

WESTERN KENTUCKY UNIVERSITY

(A Component Unit of the Commonwealth of Kentucky)

Bowling Green, Kentucky

**REPORT ON AUDIT OF INSTITUTION OF
HIGHER EDUCATION**

June 30, 2025

WESTERN KENTUCKY UNIVERSITY
Bowling Green, Kentucky

REPORT ON AUDIT OF INSTITUTION OF
HIGHER EDUCATION

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CONTENTS

| | |
|----------------------------------------------------------------------------------------------------|-----|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) | 4 |
| BASIC FINANCIAL STATEMENTS | |
| WESTERN KENTUCKY UNIVERSITY - STATEMENT OF NET POSITION..... | 18 |
| WKU STUDENT LIFE FOUNDATION, INC. - STATEMENT OF FINANCIAL POSITION | 20 |
| COLLEGE HEIGHTS FOUNDATION, INC. - STATEMENT OF FINANCIAL POSITION | 21 |
| WESTERN KENTUCKY UNIVERSITY - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION..... | 22 |
| WKU STUDENT LIFE FOUNDATION, INC. - STATEMENT OF ACTIVITIES..... | 23 |
| COLLEGE HEIGHTS FOUNDATION, INC. - STATEMENT OF ACTIVITIES - 2024. | 24 |
| COLLEGE HEIGHTS FOUNDATION, INC. - STATEMENT OF FUNCTIONAL EXPENSES - 2024 | 25 |
| WESTERN KENTUCKY UNIVERSITY - STATEMENT OF CASH FLOWS | 26 |
| WESTERN KENTUCKY UNIVERSITY - STATEMENT OF FIDUCIARY NET POSITION | 28 |
| WESTERN KENTUCKY UNIVERSITY - STATEMENT OF CHANGES IN FIDUCIARY NET POSITION..... | 29 |
| NOTES TO FINANCIAL STATEMENTS | 30 |
| REQUIRED SUPPLEMENTARY INFORMATION (Unaudited) | |
| SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY | 93 |
| SCHEDULES OF THE UNIVERSITY'S PENSION CONTRIBUTIONS | 96 |
| SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY..... | 99 |
| SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS | 105 |
| SUPPLEMENTARY INFORMATION | |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 111 |
| NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 118 |

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 119 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE..... | 121 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... | 124 |

Independent Auditor's Report

Board of Regents
Western Kentucky University
Bowling Green, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of Western Kentucky University (University), collectively a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units, and the fiduciary activities of the University as of June 30, 2025, 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.

We did not audit the financial statements of College Heights Foundation, Inc., which represent 66%, 83%, and 66%, respectively, of the total assets, net assets, and revenues of the aggregate discretely presented component units as of June 30, 2025. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for College Heights Foundation, Inc., is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of WKU Student Life Foundation, Inc. and College Heights Foundation, Inc., component units included in the financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 5 to the financial statements, Western Kentucky University adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, effective for the year ended June 30, 2025. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit plan information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 GAAS, 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 audits 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.

Supplementary 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 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 GAAS. In our opinion, the schedule of expenditures of federal awards 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 have also issued our report dated October 1, 2025, 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.

Forvis Mazars, LLP

Louisville, Kentucky
October 1, 2025

Overview

Management's Discussion and Analysis (MD&A) of Western Kentucky University's ("WKU" or the "University") financial statements is intended to provide an overview of the financial position, changes in financial position and cash flows of the University as of and for the fiscal year ended June 30, 2025, with comparative information as of and for the year ended June 30, 2024. MD&A, in addition to the financial statements and the footnote disclosures, is the responsibility of University management. Management suggests this discussion be read in conjunction with the audited financial statements and notes appearing in this report.

About Western Kentucky University

Western Kentucky University, founded in 1906, is part of the public Kentucky postsecondary education system which offers more than 180 academic degree programs at the baccalaureate and graduate degree levels.

Western Kentucky University's mission is to prepare students of all backgrounds to be productive, engaged, and socially responsible citizen-leaders of a global society. The University provides research, service and lifelong learning opportunities for its students, faculty, and other constituents. WKU enriches the quality of life for those within its reach.

WKU is governed by an 11-member Board of Regents, 8 of whom are appointed by the governor and 3 of whom are constituency representative elected by faculty, staff, and students of the University. The Board of Regents sets policy and provides oversight on the operations of the University. The governing board approves the annual budget, tuition rates and applicable student fees.

Reporting Entity

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 Western Kentucky University Research Foundation.

Financial statements have also been included for the University's discretely presented component units, in accordance with the requirements of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. These component units are the College Heights Foundation, Inc. and the WKU Student Life Foundation, Inc. Financial statements for these entities consist of Statements of Financial Position (balance sheets) and Statements of Activities (income statements). These statements are prepared in accordance with the appropriate Financial Accounting Standards Board ("FASB") pronouncements.

All 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.

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

An independent audit, performed by Forvis Mazars, LLP, provides an opinion on the basic financial statements taken as a whole. Forvis Mazars, LLP has expressed unmodified opinions on the financial statements stating that such statements present fairly, in all material respects, the financial position of the University as of June 30, 2025, and the changes in its financial position and its cash flows for the year then ended. Included in these financial statements are the financial statements of the Western Kentucky University Research Foundation, which is a blended component unit of the University's financial statements. Also included are the financial statements of the College Heights Foundation and the Student Life Foundation, which are both discretely presented within the financial statements of the University. Forvis Mazars, LLP received and relied upon audit reports prepared and work performed by other auditors as a basis of their opinions on the University's financial statements.

Forvis Mazars, LLP has applied certain limited procedures consisting principally of inquiries of management regarding the methods of measurement and presentation of MD&A, which the Governmental Accounting Standards Board ("GASB") has determined to be supplementary information required to accompany but not be part of the basic financial statements. Forvis Mazars, LLP, however, did not audit such information and did not express an opinion on it.

Fiscal Year 2025 Highlights

The financial viability of a public university is a function of a secure and preferably growing enrollment base, solid and preferably growing private giving, and state funding. It is noted that a majority of the assets of the College Heights Foundation are held and expended through the Foundation and are not recognized in the University stand-alone financial statements except for capital asset purchases transferred to the University. Per state requirements, the "Bucks for Brains" state-funded endowment funds flow through the University but are transferred to the Foundation for investment and management purposes.

The following data is provided to help assess the financial viability of the University:

| | <u>Fall 2024</u> | <u>Fall 2023</u> |
|---------------------------------------------------------|------------------|------------------|
| <u>Enrollment Base (Headcount)</u> | | |
| Undergraduate applications | 9,840 | 7,720 |
| Undergraduate enrollment (including returning students) | 14,151 | 14,590 |
| First-time freshmen | 2,788 | 2,822 |
| Total graduate enrollment | 2,140 | 2,169 |
| Total enrollment | 16,291 | 16,759 |

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

The following data, with a comparison between the 2024/2025 and 2023/2024, school years, is provided to help assess the financial viability of the University:

| | <u>June 30, 2025</u> | <u>June 30, 2024</u> |
|----------------------------------------|-----------------------|-----------------------|
| <u>Supporting Foundations</u> | | |
| Endowments | \$ 314.2 million | \$ 260.5 million |
| Total cash receipts | \$ 32.2 million | \$ 19.5 million |
| <u>State Appropriations</u> | | |
| General non-operating revenue | \$ 89,582,246 | \$ 83,449,700 |
| Capital appropriation | <u>67,632,726</u> | <u>26,690,277</u> |
| Total | <u>\$ 157,214,972</u> | <u>\$ 110,139,977</u> |

The University adopted GASB Statement No. 101, *Compensated Absences* during the fiscal year ended June 30, 2025. The adoption of this statement resulted in recording liabilities of \$6.2 million as of July 1, 2024. The impact of this statement is not reflected in the fiscal year June 30, 2024 amounts included in this management's discussion and analysis.

Statement of Net Position

The Statement of Net Position presents the financial position of the University as of the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University. The change in net position is an indicator of whether the overall financial position has improved or worsened during the year and over time. One can think of net position as one method to measure the University's financial strength. Many non-financial factors, such as strategic planning assessments, the trend in admissions, applications and student retention, the condition of the University's capital assets and the quality of the faculty also need to be considered to assess the overall health of the University.

Restricted net position is subject to externally imposed restrictions governing its use. The corpus of non-expendable restricted resources is only available for investment purposes. Although unrestricted net position is not subject to externally imposed stipulations, a significant portion of these assets has been internally designated to fund encumbrances brought forward from the prior fiscal year, working capital requirements, emergency reserve, and specific support of academic and support programs. Allocations of net position are set by University policy or approved by the Board of Regents.

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WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as of June 30, 2025 and 2024, is as follows:

Condensed Statement of Net Position (in Thousands)

| | <u>2025</u> | <u>2024</u> |
|---------------------------------------------------------------------------|-----------------------|-----------------------|
| ASSETS | | |
| Current and non-current other assets | \$ 174,944 | \$ 152,688 |
| Capital assets, net | 509,492 | 434,647 |
| Lease and subscription assets, net | <u>28,323</u> | <u>30,897</u> |
| Total assets | <u>712,759</u> | <u>618,232</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Loss on bond refunding | 814 | 1,215 |
| Pension and OPEB outflows | <u>31,966</u> | <u>41,016</u> |
| Total deferred outflows of resources | <u>32,780</u> | <u>42,231</u> |
| Total assets and deferred outflows of resources | <u>\$ 745,539</u> | <u>\$ 660,463</u> |
| LIABILITIES | | |
| Long-term obligations (current and non-current) | \$ 139,351 | \$ 118,906 |
| Lease and subscription liabilities | 30,819 | 30,110 |
| Net pension liability | 192,268 | 202,073 |
| Net OPEB liability | 19,191 | 21,393 |
| Other liabilities | 48,649 | 31,195 |
| Unearned revenue | <u>42,682</u> | <u>44,037</u> |
| Total liabilities | <u>472,960</u> | <u>447,714</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension and OPEB inflows | 26,287 | 37,609 |
| Lease inflows | <u>2,959</u> | <u>1,513</u> |
| Total deferred inflows of resources | <u>29,246</u> | <u>39,122</u> |
| NET POSITION | | |
| Net investment in capital assets | 402,103 | 350,093 |
| Restricted | | |
| Non-expendable | 23,534 | 19,139 |
| Expendable | 1,191 | 252 |
| Unrestricted | <u>(183,495)</u> | <u>(195,857)</u> |
| Total net position | <u>243,333</u> | <u>173,627</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 745,539</u> | <u>\$ 660,463</u> |

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

Long-term obligations include two new general receipts bonds issued during the fiscal year ended June 30, 2025. The 2024 Series A bonds were issued December 19, 2024 in the amount of \$31,115,000 for the following purposes: (1) additional funds for construction of a new athletic fieldhouse and (2) additional funds to complete construction of the new Gordon Ford College of Business building. The 2024 Series B bonds were issued December 19, 2024 in the amount of \$6,245,000 as a refunding source for the Western Kentucky University General Receipts Bonds, Series 2012A for present value savings.

