X
5b		X
6a		X
6b		X
7		X
8		X
9		

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2016

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported on Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that aren't listed on Form 990, Part VII.

Note: The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation in column (B) reported as deferred on prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
KAREN ZERHUSEN KRUER EXECUTIVE DIRECTOR	(i)	0.	0.	0.	0.	0.	0.	
	(ii)	105,554.	0.	0.	0.	0.	105,554.	
2	(i)							
	(ii)							
3	(i)							
	(ii)							
4	(i)							
	(ii)							
5	(i)							
	(ii)							
6	(i)							
	(ii)							
7	(i)							
	(ii)							
8	(i)							
	(ii)							
9	(i)							
	(ii)							
10	(i)							
	(ii)							
11	(i)							
	(ii)							
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

PART II, LINE 1

KAREN ZERHUSEN KRUEER RECEIVED COMPENSATION FROM NORTHERN KENTUCKY
UNIVERSITY FOR THE SERVICES SHE PROVIDED TO NORTHERN KENTUCKY UNIVERSITY
FOUNDATION.

**SCHEDULE M
(Form 990)**

Noncash Contributions

OMB No. 1545-0047

2016

**Open To Public
Inspection**

Department of the Treasury
Internal Revenue Service

- ▶ Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
- ▶ Attach to Form 990.
- ▶ Information about Schedule M (Form 990) and its instructions is at www.irs.gov/form990.

Name of the organization

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

Employer identification number

23-7116528

Part I Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art - Works of art				
2 Art - Historical treasures				
3 Art - Fractional interests				
4 Books and publications	X		245.	FMV
5 Clothing and household goods	X		10,971.	FMV
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities - Publicly traded	X	25.	606,157.	AVERAGE SHARE PRICE
10 Securities - Closely held stock				
11 Securities - Partnership, LLC, or trust interests				
12 Securities - Miscellaneous				
13 Qualified conservation contribution - Historic structures				
14 Qualified conservation contribution - Other				
15 Real estate - Residential				
16 Real estate - Commercial				
17 Real estate - Other				
18 Collectibles	X	37.	7,775.	FMV
19 Food inventory	X	6.	1,225.	FMV
20 Drugs and medical supplies	X	1.	10,841.	FMV
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▶ (ATCH 1)		75.	21,168.	
26 Other ▶ ()				
27 Other ▶ ()				
28 Other ▶ ()				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement **29**

	Yes	No
30a During the year, did the organization receive by contribution any property reported in Part I, lines 1 through 28, that it must hold for at least three years from the date of the initial contribution, and which isn't required to be used for exempt purposes for the entire holding period?		X
b If "Yes," describe the arrangement in Part II.		
31 Does the organization have a gift acceptance policy that requires the review of any nonstandard contributions?	X	
32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?		X
b If "Yes," describe in Part II.		
33 If the organization didn't report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II.		

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule M (Form 990) (2016)

JSA

6E1298 1.000

0109JL D410

Part II **Supplemental Information.** Provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

ATTACHMENT 1

SCHEDULE M, PART I - OTHER NONCASH CONTRIBUTIONS

<u>DESCRIPTION</u>	<u>(A) CHECK</u>	<u>(B) NUMBER OF CONTRIBUTIONS</u>	<u>(C) REVENUES REPORTED</u>	<u>(D) METHOD OF DETERMINING</u>
SPORTS EQUIPMENT	X	7.	1,600.	FMV
TICKETS/GIFT CERTIFICATES	X	68.	19,568.	FMV
TOTALS		<u>75.</u>	<u>21,168.</u>	

**SCHEDULE O
(Form 990 or 990-EZ)**

Department of the Treasury
Internal Revenue Service

Name of the organization

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2016

**Open to Public
Inspection**

Employer identification number

23-7116528

FORM 990, PART VI, SECTION B, LINE 11B

FORM 990 REVIEW PROCESS

THE FORM 990 IS PREPARED AND REVIEWED BY A CERTIFIED PUBLIC ACCOUNTING FIRM. THE RETURN IS REVIEWED BY MANAGEMENT AND THE FINANCE AND AUDIT COMMITTEE CHAIRS. THE RETURN IS EMAILED TO ALL VOTING BOARD MEMBERS FOR APPROVAL BEFORE A FINAL VERSION IS FILED WITH THE INTERNAL REVENUE SERVICE.

FORM 990, PART VI, SECTION B, LINE 12C

MONITORING COMPLIANCE

THE OFFICERS AND BOARD MEMBERS ARE REQUIRED TO DISCLOSE ANY CONFLICTS OF INTEREST. THIS POLICY IS MONITORED BY THE MEMBERSHIP COMMITTEE CHAIRPERSON IN CONJUNCTION WITH THE BOARD PRESIDENT AND EXECUTIVE COMMITTEE.

FORM 990, PART VI, SECTION B, LINE 15A AND 15B

COMPENSATION REVIEW

THE NKU FOUNDATION EXECUTIVE COMMITTEE DETERMINES EXECUTIVE COMPENSATION UPON RECOMMENDATION OF THE NKU FOUNDATION PERSONNEL COMMITTEE WHICH WORKS IN CONJUNCTION WITH HUMAN RESOURCES. THE REVIEW WAS CONDUCTED IN MAY, 2016.

Name of the organization NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.	Employer identification number 23-7116528
---	--

FORM 990, PART VI, SECTION C, LINE 19

DOCUMENT AVAILABILITY

THE FORM 990 IS MADE AVAILABLE UPON REQUEST AND ONLINE VIA THE FOUNDATION'S WEBSITE. THE GOVERNING DOCUMENTS, FORM 1023 AND CONFLICT OF INTEREST POLICY ARE MADE AVAILABLE UPON REQUEST AND AT THE DISCRETION OF THE BOARD OF DIRECTORS AND MANAGEMENT.

FORM 990, PART XI

OTHER CHANGES IN NET ASSETS

ANNUITY ADJUSTMENTS: \$118,012

ATTACHMENT 1

FORM 990, PART III, LINE 1 - ORGANIZATION'S MISSION

THE MISSION OF THE NORTHERN KENTUCKY UNIVERSITY FOUNDATION IS TO SECURE, INVEST, STEWARD, AND DISTRIBUTE PRIVATE RESOURCES IN SUPPORT OF NORTHERN KENTUCKY UNIVERSITY, TO ADVOCATE FOR THE UNIVERSITY'S BEST INTERESTS, AND TO BUILD LASTING RELATIONSHIPS WITH ALUMNI AND FRIENDS.

ATTACHMENT 2

FORM 990, PART III, LINE 4D - OTHER PROGRAM SERVICES

<u>DESCRIPTION</u>	<u>GRANTS</u>	<u>EXPENSES</u>	<u>REVENUE</u>
INSTRUCTION, PUBLIC SERVICE, ACADEMIC SUPPORT, LIBRARIES STUDENT SERVICES, RESEARCH, UNIVERSITY FACILITIES, AND EQUIPMENT ACQUISITION.		3,379,661.	
TOTALS		<u>3,379,661.</u>	

Name of the organization NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.	Employer identification number 23-7116528
---	--

ATTACHMENT 3FORM 990, PART V, LINE 4B - FOREIGN COUNTRIES

BERMUDA

CANADA

CAYMAN ISLANDS

ATTACHMENT 4FORM 990, PART VIII - EXCLUDED CONTRIBUTIONS

<u>DESCRIPTION</u>	<u>AMOUNT</u>
NIGHT WITH THE NORSE GALA	56,486.
GO NORSE FUND GOLF OUTING	25,600.
23 OTHER EVENTS	57,710.
TOTAL	<u>139,796.</u>

ATTACHMENT 5FORM 990, PART VIII - FUNDRAISING EVENTS

<u>DESCRIPTION</u>	<u>GROSS INCOME</u>	<u>DIRECT EXPENSES</u>	<u>NET INCOME</u>
NIGHT WITH THE NORSE GALA	55,701.	38,509.	17,192.
GO NORSE FUND GOLF OUTING	17,686.	7,284.	10,402.
23 OTHER EVENTS	68,630.	86,865.	-18,235.
TOTALS	<u>142,017.</u>	<u>132,658.</u>	<u>9,359.</u>

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No. 1545-0047

2016

**Open to Public
Inspection**

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.

▶ Attach to Form 990.

▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

Department of the Treasury
Internal Revenue Service

Name of the organization

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

Employer identification number

23-7116528

Part I Identification of Disregarded Entities. Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) NKUF PROPERTIES 1, LLC ADMIN CENTER, SUITE 822, HIGHLAND HEIGHTS, KY 41099	RE HOLDINGS	KY	114,821.	177,609.	NKUF
(2) NKUF PROPERTIES 2, LLC ADMIN CENTER, SUITE 822, HIGHLAND HEIGHTS, KY 41099	RE HOLDINGS	KY		40,738.	NKUF
(3) NKUF PROPERTIES 3, LLC ADMIN CENTER, SUITE 822, HIGHLAND HEIGHTS, KY 41099	RE HOLDINGS	KY	15,605.	221.	NKUF
(4) NKUF PROPERTIES 4, LLC ADMIN CENTER, SUITE 822, HIGHLAND HEIGHTS, KY 41099	RE HOLDINGS	KY		104,614.	NKUF
(5) NKUF PROPERTIES 5, LLC ADMIN CENTER, SUITE 822, HIGHLAND HEIGHTS, KY 41099	RE HOLDINGS	KY	3,439.	16,942.	NKUF
(6) NKUF PROPERTIES 6, LLC ADMIN CENTER, SUITE 822, HIGHLAND HEIGHTS, KY 41099	RE HOLDINGS	KY	19,402.	682,099.	NKUF

Part II Identification of Related Tax-Exempt Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2016

**SCHEDULE R
(Form 990)**

Related Organizations and Unrelated Partnerships

OMB No. 1545-0047

2016

**Open to Public
Inspection**

Department of the Treasury
Internal Revenue Service

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.**

▶ **Attach to Form 990.**

▶ **Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.**

Name of the organization

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

Employer identification number

23-7116528

Part I Identification of Disregarded Entities. Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) NKUF PROPERTIES 7, LLC ADMIN CENTER, SUITE 822, 23-7116528 HIGHLAND HEIGHTS, KY 41099	RE HOLDINGS	KY	2,000.		NKUF
(2)					
(3)					
(4)					
(5)					
(6)					

Part II Identification of Related Tax-Exempt Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2016

Part III Identification of Related Organizations Taxable as a Partnership Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V - UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1)												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												

Part IV Identification of Related Organizations Taxable as a Corporation or Trust. Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
(1)									
(2)									
(3)									
(4)									
(5)									
(6)									
(7)									

Part V Transactions With Related Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

Note: Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

	Yes	No
1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity	1a	
b Gift, grant, or capital contribution to related organization(s)	1b	
c Gift, grant, or capital contribution from related organization(s)	1c	
d Loans or loan guarantees to or for related organization(s)	1d	
e Loans or loan guarantees by related organization(s)	1e	
f Dividends from related organization(s)	1f	
g Sale of assets to related organization(s)	1g	
h Purchase of assets from related organization(s)	1h	
i Exchange of assets with related organization(s)	1i	
j Lease of facilities, equipment, or other assets to related organization(s)	1j	
k Lease of facilities, equipment, or other assets from related organization(s)	1k	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n	
o Sharing of paid employees with related organization(s)	1o	
p Reimbursement paid to related organization(s) for expenses	1p	
q Reimbursement paid by related organization(s) for expenses	1q	
r Other transfer of cash or property to related organization(s)	1r	
s Other transfer of cash or property from related organization(s)	1s	

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

	(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

Part VI **Unrelated Organizations Taxable as a Partnership.** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V - UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	
(1)													
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													

Part VII **Supplemental Information**

Provide additional information for responses to questions on Schedule R. See instructions.



312 Walnut Street, Suite 3000 // Cincinnati, OH 45202-4025 // 513.621.8300

Instructions for filing
NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.
Form 990T - Exempt Organization Business Return
for the period ended June 30, 2017

Signature...

The original return should be signed (using full name and title) and dated on page 2 by an authorized officer of the organization.

Filing...

The signed return should be filed on or before May 15, 2018 with...

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

Payment of tax...

No payment of tax is required.

To document the timely filing of your tax return(s), we suggest that you obtain and retain proof of mailing. Proof of mailing can be accomplished by sending the tax return(s) by registered or certified mail (metered by the U.S. Postal Service) or through the use of an IRS approved delivery method provided by an IRS designated private delivery service.

**Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))**

For calendar year 2016 or other tax year beginning 07/01, 2016, and ending 06/30, 2017.

2016

Department of the Treasury
Internal Revenue Service

▶ **Information about Form 990-T and its instructions is available at www.irs.gov/form990t.**
▶ **Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).**

Open to Public Inspection for
501(c)(3) Organizations Only

A Check box if address changed

Name of organization (Check box if name changed and see instructions.)

D Employer identification number
(Employees' trust, see instructions.)

B Exempt under section
 501(c)(3) 220(e) 530(a) 529(a)

Print or Type

NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.

23-7116528

Number, street, and room or suite no. If a P.O. box, see instructions.

LUCAS ADMINISTRATIVE CENTER 822

E Unrelated business activity codes
(See instructions.)

City or town, state or province, country, and ZIP or foreign postal code

HIGHLAND HEIGHTS, KY 41099

525990

C Book value of all assets at end of year

F Group exemption number (See instructions.) ▶

120,797,282.

G Check organization type ▶ 501(c) corporation 501(c) trust 401(a) trust Other trust

H Describe the organization's primary unrelated business activity. ▶ INCOME FROM INVESTMENT PARTNERSHIPS

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? ▶ Yes No
If "Yes," enter the name and identifying number of the parent corporation. ▶

J The books are in care of ▶ JOHN P. BAILEY Telephone number ▶ 859-572-6457

Part I Unrelated Trade or Business Income			(A) Income	(B) Expenses	(C) Net
1a	Gross receipts or sales				
b	Less returns and allowances	c Balance ▶	1c		
2	Cost of goods sold (Schedule A, line 7)		2		
3	Gross profit. Subtract line 2 from line 1c		3		
4a	Capital gain net income (attach Schedule D)		4a		
b	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)		4b		
c	Capital loss deduction for trusts		4c		
5	Income (loss) from partnerships and S corporations (attach statement)		5	179,825.	179,825.
6	Rent income (Schedule C)		6	ATCH 1	
7	Unrelated debt-financed income (Schedule E)		7		
8	Interest, annuities, royalties, and rents from controlled organizations (Schedule F)		8		
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)		9		
10	Exploited exempt activity income (Schedule I)		10		
11	Advertising income (Schedule J)		11		
12	Other income (See instructions; attach schedule)		12		
13	Total. Combine lines 3 through 12		13	179,825.	179,825.

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions.) (Except for contributions, deductions must be directly connected with the unrelated business income.)		
14	Compensation of officers, directors, and trustees (Schedule K)	14
15	Salaries and wages	15
16	Repairs and maintenance	16
17	Bad debts	17
18	Interest (attach schedule)	18
19	Taxes and licenses	19
20	Charitable contributions (See instructions for limitation rules) ATTACHMENT 2	20
21	Depreciation (attach Form 4562)	21
22	Less depreciation claimed on Schedule A and elsewhere on return	22a
23	Depletion	23
24	Contributions to deferred compensation plans	24
25	Employee benefit programs	25
26	Excess exempt expenses (Schedule I)	26
27	Excess readership costs (Schedule J)	27
28	Other deductions (attach schedule) ATTACHMENT 3	28
29	Total deductions. Add lines 14 through 28	29
30	Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13	30
31	Net operating loss deduction (limited to the amount on line 30)	31
32	Unrelated business taxable income before specific deduction. Subtract line 31 from line 30	32
33	Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions)	33
34	Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32	34

Part III Tax Computation

35 Organizations Taxable as Corporations. See instructions for tax computation. Controlled group members (sections 1561 and 1563) check here <input type="checkbox"/> See instructions and:		
a Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) \$ _____ (2) \$ _____ (3) \$ _____		
b Enter organization's share of: (1) Additional 5% tax (not more than \$11,750) \$ _____ (2) Additional 3% tax (not more than \$100,000) \$ _____		
c Income tax on the amount on line 34. ▶	35c	
36 Trusts Taxable at Trust Rates. See instructions for tax computation. Income tax on the amount on line 34 from: <input type="checkbox"/> Tax rate schedule or <input type="checkbox"/> Schedule D (Form 1041). ▶	36	
37 Proxy tax. See instructions ▶	37	
38 Alternative minimum tax ▶	38	
39 Tax on Non-Compliant Facility Income. See instructions ▶	39	
40 Total. Add lines 37, 38 and 39 to line 35c or 36, whichever applies. ▶	40	