Bonds payable totaled \$139,335,446 at June 30, 2025 with final payments on the bonds scheduled for fiscal year 2045.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position summarizes all financial transactions that increase or decrease net position. The purpose of the statement is to present the revenues from providing goods and services, expenses incurred to acquire and deliver the goods and services, and other revenues, expenses, and gains and losses recognized by the University. Financial activities are reported as either operating or non-operating.

The most significant source of non-operating revenue for fiscal year 2025 is state appropriations. State appropriations are non-operating because these funds are non-exchange revenues provided by the General Assembly to the University without the General Assembly directly receiving commensurate value (goods and services) for those revenues. Other important non-operating revenue sources include non-exchange grants and contracts.

Accordingly, the University reports net operating losses of \$(173,837,299) and \$(156,258,542), for fiscal years 2025 and 2024, respectively.

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

A summary of the University's activities for the years ended June 30, 2025 and 2024 is as follows:

Statement of Revenues, Expenses, and Changes in Net Position (in Thousands)

| | <u>2025</u> | <u>2024</u> |
|------------------------------------------------------|-------------------|-------------------|
| Operating revenues | | |
| Net tuition and fees | \$ 87,159 | \$ 89,145 |
| Grants and contracts | 286 | 185 |
| Sales and services of educational departments | 19,910 | 19,361 |
| Auxiliary enterprises | 16,973 | 15,170 |
| Other | 23,467 | 23,015 |
| Total operating revenues | <u>147,795</u> | <u>146,876</u> |
| Operating expenses | <u>321,632</u> | <u>303,134</u> |
| Operating loss | <u>(173,837)</u> | <u>(156,258)</u> |
| Non-operating revenues (expenses) | | |
| State appropriations | 89,582 | 83,449 |
| Grants and contracts | 86,588 | 76,864 |
| Investment income (loss), net | 6,138 | 7,754 |
| Interest on capital asset-related debt | (5,765) | (5,438) |
| Other | (783) | 295 |
| Net non-operating revenues | <u>175,760</u> | <u>162,924</u> |
| Gain (loss) before capital contributions | 1,923 | 6,666 |
| State capital appropriations | 71,557 | 26,690 |
| Additions to permanent endowment | <u>2,476</u> | <u>-</u> |
| Increase in net position | 75,956 | 33,356 |
| Net position, beginning of year as previously stated | 173,626 | 140,271 |
| Change in accounting principle – GASB 101 | <u>(6,249)</u> | <u>-</u> |
| Net position, beginning of year as restated | <u>167,377</u> | <u>140,271</u> |
| Net position, end of year | <u>\$ 243,333</u> | <u>\$ 173,627</u> |

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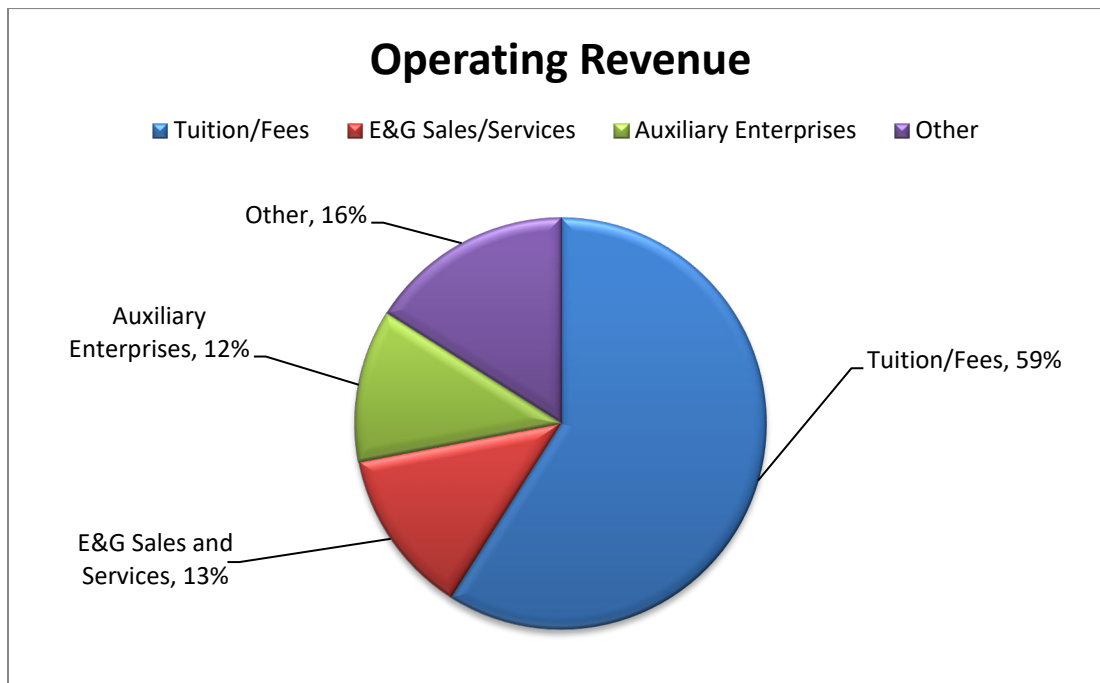
Operating Revenues

Operating revenues include all transactions that result in the sales of goods and services. For the University, the most significant operating revenue is student tuition and fees. Student tuition and fees revenue is a function of enrollment and rates approved by the University's Board of Regents. Other operating revenue is due to University operations such as health services, conferences and workshops, the farm, the police department, and athletics.

As noted in the aforementioned enrollment data, the University's total headcount enrollment decreased by approximately 2.8% between fall 2023 (16,759 students) and fall 2024 (16,291 students). As of fall 2024, approximately 73.5% of students enrolled at the University were Kentucky residents. An additional 13.0% of the student population came from Tennessee with many coming to the University through a state reciprocity agreement (i.e., enrolled at in-state rates) or in the Tuition Incentive Program.

Tuition and fees revenue is recorded in the financial statements net of scholarship allowances, gift scholarships, and institutional aid. A scholarship allowance is the difference between the stated charges for goods and services provided by the institution and the amount that is billed to students and third parties making payments on behalf of students. College Access Program and KEES Program have been included in the scholarship allowance after these sources have been used to satisfy a student's fees and charges. Any excess aid disbursed to the student is recognized as a student financial aid expense. Net tuition and fees, as of June 30, 2025 and 2024, were approximately 48.1% and 49.3%, respectively, of the gross tuition and fees with approximately \$93.9 million and \$91.9 million, respectively, being recorded as scholarship allowance.

The distribution of FY 2025 operating revenue, by source, is summarized as follows:



(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

Grants and Contracts Awards (Excluding Financial Aid)

The University is awarded grants and contracts by various external agencies. These grants and contracts awards represent amounts that will be recognized as revenue when the service is provided regardless of when cash is exchanged. Thus, the operating and non-operating revenue generated by such grants and contracts will equal the actual expenses in a given fiscal year.

The grant and contract awards received in a given year are frequently multi-year awards for which only the current year activity related to the award will be recorded (*i.e.*, any cash received in excess of expenses incurred will be recorded as unearned revenue). Additionally, awards related to future periods are not recorded in the University's financial statements. The following table provides a two-year comparison of total grants and contracts awarded (not received/recorded) during fiscal years 2025 and 2024.

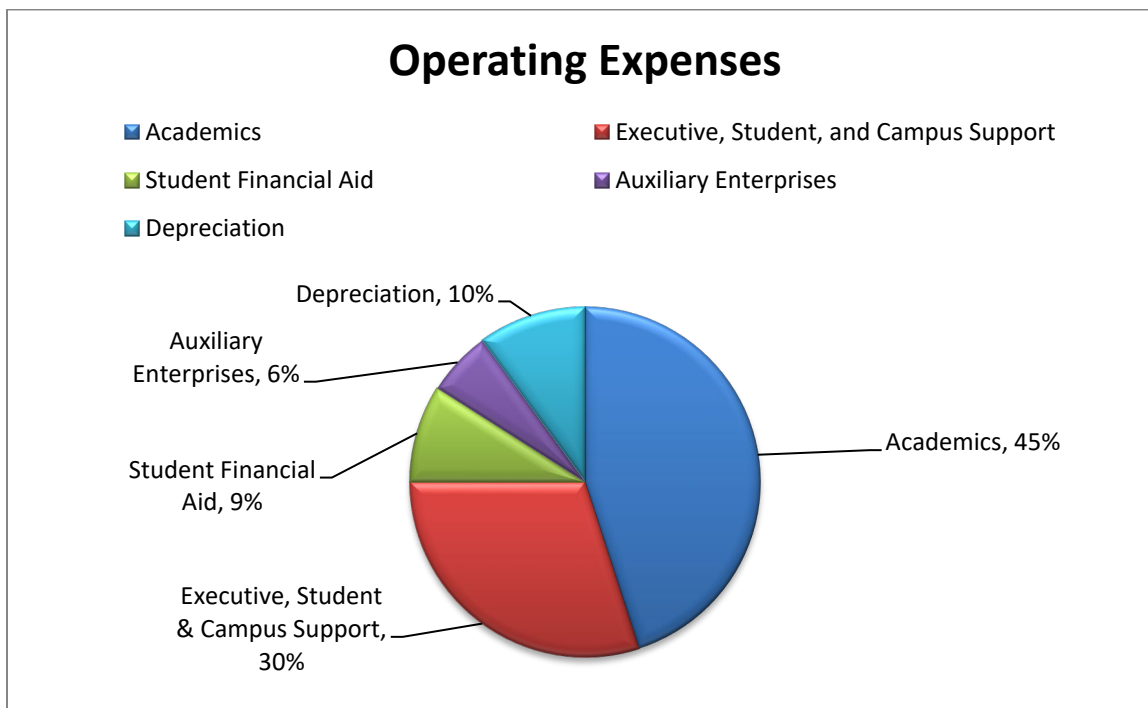
| | <u>2025</u> | <u>2024</u> |
|---------|----------------------|----------------------|
| Federal | \$ 11,809,989 | \$ 24,421,274 |
| State | 3,303,411 | 4,291,883 |
| Other | <u>1,861,953</u> | <u>1,926,225</u> |
| Total | <u>\$ 16,975,353</u> | <u>\$ 30,639,382</u> |

Operating Expenses

Operating expenses are all costs necessary to meet the University's mission, goals and objectives through a broad array of programs and activities. Expenses other than depreciation are reported by program classification (*e.g.*, instruction, research, public service, auxiliary enterprises). Depreciation and amortization are recognized as an expense and a reduction in the value of the capital, lease, and subscription assets. The following graph summarizes expenses as academics, executive, student and campus support, student financial aid, depreciation, and auxiliary enterprises. Academics include the program classification categories of instruction, research, public service, libraries and academic support. Executive, student, and campus support includes student services, institutional support, and operation and maintenance of the plant.