Part IV Tax and Payments

41 a Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116). ▶	41a	
b Other credits (see instructions). ▶	41b	
c General business credit. Attach Form 3800 (see instructions) ▶	41c	
d Credit for prior year minimum tax (attach Form 8801 or 8827). ▶	41d	
e Total credits. Add lines 41a through 41d ▶	41e	
42 Subtract line 41e from line 40. ▶	42	
43 Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule) ▶	43	
44 Total tax. Add lines 42 and 43. ▶	44	0.
45 a Payments: A 2015 overpayment credited to 2016 ▶	45a	
b 2016 estimated tax payments ▶	45b	
c Tax deposited with Form 8868. ▶	45c	
d Foreign organizations: Tax paid or withheld at source (see instructions) ▶	45d	
e Backup withholding (see instructions) ▶	45e	
f Credit for small employer health insurance premiums (Attach Form 8941) ▶	45f	
g Other credits and payments: <input type="checkbox"/> Form 2439 _____ <input type="checkbox"/> Form 4136 _____ <input type="checkbox"/> Other _____ Total ▶	45g	
46 Total payments. Add lines 45a through 45g ▶	46	
47 Estimated tax penalty (see instructions). Check if Form 2220 is attached. ▶ <input type="checkbox"/>	47	
48 Tax due. If line 46 is less than the total of lines 44 and 47, enter amount owed ▶	48	
49 Overpayment. If line 46 is larger than the total of lines 44 and 47, enter amount overpaid ▶	49	
50 Enter the amount of line 49 you want: Credited to 2017 estimated tax ▶ Refunded ▶	50	

Part V Statements Regarding Certain Activities and Other Information (see instructions)

51 At any time during the 2016 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts. If YES, enter the name of the foreign country here ▶ SEE ATTACHMENT	Yes	No
	X	
52 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see instructions for other forms the organization may have to file.		X
53 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here ▶	Signature of officer _____	Date _____	Title _____	May the IRS discuss this return with the preparer shown below (see instructions)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	Print/Type preparer's name AARON HERSHBERGER	Preparer's signature _____	Date _____	
Paid Preparer Use Only	Firm's name ▶ BKD, LLP	Firm's EIN ▶ 44-0160260		
	Firm's address ▶ 312 WALNUT STREET, SUITE 3000, CINCINNATI, OH 45202	Phone no. 513-621-8300		

Schedule A - Cost of Goods Sold. Enter method of inventory valuation **N/A**

1 Inventory at beginning of year	1		6 Inventory at end of year	6	
2 Purchases	2		7 Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2.	7	
3 Cost of labor	3		8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?		Yes No
4a Additional section 263A costs (attach schedule)	4a				
b Other costs (attach schedule)	4b				
5 Total. Add lines 1 through 4b	5				

Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)
(see instructions)

1. Description of property

(1)	
(2)	
(3)	
(4)	

2. Rent received or accrued

(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(1)		
(2)		
(3)		
(4)		
Total	Total	

(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) ▶

(b) Total deductions. Enter here and on page 1, Part I, line 6, column (B) ▶

Schedule E - Unrelated Debt-Financed Income (see instructions)

1. Description of debt-financed property		2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
			(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1)				
(2)				
(3)				
(4)				
4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 x column 6)	8. Allocable deductions (column 6 x total of columns 3(a) and 3(b))
(1)		%		
(2)		%		
(3)		%		
(4)		%		
Totals ▶			Enter here and on page 1, Part I, line 7, column (A).	Enter here and on page 1, Part I, line 7, column (B).
Total dividends-received deductions included in column 8 ▶				

Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					

Nonexempt Controlled Organizations

7. Taxable Income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10
(1)				
(2)				
(3)				
(4)				
			Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A).	Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).

Totals ▶

Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization (see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
		Enter here and on page 1, Part I, line 9, column (A).		Enter here and on page 1, Part I, line 9, column (B).

Totals ▶

Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income (see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
		Enter here and on page 1, Part I, line 10, col. (A).	Enter here and on page 1, Part I, line 10, col. (B).			Enter here and on page 1, Part II, line 26.

Totals ▶

Schedule J - Advertising Income (see instructions)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5))						

Part II **Income From Periodicals Reported on a Separate Basis** (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals from Part I. ▶						
	Enter here and on page 1, Part I, line 11, col (A).	Enter here and on page 1, Part I, line 11, col (B).				Enter here and on page 1, Part II, line 27.
Totals, Part II (lines 1-5) ▶						

Schedule K - Compensation of Officers, Directors, and Trustees (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		%	
(2)		%	
(3)		%	
(4)		%	
Total. Enter here and on page 1, Part II, line 14 ▶			

Department of the Treasury
Internal Revenue Service

▶ Attach to the corporation's tax return.

2016

▶ Information about Form 4626 and its separate instructions is at www.irs.gov/form4626.

Name: **NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.** Employer identification number: **23-7116528**

Note: See the instructions to find out if the corporation is a small corporation exempt from the alternative minimum tax (AMT) under section 55(e).

1	Taxable income or (loss) before net operating loss deduction	1	14,125
2	Adjustments and preferences:		
a	Depreciation of post-1986 property	2a	
b	Amortization of certified pollution control facilities	2b	
c	Amortization of mining exploration and development costs	2c	
d	Amortization of circulation expenditures (personal holding companies only)	2d	
e	Adjusted gain or loss	2e	
f	Long-term contracts	2f	
g	Merchant marine capital construction funds.	2g	
h	Section 833(b) deduction (Blue Cross, Blue Shield, and similar type organizations only)	2h	
i	Tax shelter farm activities (personal service corporations only)	2i	
j	Passive activities (closely held corporations and personal service corporations only)	2j	
k	Loss limitations	2k	
l	Depletion	2l	
m	Tax-exempt interest income from specified private activity bonds	2m	
n	Intangible drilling costs	2n	
o	Other adjustments and preferences	2o	
3	Pre-adjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o	3	14,125
4	Adjusted current earnings (ACE) adjustment:		
a	ACE from line 10 of the ACE worksheet in the instructions	4a	
b	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount. See instructions	4b	-14,125
c	Multiply line 4b by 75% (0.75). Enter the result as a positive amount	4c	10,594
d	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments. See instructions. Note: You <i>must</i> enter an amount on line 4d (even if line 4b is positive)	4d	
e	ACE adjustment. • If line 4b is zero or more, enter the amount from line 4c • If line 4b is less than zero, enter the smaller of line 4c or line 4d as a negative amount }	4e	
5	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT.	5	14,125
6	Alternative tax net operating loss deduction. See instructions	6	12,713
7	Alternative minimum taxable income. Subtract line 6 from line 5. If the corporation held a residual interest in a REMIC, see instructions	7	1,412
8	Exemption phase-out (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):		
a	Subtract \$150,000 from line 7 (if completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-	8a	
b	Multiply line 8a by 25% (0.25)	8b	
c	Exemption. Subtract line 8b from \$40,000 (if completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-	8c	40,000
9	Subtract line 8c from line 7. If zero or less, enter -0-	9	
10	Multiply line 9 by 20% (0.20)	10	
11	Alternative minimum tax foreign tax credit (AMTFTC). See instructions	11	
12	Tentative minimum tax. Subtract line 11 from line 10.	12	
13	Regular tax liability before applying all credits except the foreign tax credit	13	
14	Alternative minimum tax. Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return	14	

For Paperwork Reduction Act Notice, see separate instructions.

Adjusted Current Earnings (ACE) Worksheet

Keep for Your Records

▶ See ACE Worksheet Instructions.

1	Pre-adjustment AMTI. Enter the amount from line 3 of Form 4626		1	14,125
2	ACE depreciation adjustment:			
a	AMT depreciation	2a		
b	ACE depreciation:			
	(1) Post-1993 property	2b(1)		
	(2) Post-1989, pre-1994 property	2b(2)		
	(3) Pre-1990 MACRS property	2b(3)		
	(4) Pre-1990 original ACRS property	2b(4)		
	(5) Property described in sections 168(f)(1) through (4)	2b(5)		
	(6) Other property	2b(6)		
	(7) Total ACE depreciation. Add lines 2b(1) through 2b(6)	2b(7)		
c	ACE depreciation adjustment. Subtract line 2b(7) from line 2a		2c	
3	Inclusion in ACE of items included in earnings and profits (E&P):			
a	Tax-exempt interest income	3a		
b	Death benefits from life insurance contracts	3b		
c	All other distributions from life insurance contracts (including surrenders)	3c		
d	Inside buildup of undistributed income in life insurance contracts	3d		
e	Other items (see Regulations sections 1.56(g)-1(c)(6)(iii) through (ix) for a partial list)	3e		
f	Total increase to ACE from inclusion in ACE of items included in E&P. Add lines 3a through 3e		3f	
4	Disallowance of items not deductible from E&P:			
a	Certain dividends received	4a		
b	Dividends paid on certain preferred stock of public utilities that are deductible under section 247 (as affected by P.L. 113-295, Div. A, section 221(a)(41)(A), Dec. 19, 2014, 128 Stat. 4043)	4b		
c	Dividends paid to an ESOP that are deductible under section 404(k)	4c		
d	Nonpatronage dividends that are paid and deductible under section 1382(c)	4d		
e	Other items (see Regulations sections 1.56(g)-1(d)(3)(i) and (ii) for a partial list)	4e		
f	Total increase to ACE because of disallowance of items not deductible from E&P. Add lines 4a through 4e		4f	
5	Other adjustments based on rules for figuring E&P:			
a	Intangible drilling costs	5a		
b	Circulation expenditures	5b		
c	Organizational expenditures	5c		
d	LIFO inventory adjustments	5d		
e	Installment sales	5e		
f	Total other E&P adjustments. Combine lines 5a through 5e		5f	
6	Disallowance of loss on exchange of debt pools		6	
7	Acquisition expenses of life insurance companies for qualified foreign contracts		7	
8	Depletion		8	
9	Basis adjustments in determining gain or loss from sale or exchange of pre-1994 property		9	
10	Adjusted current earnings. Combine lines 1, 2c, 3f, 4f, and 5f through 9. Enter the result here and on line 4a of Form 4626		10	14,125