(Continued)

The distribution of FY 2025 operating expenses, by source, is summarized as follows:



Non-operating Revenues and Expenses

Non-operating revenues are all revenues that are primarily non-exchange in nature. The most significant single source of non-operating revenue for the University is state appropriations for other than capital purposes. Other sources include many grants and contracts, endowment contributions, and investment income.

The University's investments consisted primarily of collateralized mortgage obligations and its equity in Commonwealth of Kentucky pooled investment funds for fiscal year 2025. In 2024, investments also included equity securities, US Government and agency bonds, corporate obligations, and commercial paper per the University's short-term investment policy.

Investment income for the years ended June 30, 2025 and 2024 is comprised of the following:

| | <u>2025</u> | <u>2024</u> |
|-------------------------------------------------------------|---------------------|---------------------|
| Investment income (loss) | \$ 4,112,910 | \$ 5,206,923 |
| Net change for the year in the fair value of investments | <u>2,024,842</u> | <u>2,547,003</u> |
| Total investment income (loss) | <u>\$ 6,137,752</u> | <u>\$ 7,753,926</u> |

State appropriations were \$89,582,246 and \$83,449,700, for the years ended June 30, 2025 and 2024, respectively.

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WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

Change in Net Position

For the years ended June 30, 2025 and 2024, the University's net position increased by \$75,955,968 and \$33,354,666, respectively. The year-end net position as of June 30, 2025 and 2024 was \$243,333,454 and \$173,626,349, respectively.

Statements of Cash Flows

The Statements of Cash Flows present data related to the University's cash inflows and outflows summarized by operating, non-capital financing, capital, and related financing and investing activities. The primary purpose of the Statements of Cash Flows is to provide information about the cash receipts and cash payments by the University that will allow for the assessment of the University's ability to generate net cash flows and to meet obligations as they come due. Under certain circumstances, such an analysis might demonstrate a university's need for external financing. The Statements of Cash Flows are broken into the following sections:

- Operating cash flows and the net cash used for the operating activities of the University
- Cash flows from non-capital financing activities
- Cash flows from capital and related financing activities
- Cash flows from investing activities
- Reconciliation of the net cash flows from operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position

For the years ended June 30, 2025 and 2024, respectively, the major sources of cash received for operating activities were tuition and fees of \$87,350,785 and \$90,488,500; sales and services of educational departments of \$19,909,536 and \$19,360,432; and auxiliary enterprises of \$16,972,360 and \$15,169,419. Major uses of cash for operating activities were payments to employees for salaries and benefits of \$184,212,370 and \$178,210,205; and to suppliers and contractors of \$103,262,051 and \$98,799,552 at June 30, 2025 and 2024, respectively. A majority of the non-capital financing activities are state appropriations and grants and contracts. Principal and interest paid on capital debt, leases liabilities, and subscription liabilities are recognized as capital and related financing activities. Investing activities recognize the cash flows from proceeds from sales and maturities of investments and interest receipts.

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WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

The Statements of Cash Flows are summarized as follows:

Condensed Statements of Cash Flows (in thousands)

| | <u>2025</u> | <u>2024</u> |
|-------------------------------------------------------------|-----------------------|-----------------------|
| Cash Provided By (Used In) | | |
| Operating activities | \$(160,441) | \$(144,715) |
| Non-capital financing activities | 175,628 | 160,212 |
| Capital and related financing activities | (18,604) | (39,164) |
| Investing activities | <u>4,231</u> | <u>49,918</u> |
| Net increase (decrease) in cash and cash equivalents | 814 | 26,251 |
| Cash and cash equivalents, beginning of year | <u>109,978</u> | <u>83,727</u> |
| Cash and cash equivalents, end of year | <u>\$ 110,792</u> | <u>\$ 109,978</u> |

Capital Asset and Long-term Obligations

Capital Assets

As of June 30, 2025 and 2024, the University had \$509.5 million and \$434.6 million invested in capital assets, net of accumulated depreciation of \$545.5 million and \$520.9 million, respectively. Capital assets at June 30, 2025 and 2024 are summarized below:

| | <u>2025</u> | <u>2024</u> |
|---------------------------------------|---------------------------|---------------------------|
| Land | \$ 14,075,527 | \$ 14,075,527 |
| Buildings and improvements | 642,856,021 | 643,572,250 |
| Infrastructure | 82,115,332 | 80,952,616 |
| Furniture, fixtures, and equipment | 97,128,660 | 98,082,020 |
| Library materials | 74,301,040 | 72,039,924 |
| Construction in progress | <u>144,510,593</u> | <u>46,825,321</u> |
| Total capital assets | 1,054,987,173 | 955,547,658 |
| Less accumulated depreciation | <u>(545,495,474)</u> | <u>(520,900,841)</u> |
| Capital assets, net | <u>\$ 509,491,699</u> | <u>\$ 434,646,817</u> |

The major construction projects in progress as of June 30, 2025 include the renovation of Cherry Hall, as well as the ongoing construction of a new College of Business educational building, an Athletics Press Box, and a new Hilltopper Field House building.

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

Lease Assets

As of June 30, 2025 and 2024 the University had \$33.9 million and \$34.8 million invested in lease assets, net of accumulated amortization of \$7.6 million and \$6.1 million, respectively. Lease assets at June 30, 2025 and 2024 are summarized below:

| | <u>2025</u> | <u>2024</u> |
|-------------------------------|----------------------|----------------------|
| Real estate | \$ 33,774,007 | \$ 34,702,377 |
| Vehicles | <u>128,168</u> | <u>114,018</u> |
| Total lease assets | 33,902,175 | 34,816,395 |
| Less accumulated depreciation | <u>(7,627,325)</u> | <u>(6,122,545)</u> |
| Lease assets, net | <u>\$ 26,274,850</u> | <u>\$ 28,693,850</u> |

Subscription Assets

As of June 30, 2025 and 2024, the University had subscription assets of \$4.1 million and \$5.0 million, net of accumulated amortization of \$2.1 million and \$2.8 million, respectively.

Pension and Other Postemployment Benefits ("OPEB")

The University participates in Kentucky Employees' Retirement System ("KERS") and Kentucky Teachers' Retirement System ("KTRS") (referred to collectively as "the Plans"), which are cost-sharing, multiple-employer defined benefit pension and OPEB plans. The University's contributions to the Plans are actuarially determined and statutorily required. These statutorily required contributions constitute the full legal funding requirements of the University for the participation of its employees in the Plans. The University recognizes a proportionate share of the State's collective pension and OPEB liability for the Plans under Government Accounting Standards Board (GASB) statements 68 for pension and 75 for OPEB. The proportion of pension and OPEB liability is distributed based on the University's covered payroll and/or actual employer contributions to the Plans, whichever is consistent with the manner in which contributions to the individual plans are determined.

The University is also required to recognize pension and OPEB expense and report deferred outflows of resources and deferred inflows of resources related to pension and OPEB for its proportionate share, and these amounts primarily result from changes in the components of the net pension and OPEB liability - that is, changes in the total pension and OPEB liability and in the Plans' fiduciary net position. Changes in the net pension and OPEB liability not included in pension and OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources. If these deferred amounts will serve to decrease pension and OPEB expense upon recognition, they are classified as deferred inflows. If the deferred amounts will increase pension and OPEB expense upon recognition, they are classified as deferred outflows. Employer contributions subsequent to the measurement date of the net pension and OPEB liability are required to be reported as deferred outflows of resources.

Although accounting standards require the recognition of the net pension and OPEB liability, the related deferred outflows of resources and deferred inflows of resources, and additional actuarially determined defined-benefit pension and defined-benefit OPEB expense, they do not represent legal claims on the University's resources and there are no additional cash flows or funding requirements outside of the statutorily required contributions.

(Continued)

WESTERN KENTUCKY UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

Under KERS, a separate plan exists for Nonhazardous and Hazardous duty employees. For the fiscal year ended June 30, 2025, participating employers in the KERS Nonhazardous plan contributed 8.44%, as set by Kentucky Public Pensions Authority ("KPPA"), of each Nonhazardous employee's creditable compensation, which was a decrease from the 9.97% required contributions for the year ended June 30, 2024. For the fiscal years ended June 30, 2025, participating employers in the KERS Hazardous plan contributed 23.74% as set by KPPA, of each Hazardous employee's creditable compensation, which was a decrease from the 31.82% required contributions for the year ended June 30, 2024. Total employer contributions to KERS were \$8,151,058 and \$11,172,430 for the years ended June 30, 2025 and 2024, respectively.

All full-time University faculty members and certain other staff occupying a position requiring certification or graduation from a four-year college or university as a condition of employment are covered by KTRS. For the fiscal years ended June 30, 2025 and 2024, the University was contractually required to contribute between 9.775% and 15.865% based on employee entry dates into the plan. Total employer contributions to KTRS were \$6,913,867 and \$7,010,874 for the years ended June 30, 2025 and 2024, respectively.

The University's net pension and OPEB assets were \$976,313 and \$0 as of June 30, 2025 and 2024, respectively. The University's net pension and OPEB liabilities were \$211,459,747 and \$223,465,907 as of June 30, 2025 and 2024, respectively. Total pension and OPEB expenses were \$(15,254,061) and \$(21,290,613) for the years ended June 30, 2025 and 2024, respectively. Total deferred outflows related to pension and OPEB were \$31,965,580 and \$41,016,224, and total deferred inflows were \$26,286,567 and \$37,608,800 for the years ended June 30, 2025 and 2024, respectively.