FORM 990T - LINE 5 -INCOME (LOSS) FROM PARTNERSHIPS

COMMONFUND PRIVATE EQUITY PARTNERS VII	8,733.
NORTHGATE PRIVATE EQUITY PARTNERS II	2,644.
NORTHGATE PRIVATE EQUITY PARTNERS III	-412.
NORTHGATE PRIVATE EQUITY PARTNERS IV	3,749.
NORTHGATE VENTURE PARTNERS III	-397.
HEALTHCARE ROYALTY PARTNERS II	1,553.
SIGULER GUFF DISTRESSED OPPORTUNITIES FUND III	62.
Q-BLK REAL ASSETS II (PARALLEL), LP	1,626.
NEWLIN ENERGY PARTNERS II, LP	1,193.
VIA ENERGY LP	-1,164.
COMMONFUND CAPITAL NATURAL RESOURCES PARTNERS VIII	45,851.
ROCKLAND POWER PARTNERS II	-30,690.
AETHER REAL ASSETS I, LP	28,284.
AETHER REAL ASSETS II, LP	80,157.
NGP NATURAL RESOURCES XI	30,595.
METROPOLITAN REAL ESTATE PARTNERS III-A, LP	4,595.
LIQUID REALTY PARTNERS IV	918.
WCP REAL ESTATE FUND III, LP	-14,489.
AMBERBROOK VI, LLC	1,581.
HARVEST MLP INCOME FUND II	11.
ORBIMED ROYALTY OPPORTUNITIES II, LP	16,665.
ROCKLAND POWER PARTNERS III	7,757.
WCP NEWCOLD, LP	-8,128.
AMBERBROOK VII, LP	-869.
INCOME (LOSS) FROM PARTNERSHIPS	<u>179,825.</u>

ATTACHMENT 2

FORM 990-T - LINE 20 - CHARITABLE CONTRIBUTIONS

UNRELATED TRADE OR BUSINESS INCOME		179,825
LESS DEDUCTIONS WITHOUT CHARITABLE CONTRIBUTIONS		<u>164,131</u>
		15,694
		X 10%
CHARITABLE CONTRIBUTION LIMITATION (10%)		<u>1,569</u>
CARRYOVER OF PRIOR YEARS UNSED CONTRIBUTIONS		
FOR TAX YEAR 2008	0	
FOR TAX YEAR 2009	0	
FOR TAX YEAR 2010	0	
FOR TAX YEAR 2011	360	
FOR TAX YEAR 2012	76	
FOR TAX YEAR 2013	438	
FOR TAX YEAR 2014	0	
FOR TAX YEAR 2015	0	
FOR TAX YEAR 2016	<u>0</u>	
TOTAL CARRYOVER		874
TOTAL CURRENT YEAR CONTRIBUTIONS		<u>1,569</u>
TOTAL CONTRIBUTION AVAILABLE		2,443
TOTAL CONTRIBUTION DEDUCTION		<u>1,569</u>

FORM 990T - PART II - LINE 28 - TOTAL OTHER DEDUCTIONS

INVESTMENT MANAGEMENT FEES 164,131.

PART II - LINE 28 - OTHER DEDUCTIONS 164,131.

ATTACHMENT 4

FORM 990-T - LINE 31 - NET OPERATING LOSS DEDUCTION

TAX YEAR	LOSS SUSTAINED	LOSS PREVIOUSLY APPLIED	LOSS REMAINING	AVAILABLE THIS YEAR
06/30/11	13,227	-	13,227	13,227
06/30/12	11,123	-	11,123	11,123
06/30/13	19,873	-	19,873	19,873
06/30/14	26,734	-	26,734	26,734
06/30/15	18,928	-	18,928	18,928
06/30/16	247,034	-	247,034	247,034
NOL CARROVER AVAILBALE THIS YEAR			336,919	336,919

ATTACHMENT 5

FORM 4626 - LINE 20 - AMT NET OPERATING LOSS DEDUCTION

TAX YEAR	LOSS SUSTAINED	LOSS PREVIOUSLY APPLIED	LOSS REMAINING	AVAILABLE THIS YEAR
06/30/11	13,227	-	13,227	13,227
06/30/12	11,123	-	11,123	11,123
06/30/13	19,873	-	19,873	19,873
06/30/14	26,734	-	26,734	26,734
06/30/15	18,928	-	18,928	18,928
06/30/16	247,034	-	247,034	247,034
AMT NOL CARROVER AVAILBALE THIS YEAR			336,919	336,919

FEDERAL FOOTNOTES

ELECTION TO CAPITALIZE AND AMORTIZE IDC: THE FOUNDATION ELECTS UNDER IRC SEC 59(E)(4) TO CAPITALIZE AND AMORTIZE THE FOLLOWING INTANGIBLE DRILLING COSTS PAID OR INCURRED DURING THE TAX YEAR OVER 60 MONTHS. TYPE OF EXPENDITURE: 59(E)(2) CAPITALIZED AMOUNT: \$165,443

FEDERAL FOOTNOTES

THE FOUNDATION ELECTS UNDER PROPOSED REGULATIONS
1.987-1(B)(1)(II) NOT TO APPLY THE PROPOSED SECTION 987
REGULATIONS FOR PURPOSES OF TAKING INTO ACCOUNT CERTAIN
ITEMS OF GAIN OR LOSS IF THE INDIVIDUAL OR CORPORATION
OWNS, DIRECTLY OR INDIRECTLY, LESS THAN 5% OF EITHER THE
TOTAL CAPITAL OR THE TOTAL PROFITS INTEREST IN THE FOREIGN
PARTNERSHIP.

Return by a U.S. Transferor of Property to a Foreign Corporation

► Information about Form 926 and its separate instructions is at www.irs.gov/form926.
► Attach to your income tax return for the year of the transfer or distribution.

Part I U.S. Transferor Information (see instructions)

Name of transferor <u>NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.</u>	Identifying number (see instructions) <u>23-7116528</u>
--	--

- 1** If the transferor was a corporation, complete questions 1a through 1d.
- a** If the transfer was a section 361(a) or (b) transfer, was the transferor controlled (under section 368(c)) by 5 or fewer domestic corporations? Yes No
- b** Did the transferor remain in existence after the transfer? Yes No
- If not, list the controlling shareholder(s) and their identifying number(s):

Controlling shareholder	Identifying number

- c** If the transferor was a member of an affiliated group filing a consolidated return, was it the parent corporation? Yes No
- If not, list the name and employer identification number (EIN) of the parent corporation:

Name of parent corporation	EIN of parent corporation

- d** Have basis adjustments under section 367(a)(5) been made? Yes No

- 2** If the transferor was a partner in a partnership that was the actual transferor (but is not treated as such under section 367), complete questions 2a through 2d.

- a** List the name and EIN of the transferor's partnership:

Name of partnership	EIN of partnership
<u>WCP NEWCOLD, LP</u>	<u>47-3997648</u>

- b** Did the partner pick up its pro rata share of gain on the transfer of partnership assets? Yes No
- c** Is the partner disposing of its **entire** interest in the partnership? Yes No
- d** Is the partner disposing of an interest in a limited partnership that is regularly traded on an established securities market? Yes No

Part II Transferee Foreign Corporation Information (see instructions)

3 Name of transferee (foreign corporation) <u>NEWCOLD MELBOURNE UNIT TRUST</u>	4a Identifying number, if any <u>98-6084627</u>
---	--

5 Address (including country) <u>LEVEL 1, 140 BOURKE STREET, MELBOURNE VICTORIA 3000</u>	4b Reference ID number (see instructions) <u>NEWCOLD</u>
---	---

6 Country code of country of incorporation or organization (see instructions)
AU

7 Foreign law characterization (see instructions)
TRUST

- 8** Is the transferee foreign corporation a controlled foreign corporation? Yes No

For Paperwork Reduction Act Notice, see separate instructions.