Long-Term Obligations

As of June 30, 2025 and 2024, the University had \$170.2 million and \$149.0 million, respectively, in long-term obligations consisting of bonds payable (General Receipts Bonds), lease liabilities, subscription liabilities, and other long-term obligations. The total long-term obligations, including the current portion, are summarized as follows:

| | <u>2025</u> | <u>2024</u> |
|-----------------------------|-----------------------|-----------------------|
| General receipts bonds | 139,335,446 | 118,876,246 |
| Leases | 29,163,904 | 28,458,131 |
| Subscriptions | 1,655,406 | 1,652,447 |
| Other long-term obligations | <u>15,097</u> | <u>29,461</u> |
| Total | <u>\$ 170,169,853</u> | <u>\$ 149,016,285</u> |

(Continued)

Economic Factors Impacting Future Periods

The following are known facts and circumstances that may affect the future financial viability of the University:

- WKU's continuing emphasis on student success has resulted in an increase in retention rates from 72.8 percent in fall 2021 to 78.3 percent in fall 2024. Continued emphasis on student success and retention will help stabilize a recurring tuition revenue base.
- The Council on Postsecondary Education (CPE) has the statutory authority to approve tuition rates for Kentucky's public universities. Emphasis continues to be placed on setting tuition rates with modest increases that will not impede economic access to postsecondary education. CPE enacted a tuition and fee-setting schedule for academic years 2025-26 and 2026-27, enabling the comprehensive universities to increase tuition rates by a maximum of \$630 over the two years and an increase of no more than \$420 in any one year. CPE approved a tuition increase of \$420, or 3.6 percent, at WKU for fiscal year 2026.
- Kentucky House Bill 6, passed by the 2024 Regular Session of the Kentucky General Assembly, provides a state expenditure plan for the 2024-26 biennium. Overall state appropriation for WKU increased by \$3.3 million in FY 2025 primarily due to a 4.5%, or \$3.1 million, inflationary increase. In addition, approximately \$57,162,000 has been provided in state capital funds for deferred maintenance along with \$160,000,000 to construct a new Academic Complex building, which houses the College of Health and Human Services.
- WKU's multi-year reaffirmation of accreditation process through the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) is nearing completion. Final reports were submitted to SACSCOC in 2024 and the on-site review was completed in spring 2025. The SACSCOC Board of Trustees will announce WKU's reaffirmation decision in December 2025.
- WKU's FY 2025 and 2026 operating budgets included a multi-year budget realignment strategy to align budgeted revenues and expenditures without the use of one-time carry-forward dollars. This strategy was primarily achieved through an approximate \$15 million reduction to department expenditure budgets as well as a Voluntary Separation Incentive Program (VSIP) offered to eligible employees. VSIP will result in a reduction of the future salary base which comprises a significant part of the operating budget.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF NET POSITION
June 30, 2025

ASSETS

Current assets

| | |
|------------------------------------------------------|------------------|
| Cash and cash equivalents | \$ 55,874,800 |
| Accounts receivable, net of allowance of \$2,482,541 | 10,633,119 |
| Federal and state grants receivable | 7,346,461 |
| State capital contribution receivable | 16,123,805 |
| Lease receivable | 649,516 |
| Inventories | 41,283 |
| Prepaid expenses and other | <u>1,905,330</u> |

Total current assets 92,574,314

Noncurrent assets

| | |
|------------------------------------|----------------|
| Restricted cash & cash equivalents | 54,916,891 |
| Noncurrent investments | 421,095 |
| Assets held in trust | 23,701,726 |
| Lease receivable | 2,353,469 |
| Capital assets – non-depreciable | 158,586,120 |
| Capital assets – depreciable | 896,401,053 |
| Accumulated depreciation | (545,495,474) |
| Lease assets, net | 26,274,850 |
| Subscription assets, net | 2,048,717 |
| Net OPEB asset – KERS hazardous | <u>976,313</u> |

Total noncurrent assets 620,184,760

Total assets 712,759,074

DEFERRED OUTFLOWS OF RESOURCES

| | |
|------------------------------------------------|------------------|
| Deferred loss on bond refunding | 814,413 |
| Deferred outflows - KTRS pension | 10,843,464 |
| Deferred outflows - KERS non-hazardous pension | 9,113,873 |
| Deferred outflows - KERS hazardous pension | 1,232,490 |
| Deferred outflows - KERS OPEB | 2,636,663 |
| Deferred outflows - KTRS OPEB | <u>8,139,090</u> |

Total deferred outflows of resources 32,779,993

Total assets and deferred outflows of resources \$ 745,539,067

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF NET POSITION
June 30, 2025

LIABILITIES

Current liabilities

| | |
|----------------------------------------------|--------------------|
| Accounts payable | \$ 26,329,243 |
| Self-insured health liability | 1,292,742 |
| Self-insured workers' compensation liability | 126,196 |
| Accrued payroll and withholdings | 5,349,805 |
| Accrued compensated absences – current | 5,292,853 |
| Accrued interest | 1,405,664 |
| Unearned revenue | 42,681,610 |
| Long-term obligations – current | 14,760,867 |
| Lease liabilities – current | 1,436,528 |
| Subscription liabilities – current | 844,344 |
| Deposits held in custody for others | 1,786,763 |
| Total current liabilities | <u>101,306,615</u> |

Non-current liabilities

| | |
|--------------------------------------------|--------------------|
| Long-term debt obligations | 124,589,676 |
| Accrued compensated absences | 7,065,221 |
| Lease liabilities | 27,727,376 |
| Subscription liabilities | 811,062 |
| Net pension liability – KTRS | 79,546,100 |
| Net pension liability – KERS non-hazardous | 111,170,343 |
| Net pension liability – KERS hazardous | 1,551,812 |
| Net OPEB liability – KERS non-hazardous | 5,594,492 |
| Net OPEB liability – KTRS | 13,597,000 |
| Total non-current liabilities | <u>371,653,082</u> |

| | |
|-------------------|--------------------|
| Total liabilities | <u>472,959,697</u> |
|-------------------|--------------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|-----------------------------------------------|-------------------|
| Deferred inflows – KTRS pension | 5,405,967 |
| Deferred inflows – KERS non-hazardous pension | 2,112,042 |
| Deferred inflows – KERS hazardous pension | 271,009 |
| Deferred inflows – KERS OPEB | 8,333,549 |
| Deferred inflows – KTRS OPEB | 10,164,000 |
| Deferred inflows – Leases | 2,959,349 |
| Total deferred inflows of resources | <u>29,245,916</u> |

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 402,102,580 |
| Restricted | |
| Non-expendable: | |
| Endowments | 23,534,060 |
| Expendable: | |
| Loans | 215,227 |
| Net OPEB Asset | 976,313 |
| Unrestricted | <u>(183,494,726)</u> |
| Total net position | <u>243,333,454</u> |

| | |
|---------------------------------------------------------------------------|------------------------------|
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 745,539,067</u> |
|---------------------------------------------------------------------------|------------------------------|

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
WKU STUDENT LIFE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2025

ASSETS

| | |
|----------------------------------------------------------------|--------------------|
| Cash and cash equivalents | \$ 30,547,596 |
| Accounts receivable - Western Kentucky University | 1,022,041 |
| Accounts receivable - students - net of allowance of \$538,924 | 469,067 |
| Net investment in direct financing lease - related party | 966,343 |
| Prepaid expenses | 394,917 |
| Assets limited as to use | 8,200,224 |
| Property and equipment, net | <u>112,581,583</u> |

Total assets \$ 154,181,771

LIABILITIES AND NET ASSETS

Liabilities

| | |
|-----------------------------------------------------|-------------------|
| Accounts payable | \$ 1,988,717 |
| Accrued expenses | 457,086 |
| Prepaid rent from students | 18,277 |
| Asset retirement obligation | 794,269 |
| Deferred revenue – First Year Village | 112,326 |
| Long-term debt, net of unamortized debt issue costs | <u>95,563,790</u> |

Total liabilities 98,934,465

Net Assets

| | |
|----------------------------|-------------------|
| Without donor restrictions | <u>55,247,306</u> |
|----------------------------|-------------------|

Total liabilities and net assets \$ 154,181,771

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
COLLEGE HEIGHTS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2024

ASSETS

| | |
|-------------------------------------------|-------------------|
| Cash and cash equivalents | \$ 25,576,473 |
| Receivable for sale of asset | 1,105,371 |
| Investments | 221,936,887 |
| Pledges receivable, net | 10,374,854 |
| Prepaid expenses and other assets | 149,642 |
| Beneficial interest in third-party trusts | 15,674,664 |
| Property, net | 1,168,022 |
| Assets held for others | <u>28,525,792</u> |

Total assets \$ 304,511,705

LIABILITIES AND NET ASSETS

Liabilities

| | |
|--------------------------------------|-------------------|
| Accounts payable | \$ 328,576 |
| Other payables | 201,090 |
| Deferred gift liabilities | 3,386,057 |
| Liability for assets held for others | <u>28,525,792</u> |
| Total liabilities | 32,441,515 |

Net assets

| | |
|----------------------------|--------------------|
| Without donor restrictions | 17,861,181 |
| With donor restrictions | <u>254,209,009</u> |

Total net assets 272,070,190

Total liabilities and net assets \$ 304,511,705

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended June 30, 2025

REVENUES

| | |
|-------------------------------------------------------------------------------|--------------------|
| Operating revenues | |
| Tuition and fees, net of discounts and allowances of \$93,944,036 | \$ 87,159,193 |
| Federal grants and contracts | 102,755 |
| Local and private grants and contracts | 183,587 |
| Sales and services of educational activities | 19,909,536 |
| Auxiliary enterprise revenues, net of discounts and allowances of \$4,387,007 | 16,972,360 |
| Other operating revenues | 23,467,182 |
| Total operating revenues | <u>147,794,613</u> |

EXPENSES

| | |
|------------------------------------|--------------------|
| Operating expenses | |
| Education and general | |
| Instruction | 89,877,786 |
| Research | 7,066,179 |
| Public service | 19,287,798 |
| Libraries | 4,074,877 |
| Academic support | 24,471,539 |
| Student services | 36,784,002 |
| Institutional support | 48,375,409 |
| Operation and maintenance of plant | 26,217,740 |
| Student financial aid | 28,832,202 |
| Pension and OPEB expense | (15,254,061) |
| Depreciation and amortization | 32,230,515 |
| Auxiliary enterprises | 19,667,926 |
| Total operating expenses | <u>321,631,912</u> |