Part III Information Regarding Transfer of Property (see instructions)

Type of property	(a) Date of transfer	(b) Description of property	(c) Fair market value on date of transfer	(d) Cost or other basis	(e) Gain recognized on transfer
Cash	2/10/2016		151,473		
Stock and securities					
Installment obligations, account receivables or similar property					
Foreign currency or other property denominated in foreign currency					
Inventory					
Assets subject to depreciation recapture (see Temp. Regs. sec. 1.367(a)-4T(b))					
Tangible property used in trade or business not listed under another category					
Intangible property					
Property to be leased (as described in final and temp. Regs. sec. 1.367(a)-4(c))					
Property to be sold (as described in Temp. Regs. sec. 1.367(a)-4T(d))					
Transfers of oil and gas working interests (as described in Temp. Regs. sec. 1.367(a)-4T(e))					
Other property					

Supplemental Information Required To Be Reported (see instructions):

Part IV Additional Information Regarding Transfer of Property (see instructions)

9 Enter the transferor's interest in the foreign transferee corporation before and after the transfer:

(a) Before 0.000000 % (b) After 0.142621 %

10 Type of nonrecognition transaction (see instructions) ▶ IRC § 351 -----

11 Indicate whether any transfer reported in Part III is subject to any of the following:

- a Gain recognition under section 904(f)(3) Yes No
- b Gain recognition under section 904(f)(5)(F) Yes No
- c Recapture under section 1503(d) Yes No
- d Exchange gain under section 987 Yes No

12 Did this transfer result from a change in the classification of the transferee to that of a foreign corporation? Yes No

13 Indicate whether the transferor was required to recognize income under final and temporary Regulations sections 1.367(a)-4 through 1.367(a)-6 for any of the following:

- a Tainted property Yes No
- b Depreciation recapture Yes No
- c Branch loss recapture Yes No
- d Any other income recognition provision contained in the above-referenced regulations Yes No

14 Did the transferor transfer assets which qualify for the trade or business exception under section 367(a)(3)? Yes No

15a Did the transferor transfer foreign goodwill or going concern value as defined in Temporary Regulations section 1.367(a)-1T(d)(5)(iii)? Yes No

b If the answer to line 15a is "Yes," enter the amount of foreign goodwill or going concern value transferred ▶ \$ -----

16 Was cash the only property transferred? Yes No

17a Was intangible property (within the meaning of section 936(h)(3)(B)) transferred as a result of the transaction? Yes No

b If "Yes," describe the nature of the rights to the intangible property that was transferred as a result of the transaction:

Return by a U.S. Transferor of Property to a Foreign Corporation

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► Attach to your income tax return for the year of the transfer or distribution.

Part I U.S. Transferor Information (see instructions)

Name of transferor NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.	Identifying number (see instructions) 23-7116528
--	--

- 1** If the transferor was a corporation, complete questions 1a through 1d.
- a** If the transfer was a section 361(a) or (b) transfer, was the transferor controlled (under section 368(c)) by 5 or fewer domestic corporations? Yes No
- b** Did the transferor remain in existence after the transfer? Yes No
- If not, list the controlling shareholder(s) and their identifying number(s):

Controlling shareholder	Identifying number

- c** If the transferor was a member of an affiliated group filing a consolidated return, was it the parent corporation? Yes No
- If not, list the name and employer identification number (EIN) of the parent corporation:

Name of parent corporation	EIN of parent corporation

- d** Have basis adjustments under section 367(a)(5) been made? Yes No

- 2** If the transferor was a partner in a partnership that was the actual transferor (but is not treated as such under section 367), complete questions 2a through 2d.

- a** List the name and EIN of the transferor's partnership:

Name of partnership	EIN of partnership
KEROGEN ENERGY FUND, L.P.	98-1053284

- b** Did the partner pick up its pro rata share of gain on the transfer of partnership assets? Yes No
- c** Is the partner disposing of its **entire** interest in the partnership? Yes No
- d** Is the partner disposing of an interest in a limited partnership that is regularly traded on an established securities market? Yes No

Part II Transferee Foreign Corporation Information (see instructions)

Name of transferee (foreign corporation) NEW AGE (AFRICAN GLOBAL ENERGY) LIMITED	4a Identifying number, if any N/A
--	---

Address (including country) NAUTILUS HOUSE, LA COUR DES CASERNES, ST HELIER, JERSEY JE1 3NH, JERSEY	4b Reference ID number (see instructions) NEWAGE
---	--

6 Country code of country of incorporation or organization (see instructions)
JE

7 Foreign law characterization (see instructions)
CORPORATION

8 Is the transferee foreign corporation a controlled foreign corporation? Yes No

Part III Information Regarding Transfer of Property (see instructions)

Type of property	(a) Date of transfer	(b) Description of property	(c) Fair market value on date of transfer	(d) Cost or other basis	(e) Gain recognized on transfer
Cash					
Stock and securities					
Installment obligations, account receivables or similar property					
Foreign currency or other property denominated in foreign currency					
Inventory					
Assets subject to depreciation recapture (see Temp. Regs. sec. 1.367(a)-4T(b))					
Tangible property used in trade or business not listed under another category					
Intangible property					
Property to be leased (as described in final and temp. Regs. sec. 1.367(a)-4(c))					
Property to be sold (as described in Temp. Regs. sec. 1.367(a)-4T(d))					
Transfers of oil and gas working interests (as described in Temp. Regs. sec. 1.367(a)-4T(e))					
Other property	8/1/2016	DEBT PRINC/INT RECEIVABLE	10,249	10,249	0

Supplemental Information Required To Be Reported (see instructions):

Part IV Additional Information Regarding Transfer of Property (see instructions)

9 Enter the transferor's interest in the foreign transferee corporation before and after the transfer:

(a) Before 0.6267% % (b) After 0.7248% %

10 Type of nonrecognition transaction (see instructions) ▶ IRC § 351 -----

11 Indicate whether any transfer reported in Part III is subject to any of the following:

- a Gain recognition under section 904(f)(3) Yes No
- b Gain recognition under section 904(f)(5)(F) Yes No
- c Recapture under section 1503(d) Yes No
- d Exchange gain under section 987 Yes No

12 Did this transfer result from a change in the classification of the transferee to that of a foreign corporation? Yes No

13 Indicate whether the transferor was required to recognize income under final and temporary Regulations sections 1.367(a)-4 through 1.367(a)-6 for any of the following:

- a Tainted property Yes No
- b Depreciation recapture Yes No
- c Branch loss recapture Yes No
- d Any other income recognition provision contained in the above-referenced regulations Yes No

14 Did the transferor transfer assets which qualify for the trade or business exception under section 367(a)(3)? Yes No

15a Did the transferor transfer foreign goodwill or going concern value as defined in Temporary Regulations section 1.367(a)-1T(d)(5)(iii)? Yes No

b If the answer to line 15a is "Yes," enter the amount of foreign goodwill or going concern value transferred ▶ \$ -----

16 Was cash the only property transferred? Yes No

17a Was intangible property (within the meaning of section 936(h)(3)(B)) transferred as a result of the transaction? Yes No

b If "Yes," describe the nature of the rights to the intangible property that was transferred as a result of the transaction:

Return by a U.S. Transferor of Property to a Foreign Corporation

► Information about Form 926 and its separate instructions is at www.irs.gov/form926.
► Attach to your income tax return for the year of the transfer or distribution.

Part I U.S. Transferor Information (see instructions)

Name of transferor <u>NORTHERN KENTUCKY UNIVERSITY FOUNDATION, INC.</u>	Identifying number (see instructions) <u>23-7116528</u>
--	--

- 1 If the transferor was a corporation, complete questions 1a through 1d.
- a If the transfer was a section 361(a) or (b) transfer, was the transferor controlled (under section 368(c)) by 5 or fewer domestic corporations? Yes No
- b Did the transferor remain in existence after the transfer? Yes No
- If not, list the controlling shareholder(s) and their identifying number(s):

Controlling shareholder	Identifying number

- c If the transferor was a member of an affiliated group filing a consolidated return, was it the parent corporation? Yes No
- If not, list the name and employer identification number (EIN) of the parent corporation:

Name of parent corporation	EIN of parent corporation

- d Have basis adjustments under section 367(a)(5) been made? Yes No

- 2 If the transferor was a partner in a partnership that was the actual transferor (but is not treated as such under section 367), complete questions 2a through 2d.