Operating loss (173,837,299)

| | |
|--------------------------------------------|--------------------|
| Non-operating revenues (expenses) | |
| State appropriations | 84,121,946 |
| State appropriations – Performance funding | 5,460,300 |
| Federal grants and contracts | 51,374,889 |
| State grants and contracts | 33,396,996 |
| Local and private grants and contracts | 1,815,649 |
| Net investment income | 6,137,752 |
| Interest on capital asset-related debt | (5,764,548) |
| Loss on disposal of capital assets | (807,706) |
| Other non-operating revenues, net | 24,643 |
| Net non-operating revenues | <u>175,759,921</u> |

Income before capital contributions and addition to permanent endowment 1,922,622

State capital appropriations 71,557,446

Additions to permanent endowment 2,475,900

Increase in net position 75,955,968

Net position, beginning of year as previously reported 173,626,349

Change in accounting principle – GASB 101 (6,248,863)

Net position, beginning of year as restated 167,377,486

Net position, end of year \$ 243,333,454

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
WKU STUDENT LIFE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2025

OPERATING REVENUES

| | |
|------------------------------------------|-------------------|
| Student housing revenue | \$ 28,847,018 |
| First Year Village prepaid lease revenue | 25,117 |
| Hilltopper Hub prepaid lease revenue | 2,250,000 |
| Other | <u>992,453</u> |
| Total operating revenues | <u>32,114,588</u> |

OPERATING EXPENSES

| | |
|------------------------------------------|-------------------|
| Salaries, benefits, and related expenses | 7,712,819 |
| Utilities | 3,324,259 |
| Repairs, maintenance, and supplies | 2,176,050 |
| Management fees | 84,200 |
| Professional fees | 1,551,828 |
| Insurance | 1,027,720 |
| Depreciation and amortization | 4,858,236 |
| Credit loss expense | 335,603 |
| Impairment of long-lived assets | 23,201,492 |
| Other | <u>448,360</u> |
| Total operating expenses | <u>44,720,567</u> |

Change in net assets from operations (12,605,979)

NONOPERATING REVENUES (EXPENSES)

| | |
|-------------------------------------------------|--------------------|
| Interest income | 1,860,586 |
| Interest expense, fees, and bond issuance costs | <u>(3,249,642)</u> |

Total non-operating expenses (1,389,056)

Change in net assets without donor restrictions (13,995,035)

Net assets without donor restrictions, beginning of year 69,242,341

Net assets without donor restrictions, end of year **\$ 55,247,306**

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
COLLEGE HEIGHTS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------------------------------------|----------------------------------|----------------------------|-----------------------|
| Revenues, Gains, and Other Support: | | | |
| Contributions | \$ 266,195 | \$ 28,060,441 | \$ 28,326,636 |
| Gift-in-kind contributions | - | 97,737 | 97,737 |
| Non-charitable contributions | - | 5,495,739 | 5,495,739 |
| Investment income | 938,032 | 4,567,257 | 5,505,289 |
| Net unrealized and realized gains on investments | 2,228,940 | 21,505,065 | 23,734,005 |
| Net increase in beneficial interest in third party trusts | - | 1,314,084 | 1,314,084 |
| Net actuarial gain from deferred gift liabilities | - | 1,195,951 | 1,195,951 |
| Rental and royalty income | - | 24,325 | 24,325 |
| Miscellaneous revenue | - | 6,187 | 6,187 |
| Net assets released from restrictions | <u>22,130,128</u> | <u>(22,130,128)</u> | <u>-</u> |
| Total revenues, gains, and other support | <u>25,563,295</u> | <u>40,136,658</u> | <u>65,699,953</u> |
| Expenses: | | | |
| Expenses on behalf of WKU programs: | | | |
| Public service | 541,397 | - | 541,397 |
| Construction | 422,798 | - | 422,798 |
| Programmatic | <u>17,983,627</u> | <u>-</u> | <u>17,983,627</u> |
| Total program expenses | 18,947,822 | - | 18,947,822 |
| Management and general | 2,299,567 | - | 2,299,567 |
| Fundraising | <u>246,891</u> | <u>-</u> | <u>246,891</u> |
| Total expenses | <u>21,494,280</u> | <u>-</u> | <u>21,494,280</u> |
| Change in net assets | 4,069,015 | 40,136,658 | 44,205,673 |
| Net asset, beginning of year | <u>13,792,166</u> | <u>214,072,351</u> | <u>227,864,517</u> |
| Net assets, end of year | <u>\$ 17,861,181</u> | <u>\$ 254,209,009</u> | <u>\$ 272,070,190</u> |

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
COLLEGE HEIGHTS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2024

| | Program Services | | | | Management and General | Fundraising | Total Expenses |
|-----------------------------------------------|-------------------|-------------------|----------------------|------------------------------|------------------------------|-------------------|----------------------|
| | Public Service | Construction | Programmatic | Total Program Services | | | |
| Salaries/wages, payroll taxes, and benefits | \$ 58,786 | \$ - | \$ 2,313,572 | \$ 2,372,358 | \$ 1,703,132 | \$ - | \$ 4,075,490 |
| Scholarships and honorariums | 18,188 | - | 8,531,675 | 8,549,863 | - | - | 8,549,863 |
| Professional fees and other services | 244,776 | - | 1,340,808 | 1,585,584 | 574,237 | 157,257 | 2,317,078 |
| Travel, meals, and entertainment | 34,064 | - | 2,782,846 | 2,816,910 | - | 36,536 | 2,853,446 |
| Printing, supplies, and other office expenses | 72,990 | - | 325,577 | 398,567 | 61,309 | 17,587 | 477,463 |
| Other | 656 | - | 219,173 | 219,829 | 39,768 | 22,398 | 281,995 |
| Gifts and donations | 76,081 | - | 1,652,383 | 1,728,464 | - | 13,113 | 1,741,577 |
| Capital expenditures | 33,733 | 422,798 | 554,718 | 1,011,249 | - | - | 1,011,249 |
| Dues/subscriptions and registrations | - | - | 234,682 | 234,682 | - | - | 234,682 |
| Equipment rentals and maintenance | 2,123 | - | 28,193 | 30,316 | - | - | 30,316 |
| Credit recoveries | - | - | - | - | (78,879) | - | (78,879) |
| Total expenses | <u>\$ 541,397</u> | <u>\$ 422,798</u> | <u>\$ 17,983,627</u> | <u>\$ 18,947,822</u> | <u>\$ 2,299,567</u> | <u>\$ 246,891</u> | <u>\$ 21,494,280</u> |

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF CASH FLOWS
Year ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|-----------------------------------------------|----------------------|
| Tuition and fees | \$ 87,350,785 |
| Grants and contracts | 404,645 |
| Payments to employees | (184,212,370) |
| Payments to suppliers | (103,262,051) |
| Collection of loans to students | 16,224 |
| Sales and services of educational departments | 19,909,536 |
| Other operating revenues | 21,998,932 |
| Direct federal loans receipts | 56,439,876 |
| Direct federal loans payments | (56,439,876) |
| Auxiliary enterprise revenues | 16,972,360 |
| Auxiliary enterprise payments: | |
| Payments to employees | (6,988,452) |
| Payments to suppliers | (12,631,065) |
| Net cash used in operating activities | <u>(160,441,456)</u> |

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

| | |
|------------------------------------------------------------|--------------------|
| State appropriations | 84,121,946 |
| State appropriations – Performance Funding | 5,460,300 |
| Grants and contracts receipts | 86,587,534 |
| Student organization agency receipts (disbursements) - net | 318,214 |
| Other nonoperating revenues (expenses) | (859,709) |
| Net cash provided by non-capital financing activities | <u>175,628,285</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|-----------------------------------------------------------|---------------------|
| Proceeds from bond issuance | 40,698,552 |
| Proceeds from sale of capital assets | 72,603 |
| Purchases of capital assets | (89,199,824) |
| Principal paid on capital debt | (19,329,425) |
| Interest paid on capital debt | (4,287,920) |
| Principal paid on leases payable | (1,339,461) |
| Interest paid on leases payable | (997,514) |
| Principal paid on subscription liability | (1,198,613) |
| Interest paid on subscription liability | (56,047) |
| State appropriations for capital acquisition | 57,033,836 |
| Net cash used in capital and related financing activities | <u>(18,603,813)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|----------------------------------------------|------------------|
| Purchase of investments | (196,038) |
| WKU Research Foundation assets held in trust | 229,425 |
| Investment income | 4,197,479 |
| Net cash provided by investing activities | <u>4,230,866</u> |

Net change in cash and cash equivalents 813,882

Cash and cash equivalents, beginning of year 109,977,809

Cash and cash equivalents, end of year \$ 110,791,691

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF CASH FLOWS
Year ended June 30, 2025

**Reconciliation of net operating loss
to net cash used in operating activities**

| | |
|----------------------------------------------------------------|-------------------------|
| Operating loss | \$ (173,837,299) |
| Depreciation and amortization expense | 32,230,515 |
| Changes in operating assets and liabilities | |
| Accounts receivable, net | 317,919 |
| Federal and state grants receivable | (194,021) |
| Lease receivable | (1,468,250) |
| Assets held in trust | 697 |
| Inventories | 48,409 |
| Loans to students, net | 16,224 |
| Prepaid expenses and other | 1,943,871 |
| Accounts payable | (3,188,779) |
| Health insurance and workers' compensation liability | 103,320 |
| Accrued payroll and payroll withholdings | (2,310,631) |
| Accrued compensated absences | 660,040 |
| Deferred outflows – pension and OPEB liability, bond refunding | 9,451,101 |
| Deferred inflows – pension and OPEB liability, leases | (9,876,323) |
| Net pension liability | (9,804,933) |
| Net OPEB liability | (3,196,730) |
| Net OPEB asset | 19,190 |
| Unearned revenue | <u>(1,355,776)</u> |
| Net cash used in operating activities | <u>\$ (160,441,456)</u> |

Supplemental cash flows information

| | |
|-----------------------------------------------------------|------------|
| Non-cash activities: | |
| Lease obligations incurred for lease assets | 2,045,234 |
| Accounts payable for capital | 16,283,603 |
| Donation of capital assets from related parties | 69,074 |
| Subscription obligations incurred for subscription assets | 1,201,572 |
| Amortization of bond premiums | 884,313 |

Reconciliation of cash and cash equivalents to the statement of net position

| | |
|--------------------------------------|-----------------------|
| Cash and cash equivalents | 55,874,800 |
| Restricted cash and cash equivalents | <u>54,916,891</u> |
| Total cash and equivalents | <u>\$ 110,791,691</u> |