- a List the name and EIN of the transferor's partnership:

Name of partnership	EIN of partnership
<u>KEROGEN ENERGY FUND, L.P.</u>	<u>98-1053284</u>

- b Did the partner pick up its pro rata share of gain on the transfer of partnership assets? Yes No
- c Is the partner disposing of its **entire** interest in the partnership? Yes No
- d Is the partner disposing of an interest in a limited partnership that is regularly traded on an established securities market? Yes No

Part II Transferee Foreign Corporation Information (see instructions)

3 Name of transferee (foreign corporation) <u>AJ LUCAS GROUP LIMITED</u>	4a Identifying number, if any <u>N/A</u>
---	---

5 Address (including country) <u>1 ELIZABETH PLAZA, NORTH SYDNEY, NSW 2006</u>	4b Reference ID number (see instructions) <u>AJLUC</u>
---	---

6 Country code of country of incorporation or organization (see instructions)
AU

7 Foreign law characterization (see instructions)
CORPORATION

- 8 Is the transferee foreign corporation a controlled foreign corporation? Yes No

Part III Information Regarding Transfer of Property (see instructions)

Type of property	(a) Date of transfer	(b) Description of property	(c) Fair market value on date of transfer	(d) Cost or other basis	(e) Gain recognized on transfer
Cash					
Stock and securities					
Installment obligations, account receivables or similar property					
Foreign currency or other property denominated in foreign currency					
Inventory					
Assets subject to depreciation recapture (see Temp. Regs. sec. 1.367(a)-4T(b))					
Tangible property used in trade or business not listed under another category					
Intangible property					
Property to be leased (as described in final and temp. Regs. sec. 1.367(a)-4(c))					
Property to be sold (as described in Temp. Regs. sec. 1.367(a)-4T(d))					
Transfers of oil and gas working interests (as described in Temp. Regs. sec. 1.367(a)-4T(e))					
Other property	8/1/2016	INTEREST REC	1,461	1,461	0

Supplemental Information Required To Be Reported (see instructions):

Part IV Additional Information Regarding Transfer of Property (see instructions)

9 Enter the transferor's interest in the foreign transferee corporation before and after the transfer:

(a) Before 1.2593 % (b) After 1.3368 %

10 Type of nonrecognition transaction (see instructions) ▶ IRC § 351 -----

11 Indicate whether any transfer reported in Part III is subject to any of the following:

- a Gain recognition under section 904(f)(3) Yes No
- b Gain recognition under section 904(f)(5)(F) Yes No
- c Recapture under section 1503(d) Yes No
- d Exchange gain under section 987 Yes No

12 Did this transfer result from a change in the classification of the transferee to that of a foreign corporation? Yes No

13 Indicate whether the transferor was required to recognize income under final and temporary Regulations sections 1.367(a)-4 through 1.367(a)-6 for any of the following:

- a Tainted property Yes No
- b Depreciation recapture Yes No
- c Branch loss recapture Yes No
- d Any other income recognition provision contained in the above-referenced regulations Yes No

14 Did the transferor transfer assets which qualify for the trade or business exception under section 367(a)(3)? Yes No

15a Did the transferor transfer foreign goodwill or going concern value as defined in Temporary Regulations section 1.367(a)-1T(d)(5)(iii)? Yes No

b If the answer to line 15a is "Yes," enter the amount of foreign goodwill or going concern value transferred ▶ \$ -----

16 Was cash the only property transferred? Yes No

17a Was intangible property (within the meaning of section 936(h)(3)(B)) transferred as a result of the transaction? Yes No

b If "Yes," describe the nature of the rights to the intangible property that was transferred as a result of the transaction:

Mailed 5/4/18 AF

Form 990-T

Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))

OMB No. 1545-0687

2016

For calendar year 2016 or other tax year beginning July 1, 2016, and ending June 30, 2017

Information about Form 990-T and its instructions is available at www.irs.gov/form990t. Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).

Open to Public Inspection for 501(c)(3) Organizations Only

Department of the Treasury Internal Revenue Service

- A Check box if address changed
B Exempt under section 501(c)(3)
408(e) 220(e)
408A 530(a)
529(a)

Name of organization (Check box if name changed and see instructions.) Northern Kentucky University
Number, street, and room or suite no. If a P.O. box, see instructions. Lucas Administrative Center 601, Nunn Drive
City or town, state or province, country, and ZIP or foreign postal code Highland Heights, KY 41099

D Employer identification number (Employees' trust, see instructions.) 61-1010545
E Unrelated business activity codes (See instructions.) 541900 711190

C Book value of all assets at end of year 509,282,000

F Group exemption number (See instructions.)
G Check organization type 501(c) corporation 501(c) trust 401(a) trust Other trust

H Describe the organization's primary unrelated business activity. Advertising, Mediation, IT, Public Events

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? Yes No

J The books are in care of Michael Hales Telephone number (859) 572-5208

Table with 4 columns: Description, (A) Income, (B) Expenses, (C) Net. Rows include Gross receipts or sales (2,685,120), Less returns and allowances (0), Cost of goods sold, etc.

Table with 4 columns: Description, (A) Income, (B) Expenses, (C) Net. Rows include Compensation of officers, directors, and trustees (1,049,709), Charitable contributions, Depreciation (1,584,170), etc.

Part III Tax Computation

35 Organizations Taxable as Corporations. See instructions for tax computation. Controlled group members (sections 1561 and 1563) check here <input type="checkbox"/> See instructions and:		
a Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):		
(1) \$	(2) \$	(3) \$
b Enter organization's share of: (1) Additional 5% tax (not more than \$11,750)	\$	
(2) Additional 3% tax (not more than \$100,000)	\$	
c Income tax on the amount on line 34		35c 0
36 Trusts Taxable at Trust Rates. See instructions for tax computation. Income tax on the amount on line 34 from: <input type="checkbox"/> Tax rate schedule or <input type="checkbox"/> Schedule D (Form 1041)		36 0
37 Proxy tax. See instructions		37 0
38 Alternative minimum tax		38 0
39 Tax on Non-Compliant Facility Income. See instructions		39 0
40 Total. Add lines 37, 38 and 39 to line 35c or 36, whichever applies		40 0

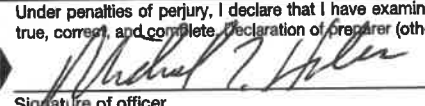
Part IV Tax and Payments

41a Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116)	41a		
b Other credits (see instructions)	41b		
c General business credit. Attach Form 3800 (see instructions)	41c		
d Credit for prior year minimum tax (attach Form 8801 or 8827)	41d		
e Total credits. Add lines 41a through 41d		41e	0
42 Subtract line 41e from line 40		42	0
43 Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)		43	0
44 Total tax. Add lines 42 and 43		44	0
45a Payments: A 2015 overpayment credited to 2016	45a		
b 2016 estimated tax payments	45b		
c Tax deposited with Form 8868	45c		
d Foreign organizations: Tax paid or withheld at source (see instructions)	45d		
e Backup withholding (see instructions)	45e		
f Credit for small employer health insurance premiums (Attach Form 8941)	45f		
g Other credits and payments: <input type="checkbox"/> Form 2439 <input type="checkbox"/> Form 4136 <input type="checkbox"/> Other Total	45g		
46 Total payments. Add lines 45a through 45g		46	0
47 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>		47	0
48 Tax due. If line 46 is less than the total of lines 44 and 47, enter amount owed		48	0
49 Overpayment. If line 46 is larger than the total of lines 44 and 47, enter amount overpaid		49	0
50 Enter the amount of line 49 you want: Credited to 2017 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/>		50	0

Part V Statements Regarding Certain Activities and Other Information (see instructions)

51 At any time during the 2016 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts. If YES, enter the name of the foreign country here	Yes	No
		✓
52 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see instructions for other forms the organization may have to file.	Yes	No
		✓
53 Enter the amount of tax-exempt interest received or accrued during the tax year \$		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here  **5-4-18** **Co-Interim Chief Admin Officer**

Signature of officer Date Title

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name	Firm's EIN			
	Firm's address	Phone no.			