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF FIDUCIARY NET POSITION
Year ended June 30, 2025

| | <u>Custodial Funds</u> |
|-------------------------------------|-------------------------------|
| Assets | |
| Cash and equivalents | \$ <u>980,096</u> |
| Total assets | \$ <u><u>980,096</u></u> |
| Net Position | |
| Restricted for: | |
| Organizations and other governments | \$ <u>980,096</u> |
| Total net position | \$ <u><u>980,096</u></u> |

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2025

| | <u>Custodial Funds</u> |
|----------------------------------------------------------|-------------------------------|
| Additions | |
| Sales and services | \$ 196,669 |
| Other miscellaneous revenues | <u>3,271,181</u> |
| Total additions | <u><u>3,467,850</u></u> |
| Deductions | |
| Compensation | 563,143 |
| Benefits | 178,720 |
| General and administrative expenses | <u>2,465,957</u> |
| Total deductions | <u><u>3,207,820</u></u> |
| Net increase (decrease) in fiduciary net position | 260,030 |
| Net position, beginning of year | <u>720,066</u> |
| Net position, end of year | <u><u>\$ 980,096</u></u> |

See accompanying notes to financial statements.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Western Kentucky University (the "University") is a state supported institution of higher education located in Bowling Green, Kentucky, and accredited by the Southern Association of Colleges and Schools Commission on Colleges. The University awards graduate and undergraduate degrees and serves a student population of approximately 16,300 in 2025. The University is operated under the jurisdiction of a Board of Regents and is a component unit of the Commonwealth of Kentucky. Major federally funded student financial aid programs in which the University participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Family Education Loan, Federal Direct Loan, and Federal Perkins Loan Programs. The University extends unsecured credit to students.

Reporting Entity: The financial reporting entity includes Western Kentucky University, as the primary government, and the accounts of the Western Kentucky University Research Foundation, Inc. ("Research Foundation"), collectively referred to as the University.

The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, under which these basic financial statements include all organizations, activities, functions and component units for which the University is financially accountable, consists of the organizations for which exclusion could cause the financial statements to be misleading or incomplete. The determination of financial accountability includes consideration of a number of criteria including (1) the University's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity; (2) the potential for that entity to provide specific financial benefits or to impose specific financial burdens on the University; and (3) that entity's fiscal dependency on the University.

The Research Foundation is included in the University's financial statements as a component unit based on the above criteria. The Research Foundation is a legally separate not-for-profit corporation that is, in substance, a part of the University's operations. It is organized exclusively to benefit the University by generating funding for and performing many of the University's research activities.

The Research Foundation's financial data is combined with the University for financial reporting purposes by the blended component unit method. Transactions between the University and the Research Foundation are eliminated upon consolidation.

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, requires certain organizations be reported as component units of a primary government based on the nature and significance of that organization's relationship to the primary government. College Heights Foundation, Inc. and WKU Student Life Foundation, Inc. (the "Foundations") are discretely presented component units of the University. The Foundations are private nonprofit organizations that report under Financial Accounting Standards Board ("FASB") Accounting Standards Codifications ("ASC"), including FASB ASC No. 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information in the University's financial report for these differences.

The financial information included for each foundation noted above is derived from the respective foundation's annual audited financial statements. College Heights Foundation, Inc. operates on a calendar year, and the information contained herein is as of and for the year ended December 31, 2024. The Student Life Foundation, Inc. operates on a fiscal year beginning July 1, and extending through June 30; likewise, the information contained herein is as of and for the year ended June 30, 2025.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of Accounting and Presentation: The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in non-operating revenues and expenses.

The University routinely incurs expenses for which both restricted and unrestricted net position is available. The University's policy is to allow departmental units the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources.

For financial reporting purposes, the University is considered an enterprise fund and all balances and activities of the University are included in this fund. In accordance with GASB Statement No. 84, Fiduciary Activities, fiduciary funds are used to account for assets held in trust by the University for the benefit of individuals, organizations, or other governments. Specifically, the University holds assets for a variety of student groups, as well as for the Kentucky Institute for International Studies (KIIS), the Cooperative Center for Study Abroad (CCSA), and the World Council for Gifted and Talented Children (WCGTC). Additionally, the University holds certain funds for entities that are received and disbursed in three months or less. These funds are recorded as an asset and corresponding liability in accordance with GASB Statement No. 84.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The University considers all liquid investments with original maturities of three months or less to be cash equivalents. The University does consider uninvested cash held in investment accounts as cash or cash equivalents. Funds held by the Commonwealth of Kentucky are also considered cash equivalents. At June 30, 2025, cash equivalents consisted primarily of uninvested cash held in investment accounts and funds held by the Commonwealth of Kentucky.

The University currently uses commercial banks and the Commonwealth of Kentucky as depositories. Deposits with commercial banks are covered by federal depository insurance or collateral held by the banks in the University's name. At the Commonwealth level, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth-pooled deposits are covered by federal depository insurance or by collateral held by the bank in the Commonwealth's name.

Restricted Cash and Cash Equivalents: Externally restricted cash and cash equivalents are classified as restricted assets. Restricted cash and cash equivalents include bond proceeds used to purchase or construct capital or other noncurrent assets.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Investments and Investment Income: Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value, and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, staff, and external entities, and include reimbursement of costs from external entities and related foundations. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Bond Issuance Costs: The bond issuance costs are expensed in the year of the bond issuance.

Inventories: Inventories, consisting principally of postage supplies, are stated at the lower of cost, determined using the FIFO (first-in, first-out) method, or market.

Loans to Students: The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset and is not allocated to functional expense categories. Equipment with an estimated useful life of greater than one year and a cost of \$5,000 is capitalized and depreciated with one-half year's depreciation taken during the year of purchase or donation. Library materials are capitalized in total for the year with one-half year's depreciation taken during the year of purchase or donation. Construction in progress is capitalized when incurred. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred or when the project was closed and is identified as projects less than \$100,000. The University continues to track equipment with a cost of \$500 or more for insurance purposes consistent with applicable Kentucky Revised Statutes but does not capitalize items at these lower thresholds.

The following estimated useful lives are being used by the University:

| | |
|--------------------------------------|---------------|
| Buildings and building improvements | 15 - 40 years |
| Furniture, fixtures, and equipment | 3 - 15 years |
| Land improvements and infrastructure | 20 years |
| Library materials | 10 years |

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Lease Assets: Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets: Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease, and Subscription Asset Impairment: The University evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, and subscription asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital, lease, or subscription asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the year ended June 30, 2025.

Lease Receivable: The University is a lessor for noncancellable leases of certain equipment and recognizes a related lease receivable and a deferred inflow of resources. At the commencement of a lease, the University initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for the lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The University monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. Revenue from these leases was \$993,980 for the year ended June 30, 2025. This revenue is included in other revenues.

Historical Collections: The University owns historical collections housed throughout the campus that it does not capitalize, including collections in the Kentucky Building & Museum. These collections adhere to the University's policy to (1) maintain them for public exhibition, education, or research; (2) protect, keep unencumbered, care for, and preserve them; and (3) require proceeds from their sale to be used to acquire other collection items. GAAP permits collections maintained in this manner to be charged to operations at time of purchase rather than capitalized.

Deferred Outflows of Resources: The University reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its statement of net position.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Compensated Absences: University policies permit employees to accumulate vacation and sick leave benefits that may be utilized as paid time off or, in limited circumstances, as a cash payment. An expense and related liability are accrued for compensated absences as the benefits are earned if the leave is more likely than not to be used for the time off or settled in cash. 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 which are computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the statement of net position date is included in noncurrent liabilities.

Unearned Revenue: Tuition and fee revenues collected during the fiscal year, which relate to the period after June 30, 2025, have been recorded as unearned revenues. Unearned revenues arise when resources are received by the University before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the University has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned and unexpended state capital appropriations.

Pensions: For purposes of measuring the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kentucky Employees' Retirement System and Kentucky Teachers' Retirement System (referred to collectively as "the Plans") and additions to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are generally reported at fair value.

Other Postemployment Benefits (OPEB): For purposes of measuring the liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Employees' Retirement System and Kentucky Teachers' Retirement System (referred to collectively as "the Plans") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Inflows of Resources: The University reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its statement of net position.

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

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) interest on student loans. Operating revenues also include certain federal, state, local, and private grants and contracts.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Non-operating Revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements – Management’s Discussion & Analysis – for State & Local Governments*, such as state appropriations and investment income.

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

Net Position: The University’s net position is classified as follows:

Net Investment in Capital Assets: This represents the University’s total investment in capital, lease and subscription assets, net of accumulated depreciation, amortization, and outstanding debt and lease and subscription liabilities related to those capital, lease and subscription assets and change in deferred outflow loss on bond refinancing. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

Unrestricted Net Position: Unrestricted net position represents resources derived from student tuition and fees and sales and services of educational activities, intercollegiate athletics, and auxiliary enterprises. These resources are used at the discretion of the governing board to meet current expenses for any purpose.

Income Taxes: As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Service Concessions Arrangement: Effective July 1, 2020, the University entered into a 10-year bookstore services agreement with Barnes & Noble College Booksellers, LLC (Barnes & Noble) in which Barnes & Noble will operate and provide services for the bookstore of the University. The University entered into this agreement in order to provide the students, faculty, and staff of the University a bookstore within the Student Union that can be used to purchase textbooks, school supplies, and other merchandise.

This agreement meets the requirements of a service concession arrangement as defined by GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. As a result, at June 30, 2025, the University reports a capital asset for the portion of the facility utilized by Barnes & Noble as part of the overall building capital asset. No other significant transactions have been reported as a result of this agreement.

Recent Accounting Pronouncements Adopted/Implemented:

GASB Statement No. 101, *Compensated Absences*, issued June 2022: The primary objective of this Statement was to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective was achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement results in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. The model results in a more robust estimate of the amount of compensated absences that a government will pay or settle, which enhances the relevance and reliability of information about the liability for compensated absences. The University adopted this standard on July 1, 2024, and applied it retrospectively to the earliest period presented. See Note 5.

GASB Statement No. 102, *Certain Risk Disclosures*, issued December 2023: The objective of this Statement was to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosures provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users have better information with which to understand and anticipate certain risks to a government's financial condition. The adoption of this Standard did not have a material effect on the University's net position or changes in net position.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Recent Accounting Pronouncements: As of June 30, 2025, the GASB has issued the following statements not yet implemented by the University.

GASB Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024: The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. This Statement also describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. In addition, the Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. The University will implement the requirements of this standard for its fiscal year ending June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, issued September 2024: The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The University will implement the requirements of this standard for its fiscal year ending June 30, 2026.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 2 - ASSETS HELD IN TRUST

Assets held in trust as of June 30, 2025 consisted of:

| | |
|------------------------------------------------------|----------------------|
| Cash equivalents | \$ 45,144 |
| Common equity, common fixed income, and mutual funds | <u>23,656,582</u> |
| Fair value of assets held in trust | <u>\$ 23,701,726</u> |

Assets held in trust primarily include funds held for Research Foundation projects and the Regional University Excellence Trust Fund. Funding received through the Regional University Excellence Trust Fund is held by the College Heights Foundation and further described in Note 16.

NOTE 3 – DEPOSITS AND INVESTMENTS

At June 30, 2025, the carrying values of deposits and investments are included in the statement of net position as follows:

| | |
|---------------------------------------------------------------|-----------------------|
| Carrying value: | |
| Deposits | \$ 110,791,691 |
| Investments | <u>421,095</u> |
| Total deposits and investments | <u>\$ 111,212,786</u> |
| Included in the following statement of net position captions: | |
| Cash and cash equivalents | \$ 55,874,800 |
| Restricted cash and equivalents | 54,916,891 |
| Noncurrent investments | <u>421,095</u> |
| | <u>\$ 111,212,786</u> |

Deposits

The carrying amount of cash and cash equivalents was \$110,791,691 at June 30, 2025, while the bank balance was \$111,118,836 on June 30, 2025. All account balances at banks were either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities of the U.S. Government or with letters of credit issued by the Federal Home Loan Bank held in the University's name by financial institutions acting as the University's agent.

Of the University's cash balance as of June 30, 2025, \$987,415 is secured by FDIC insurance, and \$55,213,615 is collateralized by the pledging institution. Additionally, as of June 30, 2025, \$54,917,805 is held within various accounts with the Commonwealth of Kentucky.

(Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities. The Board is responsible for establishing investment policies. The policies are developed to ensure compliance with state laws and regulations and to maintain sound financial management practices. The day-to-day management of the and investments has been delegated to the University's Investment Committee.

The University's investments can be grouped into four significant categories as follows:

- *Tier 1* – Depository funds are designed to meet daily cash flow needs. This tier shall hold a minimum of 45 days cash for operating liquidity. The calculation of daily cash flow needs shall be based on consolidated prior fiscal year average operating expense per day. Tier 1 Depository funds will reside in the University's local depository account and will earn income based on the bank's contracted interest rate.
- *Tier 2* – Operating funds are designed to meet anticipated cash flow needs. These investments shall have maturity dates of up to one year. The primary objective of these funds is to preserve principal and liquidity while earning at maximum income rate. The funds in this tier will be continuously invested in readily available funds to meet any unanticipated cash flow needs.
- *Tier 3* – Reserve funds shall be investments designed to maximize income while preserving principal on a longer-term basis as same day liquidity is not necessary. These investments shall have maturity dates of three years or less.
- *Tier 4* – Strategic funds will be designed to enhance current income consistent with preservation of principal with longer-term prescribed maturity. These investments shall have a stated maturity date of not more than five years.

At June 30, 2025, the University had approximately \$421,000 in investments held in both equities and fixed income. This amount is included in the statement of net position within noncurrent investments.

Fair Value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. The framework for measuring fair value established by Generally Accepted Accounting Principles provides a fair value hierarchy 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 in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

The University categorizes its fair value measurements within the fair value hierarchy. Certain investments are measured at fair value using net asset value (NAV) per share (or its equivalent) practical expedient, amortized cost, or historical cost and therefore have not been classified in the fair value hierarchy.

- Assets held in trust of \$23,701,726 as of June 30, 2025, which is valued at net asset value (NAV). There are no unfunded commitments and funds can be redeemed on a daily basis. The investment strategy is a long-term growth strategy and the underlying funds in the trust include cash, common stock, mutual funds, and fixed income securities.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy does not impose limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however, bond resolutions govern the investment of bond reserves.

Credit Risk: Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The University's investment policy allows investments in U.S. Agency securities if such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The University requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kentucky; bonds of any city, county, school district or special road district of the state of Kentucky; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The market value of the pledged securities shall equal or exceed the portion of the deposit requiring collateralization. The University is fully collateralized as of June 30, 2025.

Concentration of Credit Risk: Investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer. At June 30, 2025, the University had no investments in any one issuer that represented five percent or more of total investments, other than U.S. Treasury and/or U.S. agency securities.

Investment Income (Loss)

Investment income (loss) for the year ended June 30, 2025 consisted of:

| | |
|------------------------------------------------------------------|---------------------|
| Interest income, including interest earned on cash equivalents | \$ 4,112,910 |
| Net change in fair value of investments and assets held in trust | <u>2,024,842</u> |
| | <u>\$ 6,137,752</u> |

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2025:

| | |
|--------------------------------------|----------------------|
| Tuition, fees, sales, and services | \$ 10,688,193 |
| Miscellaneous, other | <u>2,427,467</u> |
| | 13,115,660 |
| Less allowance for doubtful accounts | <u>(2,482,541)</u> |
| Accounts receivable, net | <u>\$ 10,633,119</u> |

NOTE 5 – COMPENSATED ABSENCES / CHANGE IN ACCOUNTING PRINCIPLE

The following is a summary of compensated absence transactions for the University as of June 30, 2025:

| | Balance July 1, 2024 <u>As Restated</u> | <u>Additions</u> | <u>Reductions</u> | Balance June 30, 2025 | Current Portion |
|-------------------------------|-----------------------------------------------|---------------------|---------------------|--------------------------|---------------------|
| Sick Leave | \$ 5,487,012 | \$ 121,138 | \$ - | \$ 5,608,150 | \$ 2,770,553 |
| Vacation Leave | 5,449,171 | 920,771 | - | 6,369,942 | 2,142,318 |
| Sabbatical Leave | <u>761,851</u> | <u>-</u> | <u>(381,869)</u> | <u>379,982</u> | <u>379,982</u> |
| Total Compensated Absences | <u>\$ 11,698,034</u> | <u>\$ 1,041,909</u> | <u>\$ (381,869)</u> | <u>\$ 12,358,074</u> | <u>\$ 5,292,853</u> |

For the year ended June 30, 2025, the University implemented GASB Statement No. 101, *Compensated Absences*. For the implementation, the beginning net position has been restated as follows:

| | |
|----------------------------------------------------------|-----------------------|
| Net position, beginning of year – as previously reported | 173,626,349 |
| Change in accounting principle – GASB 101 | <u>(6,248,863)</u> |
| Net position, beginning of year – as restated | <u>\$ 167,377,486</u> |

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 6 - CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2025 are summarized as follows:

| | Balance July 1, 2024 | Additions | Disposals | Transfers | Balance June 30, 2025 |
|---------------------------------------|-------------------------|----------------------|---------------------|--------------------|--------------------------|
| Non-depreciable capital assets: | | | | | |
| Land | \$ 14,075,527 | \$ - | \$ - | \$ - | \$ 14,075,527 |
| Construction in progress | <u>46,825,321</u> | <u>99,909,163</u> | <u>-</u> | <u>(2,223,891)</u> | <u>144,510,593</u> |
| | <u>60,900,848</u> | <u>99,909,163</u> | <u>-</u> | <u>(2,223,891)</u> | <u>158,586,120</u> |
| Depreciable capital assets: | | | | | |
| Buildings and improvements | 643,572,250 | - | (1,056,542) | 340,313 | 642,856,021 |
| Infrastructure | 80,952,616 | - | - | 1,162,716 | 82,115,332 |
| Furniture, fixtures, and equipment | 98,082,020 | 2,106,039 | (3,780,261) | 720,862 | 97,128,660 |
| Library materials | <u>72,039,924</u> | <u>2,384,506</u> | <u>(123,390)</u> | <u>-</u> | <u>74,301,040</u> |
| | <u>894,646,810</u> | <u>4,490,545</u> | <u>(4,960,193)</u> | <u>2,223,891</u> | <u>896,401,053</u> |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | (340,074,056) | (19,057,433) | 422,567 | - | (358,708,922) |
| Infrastructure | (48,464,801) | (3,378,789) | - | - | (51,843,590) |
| Furniture, fixtures, and equipment | (73,350,266) | (3,565,230) | 3,533,927 | - | (73,381,569) |
| Library materials | <u>(59,011,718)</u> | <u>(2,673,065)</u> | <u>123,390</u> | <u>-</u> | <u>(61,561,393)</u> |
| | <u>(520,900,841)</u> | <u>(28,674,517)</u> | <u>4,079,884</u> | <u>-</u> | <u>(545,495,474)</u> |
| Net capital assets | <u>\$ 434,646,817</u> | <u>\$ 75,725,191</u> | <u>\$ (880,309)</u> | <u>\$ -</u> | <u>\$ 509,491,699</u> |

A summary of construction in progress at June 30, 2025 is as follows:

| | |
|-------------------------------------------------------------------|-----------------------|
| College of Business | \$ 84,129,384 |
| Athletics Press Box | 10,127,825 |
| Athletics Hilltopper Field House | 22,895,492 |
| AP-Roof Project Academic Athletic #1 | 3,584,141 |
| Academic Complex | 5,152,614 |
| Cherry Hall Renovation | 2,946,181 |
| High Voltage Underground Electric Phase 3 | 1,808,135 |
| Asset Preservation - Renovation Center for Research & Development | 1,571,237 |
| Asset Preservation - Renovation MMTH 24/7 Lab | 1,613,568 |
| Other projects under \$1,000,000 | <u>10,682,016</u> |
| | <u>\$ 144,510,593</u> |

Contractual commitments in connection with all projects totaled \$45,939,255 at June 30, 2025.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 7 - LEASE AND SUBSCRIPTION ASSETS