Schedule A—Cost of Goods Sold. Enter method of inventory valuation ▶

1 Inventory at beginning of year	1		6 Inventory at end of year	6	
2 Purchases	2		7 Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2	7	
3 Cost of labor	3		8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?		Yes No
4a Additional section 263A costs (attach schedule)	4a				
b Other costs (attach schedule)	4b				
5 Total. Add lines 1 through 4b	5				

Schedule C—Rent income (From Real Property and Personal Property Leased With Real Property)
(see instructions)

1. Description of property		
(1)		
(2)		
(3)		
(4)		
2. Rent received or accrued		
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(1)		
(2)		
(3)		
(4)		
Total	Total	(b) Total deductions. Enter here and on page 1, Part I, line 6, column (B) ▶
(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) ▶		

Schedule E—Unrelated Debt-Financed Income (see instructions)

1. Description of debt-financed property		2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
			(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1)				
(2)				
(3)				
(4)				
4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 × column 6)	8. Allocable deductions (column 6 × total of columns 3(a) and 3(b))
(1)		%		
(2)		%		
(3)		%		
(4)		%		
Totals ▶			Enter here and on page 1, Part I, line 7, column (A).	Enter here and on page 1, Part I, line 7, column (B).
Total dividends-received deductions included in column 8 ▶				

Schedule F—Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)

1. Name of controlled organization	2. Employer identification number	Exempt Controlled Organizations			
		3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1)					
(2)					
(3)					
(4)					
Nonexempt Controlled Organizations					
7. Taxable income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10	
(1)					
(2)					
(3)					
(4)					
			Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A).	Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).	
Totals ▶					

Schedule G—Investment Income of a Section 501(c)(7), (9), or (17) Organization (see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
		Enter here and on page 1, Part I, line 9, column (A).		Enter here and on page 1, Part I, line 9, column (B).
Totals ▶				

Schedule I—Exploited Exempt Activity Income, Other Than Advertising Income (see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
		Enter here and on page 1, Part I, line 10, col. (A).	Enter here and on page 1, Part I, line 10, col. (B).			Enter here and on page 1, Part II, line 26.
Totals ▶						

Schedule J—Advertising Income (see instructions)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5)) ▶						

Part II **Income From Periodicals Reported on a Separate Basis** (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals from Part I ▶						
Totals, Part II (lines 1-5) ▶	Enter here and on page 1, Part I, line 11, col. (A).	Enter here and on page 1, Part I, line 11, col. (B).				Enter here and on page 1, Part II, line 27.

Schedule K— Compensation of Officers, Directors, and Trustees (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		%	
(2)		%	
(3)		%	
(4)		%	
Total. Enter here and on page 1, Part II, line 14 ▶			

Part II, Line 28

Northern Kentucky University
61-1010545

Expense	Amount
Contracted services	653,085
Supplies	22,462
Printing	5,248
Meals & Refreshments	28,616
Fees	23,167
Miscellaneous	32,581
Management overhead fee	32,352
Travel	9,361
Rental	7,155
Insurance	26,958
Postage	522
Telephone	3,298
Maintenance	67,375
Minor equipment	4,735
Advertising & marketing	11,239
Services & concessions	960,722
Parking expenses	61,342
Utilities	176,504
	<u>2,126,720</u>

Depreciation and Amortization
(Including Information on Listed Property)

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to your tax return.**
▶ **Information about Form 4562 and its separate instructions is at www.irs.gov/form4562.**

Name(s) shown on return Northern Kentucky University	Business or activity to which this form relates Advertising, Mediation, IT, Public Events	Identifying number 61-1010545
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Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount (see instructions)	1	
2 Total cost of section 179 property placed in service (see instructions)	2	
3 Threshold cost of section 179 property before reduction in limitation (see instructions)	3	
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost
7 Listed property. Enter the amount from line 29	7	
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9 Tentative deduction. Enter the smaller of line 5 or line 8	9	
10 Carryover of disallowed deduction from line 13 of your 2015 Form 4562	10	
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12 Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11	12	
13 Carryover of disallowed deduction to 2017. Add lines 9 and 10, less line 12	13	

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property.) (See instructions.)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15 Property subject to section 168(f)(1) election	15	
16 Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Don't include listed property.) (See instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2016	17	1,575,862
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B—Assets Placed in Service During 2016 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	

Section C—Assets Placed in Service During 2016 Tax Year Using the Alternative Depreciation System

20a Class life	10	HY	S/L	759
b 12-year	12 yrs.		S/L	
c 40-year	40 yrs.	MM	S/L	

Part IV Summary (See instructions.)

21 Listed property. Enter amount from line 28	21	7,549
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	22	1,584,170
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V Listed Property (Include automobiles, certain other vehicles, certain aircraft, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? **Yes** **No** **24b** If "Yes," is the evidence written? **Yes** **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost	
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) . 25									
26 Property used more than 50% in a qualified business use:									
		%							
		%							
		%							
27 Property used 50% or less in a qualified business use:									
Computer	8/3/2011	44.45%	11,821	5,254	5	S/L-HY	525		
Control System	12/2/2013	44.45%	68,926	30,638	5	S/L-HY	6,128		
Control System	10/1/2016	44.45%	40,306	17,916	10	S/L-HY	896		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	7,549	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1							29		

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30 Total business/investment miles driven during the year (don't include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who aren't more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," don't complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2016 tax year (see instructions):					
43 Amortization of costs that began before your 2016 tax year					43
44 Total. Add amounts in column (f). See the instructions for where to report					44

Return of Organization Exempt From Income Tax

2016

Open to Public Inspection

Department of the Treasury Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Do not enter social security numbers on this form as it may be made public. Information about Form 990 and its instructions is at www.irs.gov/form990.

Header section A-M containing organization details, tax-exempt status, and website information.

Part I Summary table with columns for line numbers, descriptions, Prior Year, and Current Year values.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature and preparer information section including signature lines and preparer details.

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

1 Briefly describe the organization's mission:
The Research Foundation is organized for educational purposes to support NKU's efforts to promote the development, implementation and coordination of sponsored programs involving instruction, public service and research. This includes the administration of conservation easements and other projects that further the mission of Northern Kentucky University.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? Yes No
If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No
If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ 1,800,023 including grants of \$ 1,800,023) (Revenue \$ 0)
Public service grants provided funding for a number of programs including: Educational Talent Search, Upward Bound programs, Kentucky College Coaches, Advantage Kentucky Alliance, VISTA program, Mayerson Philanthropy program, Small Business Development Center, Norse Violence Prevention Project, STEM Educators, Intergovernmental Personnel Act assignment, FORCE program, Inclusive Excellence Symposium.

4b (Code:) (Expenses \$ 1,256,261 including grants of \$ 1,256,261) (Revenue \$ 0)
Through state and federal funding for instructional purposes, funds were used to facilitate various programs, including: Traineeship in Special Education, FLIP program, Foundations for Middle School Education, Comprehensive Courses for Primary and Intermediate Grades, Foundations for Primary Grade Mathematics, Master Coach program, Content Coach program, Foundations for Early Childhood Mathematics, Kentucky Writing Project.

4c (Code:) (Expenses \$ 511,728 including grants of \$ 511,728) (Revenue \$ 0)
In the areas of student financial assistance and student services, funding provided support for the federal education program, Student Support Services. Financial aid for programs included Project SOAR students, Traineeship in Special Education, Upward Bound students, FLIP program, Kentucky Writing Project participants, and Minority Educator Recruitment and Retention.

4d Other program services (Describe in Schedule O.)
(Expenses \$ 326,024 including grants of \$ 326,024) (Revenue \$ 0)

4e Total program service expenses **3,894,036**

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
12 a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
14 a Did the organization maintain an office, employees, or agents outside of the United States?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I (see instructions)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Part IV Checklist of Required Schedules *(continued)*

	Yes	No
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>		✓
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?		
21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	✓	
22 Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>		✓
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	✓	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>		✓
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		✓
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		✓
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		✓
25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>		✓
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>		✓
26 Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If "Yes," complete Schedule L, Part II</i>		✓
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>		✓
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		✓
b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>		✓
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>		✓
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>		✓
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>		✓
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		✓
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>		✓
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	✓	
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	✓	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?		✓
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>		
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>		✓
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>		✓
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O.	✓	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

Table with columns for question numbers (1a-14b), descriptions, and Yes/No checkboxes. Includes sub-questions for Form 1096, Form W-2G, Form W-3, Form 990-T, Form 8886-T, Form 8282, Form 8899, Form 1098-C, and Form 720.

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions. Check if Schedule O contains a response or note to any line in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year . . . If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.	18	
b	Enter the number of voting members included in line 1a, above, who are independent . . .	6	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		<input checked="" type="checkbox"/>
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?		<input checked="" type="checkbox"/>
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		<input checked="" type="checkbox"/>
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		<input checked="" type="checkbox"/>
6	Did the organization have members or stockholders?		<input checked="" type="checkbox"/>
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		<input checked="" type="checkbox"/>
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		<input checked="" type="checkbox"/>
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a	The governing body?	<input checked="" type="checkbox"/>	
b	Each committee with authority to act on behalf of the governing body?	<input checked="" type="checkbox"/>	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		<input checked="" type="checkbox"/>

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?		<input checked="" type="checkbox"/>
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	<input checked="" type="checkbox"/>	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	<input checked="" type="checkbox"/>	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	<input checked="" type="checkbox"/>	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	<input checked="" type="checkbox"/>	
13	Did the organization have a written whistleblower policy?	<input checked="" type="checkbox"/>	
14	Did the organization have a written document retention and destruction policy?	<input checked="" type="checkbox"/>	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official		<input checked="" type="checkbox"/>
b	Other officers or key employees of the organization		<input checked="" type="checkbox"/>
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		<input checked="" type="checkbox"/>
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed ▶ **KY**
- 18** Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20** State the name, address, and telephone number of the person who possesses the organization's books and records: ▶

Russell Kerdolff Comptroller Northern Kentucky University Nunn Dr. AC605 Highland Heights KY 41099 859-572-6455

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response or note to any line in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Dr. Samantha Langley Chair		✓		✓				0	148,625	33,220
(2) Mr. Tom Comte Vice Chair		✓		✓				0	0	0
(3) Mr. Michael Hales Treasurer		✓		✓				0	160,926	54,730
(4) Dr. Cecile Marczynski Secretary		✓		✓				0	98,944	29,147
(5) Dr. William Allen Director		✓						0	0	0
(6) Dr. Rodney D'Souza Director		✓						0	142,942	38,011
(7) Dr. Richard Durtsche Director		✓						0	79,857	26,938
(8) Mr. Scott Fennell Director		✓						0	86,180	62,422
(9) Dr. Francoise Knox-Kazimierczuk Director		✓						0	75,979	20,745
(10) Dr. Nancy Martin Director		✓						0	0	0
(11) Dr. Phil Moberg Director		✓						0	78,075	26,490
(12) Dr. Cynthia Reed Director		✓						0	146,006	32,447
(13) Mr. Dov Rosenberg Director		✓						0	0	0
(14) Dr. Gerard St. Amand		✓						0	97,640	30,204

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15) Ms. Mary Ucci Director		<input checked="" type="checkbox"/>						0	75,690	67,989
(16) Mr. Jordan Vogel Director		<input checked="" type="checkbox"/>						0	0	0
(17) Dr. James Walden Director		<input checked="" type="checkbox"/>						0	93,250	27,852
(18) Dr. Larry Williams Director		<input checked="" type="checkbox"/>						0	0	0
(19) Dr. John Clarkin Former Officer							<input checked="" type="checkbox"/>	0	132,663	44,046
(20) Dr. Jan Hillard Former Director							<input checked="" type="checkbox"/>	0	114,217	24,779
(21) Dr. William Martz Former Director							<input checked="" type="checkbox"/>	0	78,569	17,727
(22) Mr. Geoffrey Mearns Former Director							<input checked="" type="checkbox"/>	0	514,662	79,624
(23) Dr. Sue Ott Rowlands Former Director							<input checked="" type="checkbox"/>	0	290,264	47,183
(24) Mr. William Thompson Former Director							<input checked="" type="checkbox"/>	0	19,875	8,276
(25) Dr. Sam Zachary Former Director							<input checked="" type="checkbox"/>	0	111,234	47,149
1b Sub-total								0	2,545,598	718,979
c Total from continuation sheets to Part VII, Section A								0	757,616	156,454
d Total (add lines 1b and 1c)								0	3,303,214	875,433

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization ▶ **0**

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶ **0**

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
C ntributions, Gifts, Grants a d Other Similar Amounts	1a Federated campaigns . . .	1a					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations . . .	1d					
	e Government grants (contributions)	1e	4,072,697				
	f All other contributions, gifts, grants, and similar amounts not included above	1f	248,515				
	g Noncash contributions included in lines 1a-1f: \$						
	h Total. Add lines 1a-1f		4,321,212				
Program Service Revenue	2a		Business Code				
	b						
	c						
	d						
	e						
	f All other program service revenue .						
	g Total. Add lines 2a-2f		0				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		0				
	4 Income from investment of tax-exempt bond proceeds		0				
	5 Royalties		0				
	6a Gross rents . . .	(i) Real	(ii) Personal				
		b Less: rental expenses					
		c Rental income or (loss)					
	d Net rental income or (loss)			0			
	7a Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other				
		b Less: cost or other basis and sales expenses					
		c Gain or (loss)					
		d Net gain or (loss)			0		
	8a Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18	a					
		b Less: direct expenses	b				
		c Net income or (loss) from fundraising events			0		
	9a Gross income from gaming activities. See Part IV, line 19	a					
b Less: direct expenses		b					
c Net income or (loss) from gaming activities				0			
10a Gross sales of inventory, less returns and allowances	a						
	b Less: cost of goods sold	b					
	c Net income or (loss) from sales of inventory			0			
Miscellaneous Revenue		Business Code					
11a							
	b						
	c						
	d All other revenue						
	e Total. Add lines 11a-11d		0				
12 Total revenue. See instructions.		4,321,212					

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21 . . .	3,894,036	3,894,036		
2 Grants and other assistance to domestic individuals. See Part IV, line 22				
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16 . . .				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . .				
7 Other salaries and wages				
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)				
9 Other employee benefits				
10 Payroll taxes				
11 Fees for services (non-employees):				
a Management				
b Legal				
c Accounting	7,200		7,200	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.) . .				
12 Advertising and promotion	320		320	
13 Office expenses	483		483	
14 Information technology				
15 Royalties				
16 Occupancy				
17 Travel	14,530		14,530	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings . .	5,771		5,771	
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization .				
23 Insurance				
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a Subscriptions/books	24,482		24,482	
b Dues/Cert Lic Fees	21,638		21,638	
c				
d				
e All other expenses	5,277		5,277	
25 Total functional expenses. Add lines 1 through 24e	3,973,737	3,894,036	79,701	
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

		(A) Beginning of year		(B) End of year
Assets	1 Cash—non-interest-bearing	0	1	0
	2 Savings and temporary cash investments	13,051,422	2	13,318,900
	3 Pledges and grants receivable, net	947,301	3	577,240
	4 Accounts receivable, net	0	4	0
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	0	5	0
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L	0	6	0
	7 Notes and loans receivable, net	0	7	0
	8 Inventories for sale or use	0	8	0
	9 Prepaid expenses and deferred charges	21,967	9	22,194
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	0	10a	
	b Less: accumulated depreciation	0	10b	
	11 Investments—publicly traded securities	0	11	0
	12 Investments—other securities. See Part IV, line 11	0	12	0
	13 Investments—program-related. See Part IV, line 11	0	13	0
	14 Intangible assets	0	14	0
	15 Other assets. See Part IV, line 11	1,447	15	9,535
16 Total assets. Add lines 1 through 15 (must equal line 34)	14,022,137	16	13,927,869	
Liabilities	17 Accounts payable and accrued expenses	556,245	17	258,261
	18 Grants payable	5,548	18	70
	19 Deferred revenue	67,447	19	64,720
	20 Tax-exempt bond liabilities	0	20	0
	21 Escrow or custodial account liability. Complete Part IV of Schedule D	11,720,480	21	12,391,610
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L	0	22	0
	23 Secured mortgages and notes payable to unrelated third parties	0	23	0
	24 Unsecured notes and loans payable to unrelated third parties	0	24	0
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	653,003	25	363,512
	26 Total liabilities. Add lines 17 through 25	13,002,723	26	13,078,173
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	1,016,113	27	836,520
	28 Temporarily restricted net assets	3,301	28	13,176
	29 Permanently restricted net assets	0	29	0
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds	0	30	0
	31 Paid-in or capital surplus, or land, building, or equipment fund	0	31	0
	32 Retained earnings, endowment, accumulated income, or other funds	0	32	0
33 Total net assets or fund balances	1,019,414	33	849,696	
34 Total liabilities and net assets/fund balances	14,022,137	34	13,927,869	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	4,321,212
2	Total expenses (must equal Part IX, column (A), line 25)	2	3,973,737
3	Revenue less expenses. Subtract line 2 from line 1	3	347,475
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	1,019,414
5	Net unrealized gains (losses) on investments	5	0
6	Donated services and use of facilities	6	0
7	Investment expenses	7	0
8	Prior period adjustments	8	0
9	Other changes in net assets or fund balances (explain in Schedule O)	9	(517,193)
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	849,696

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

	Yes	No
1 Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.		
2a Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		<input checked="" type="checkbox"/>
b Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input checked="" type="checkbox"/> Both consolidated and separate basis	<input checked="" type="checkbox"/>	
c If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	<input checked="" type="checkbox"/>	
3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	<input checked="" type="checkbox"/>	
b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.	<input checked="" type="checkbox"/>	