Changes in lease assets for the year ended June 30, 2025 are summarized as follows:

| | Balance July 1, 2024 | Additions | Disposals | Transfers | Balance June 30, 2025 |
|--------------------------------|-------------------------|---------------------|-----------------------|-------------|--------------------------|
| Amortizable lease assets: | | | | | |
| Real estate | 34,702,377 | \$ 1,967,842 | \$ (2,896,211) | \$ - | \$ 33,774,008 |
| Vehicles | 114,018 | 77,392 | (63,242) | - | 128,168 |
| | <u>34,816,395</u> | <u>2,045,234</u> | <u>(2,959,453)</u> | <u>-</u> | <u>33,902,176</u> |
| Less accumulated amortization: | | | | | |
| Real estate | 6,068,337 | 2,172,385 | (631,504) | - | 7,609,218 |
| Vehicles | 54,208 | 27,142 | (63,242) | - | 18,108 |
| | <u>6,122,545</u> | <u>2,199,527</u> | <u>(694,746)</u> | <u>-</u> | <u>7,627,326</u> |
| Net capital assets | <u>\$ 28,693,850</u> | <u>\$ (154,293)</u> | <u>\$ (2,264,707)</u> | <u>\$ -</u> | <u>\$ 26,274,850</u> |

Changes in subscription assets for the year ended June 30, 2025 are summarized as follows:

| | Balance July 1, 2024 | Additions | Disposals | Transfers | Balance June 30, 2025 |
|--------------------------------|-------------------------|---------------------|--------------------|-------------|--------------------------|
| Subscription IT assets | \$ 4,997,074 | \$ 1,201,572 | \$ (2,098,349) | \$ - | \$ 4,100,297 |
| Less accumulated amortization: | | | | | |
| Subscription IT assets | <u>2,793,457</u> | <u>1,356,472</u> | <u>(2,098,349)</u> | <u>-</u> | <u>2,051,580</u> |
| Subscription Assets, Net | <u>\$ 2,203,617</u> | <u>\$ (154,900)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,048,717</u> |

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following items as of June 30, 2025:

| | |
|----------------------------------|----------------------|
| Aramark capital contract | \$ 29,630,036 |
| Summer school tuition and fees | 4,504,744 |
| Grants and contracts | 6,120,552 |
| Vehicle parking permits | 542,260 |
| Advance sale of football tickets | 510,200 |
| Athletics - other | 856,946 |
| Miscellaneous | <u>516,872</u> |
| Total unearned revenue | <u>\$ 42,681,610</u> |

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 9 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2025:

| | Balance <u>July 1, 2024</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2025</u> | Current <u>Portion</u> |
|---------------------------------------------------------------|--------------------------------|----------------------|------------------------|---------------------------------|---------------------------|
| General receipts bonds payable, net of premiums and discounts | \$ 118,876,246 | 40,698,552 | (20,239,352) | 139,335,446 | 14,745,770 |
| Other long-term debt | <u>29,461</u> | <u>-</u> | <u>(14,364)</u> | <u>15,097</u> | <u>15,097</u> |
| Total bonds, pledges and leases | <u>\$ 118,905,707</u> | <u>\$ 40,698,552</u> | <u>\$ (20,253,716)</u> | <u>\$ 139,350,543</u> | <u>\$ 14,760,867</u> |

General Receipts Bonds Payable

Bonds payable as of June 30, 2025 are composed of General Receipts Bonds, 2012A, 2013A, 2015A, 2016A, 2016B, 2016C, 2022A, 2022B, 2024A and 2024B. The bonds mature in varying amounts through September 1, 2044, with interest payable at annual rates ranging from 2.00% to 5.00%. General receipts of the University are pledged as collateral against the General Receipts Bonds payable.

The total bonds payable as of June 30, 2025 were as follows:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| General Receipts Bonds, Series 2012A, dated June 6, 2012, with interest rates from 2.00% to 5.00%. Final principal payment date is May 1, 2032. | \$ 8,375,997 |
| General Receipts Bonds, Series 2013A, dated October 29, 2013, with interest rates from 2.00% to 4.75%. Final principal payment date is September 1, 2033. | 19,351,261 |
| General Receipts Refunding Bonds, Series 2015A, dated October 13, 2015, with interest rates from 2.00% to 3.00%. Final principal payment date is September 1, 2026. | 1,353,347 |
| General Receipts Refunding Bonds, Series 2016A, dated March 17, 2016, with interest rates from 2.00% to 5.00%. Final principal payment date is September 1, 2026. | 5,760,749 |
| General Receipts Bonds, Series 2016B, dated October 25, 2016, with interest rates from 2.00% to 4.00%. Final principal payment date is September 1, 2036. | 6,540,114 |
| General Receipts Refunding Bonds, Series 2016C, dated October 25, 2016, with interest rates from 3.00% to 4.00%. Final principal payment date is September 1, 2028. | 13,011,646 |

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

General Receipts Bonds, Series 2022A, dated August 12, 2022, with a fixed interest rate equal to 3.24%. Final principal payment date is May 1, 2042. 41,685,000

General Receipts Refunding Bonds, Series 2022B, dated August 5, 2022, with a fixed interest rate equal to 2.63%. Final principal payment date is June 1, 2026. 2,676,047

General Receipts Bonds, Series 2024A, dated December 19, 2024, with a fixed interest rate equal to 4.00%. Final principal payment date is September 1, 2044. 33,731,972

General Receipts Refunding Bonds, Series 2024B, dated December 19, 2024, with a fixed interest rate equal to 4.00%. Final principal payment date is September 1, 2031. 6,849,313

Total bonds payable \$ 139,335,446

The debt service requirements for the bonds payable as of June 30, 2025 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------------|-----------------------|----------------------|-----------------------|
| 2026 | \$ 13,945,000 | \$ 5,072,887 | \$ 19,017,887 |
| 2027 | 13,760,000 | 4,539,373 | 18,299,373 |
| 2028 | 10,660,000 | 4,067,566 | 14,727,566 |
| 2029 | 11,080,000 | 3,656,150 | 14,736,150 |
| 2030 | 7,955,000 | 3,245,904 | 11,200,904 |
| 2031-2035 | 35,290,000 | 11,402,854 | 46,692,854 |
| 2036-2040 | 24,165,000 | 5,887,210 | 30,052,210 |
| 2041-2044 | <u>17,220,000</u> | <u>1,437,728</u> | <u>18,657,728</u> |
| | 134,075,000 | 39,309,672 | 173,384,672 |
| Add: unamortized premiums, net of discounts | <u>5,260,446</u> | <u>-</u> | <u>5,260,446</u> |
| | <u>\$ 139,335,446</u> | <u>\$ 39,309,672</u> | <u>\$ 178,645,118</u> |

On June 6, 2012, the University issued Western Kentucky University General Receipts Bonds, Series 2012A. The \$35,860,000 proceeds generated from the bond issue were used for the Phase 3 renovation of Downing Student Union.

On October 29, 2013, the University issued Western Kentucky University General Receipts Bonds, Series 2013A. The \$36,095,000 proceeds generated from the bond issue were used to construct the Honors College/International Center and to complete the renovation of Downing Student Union.

(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

On October 13, 2015, the University issued Western Kentucky University General Receipts Refunding Bonds, Series 2015A. The \$5,960,000 proceeds were used as a partial refunding source for Western Kentucky University General Receipts Bonds, Series 2006A. The refunding of the 2006A bonds decreased the University's debt service payments over the remaining 11 years by approximately \$367,000 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$328,000.

On March 17, 2016, the University issued Western Kentucky University General Receipts Refunding Bonds, Series 2016A. The \$23,240,000 proceeds were used as a partial refunding source for Western Kentucky University General Receipts Bonds, Series 2007A. The refunding of the 2007A bonds decreased the University's debt service payments over the remaining 18 years by approximately \$1.6 million and resulted in an economic gain of approximately \$1.4 million.

On October 25, 2016, the University issued Western Kentucky University General Receipts Bonds, Series 2016B. The \$8,905,000 proceeds are being used to construct a Parking Structure.

On October 25, 2016, the University issued Western Kentucky University General Receipts Refunding Bonds, Series 2016C. The \$27,395,000 proceeds were used as a partial refunding source for Western Kentucky University General Receipts Bonds, Series 2009A. The refunding of the 2009A bonds will decrease the University's debt service payments over the next 13 years by approximately \$2.86 million and resulted in an economic gain of approximately \$2.5 million.

On August 5, 2022, the University issued Western Kentucky University General Receipts Refunding Bonds, Series 2022B. The \$10,315,000 proceeds were used to redeem the conduit debt of the City of Bowling Green, Kentucky General Obligation and Special Revenue Refunding Bonds 2010 Series A for present value savings.

On August 12, 2022, the University issued Western Kentucky University General Receipts Bonds, Series 2022A. The \$41,685,000 proceeds were procured for the following purposes: (1) construction of a new athletic fieldhouse which will be used by the football team, marching band, intramural sports teams and other various campus groups; and (2) to renovate the press box in Houchens Smith Stadium.

On December 19, 2024, the University issued Western Kentucky University General Receipts Bonds, Series 2024A. The \$31,115,000 proceeds were procured for the following purposes: (1) additional funds for construction of a new athletic fieldhouse which will be used by the football team, marching band, intramural sports teams, and various other campus groups; and (2) additional funds to complete construction of the new Gordon Ford College of Business building.

On December 19, 2024, the University issued Western Kentucky University General Receipts Refunding Bonds, Series 2024B. The \$6,245,000 proceeds were used as a refunding source for Western Kentucky University General Receipts Bonds, Series 2012A for present value savings. The refunding of the 2012A bonds decreased the University's debt service payments over the remaining 8 years by approximately \$811,000 and resulted in an economic gain of approximately \$547,000.

NOTE 10 – LINE OF CREDIT

The University has an unused line of credit in the amount of \$10,000,000 at June 30, 2025.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 11 – LEASE LIABILITIES

The University leases certain assets the terms of which expire in various years through 2045. During the year ended June 30, 2025, the University recognized \$351,038 of rental expense for variable payments not previously included in the measurement of lease liability.

The following is a summary of lease liabilities transactions for the University for the year ended June 30, 2025:

| | <u>Balance</u> <u>July 1, 2024</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2025</u> | <u>Current</u> <u>Portion</u> |
|-------------------|---------------------------------------|------------------|-------------------|----------------------------------------|----------------------------------|
| Lease liabilities | \$ 28,458,131 | \$ 2,045,234 | \$ (1,339,461) | \$ 29,163,904 | \$ 1,436,528 |

The following is a schedule by year of future minimum payments under the leases as of June 30, 2025:

| Year ending June 30: | <u>Total to Be</u> <u>Paid</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------|-----------------------------------|----------------------|---------------------|
| 2026 | \$ 2,416,994 | \$ 1,436,528 | \$ 980,466 |
| 2027 | 2,471,183 | 1,540,363 | 930,820 |
| 2028 | 2,517,488 | 1,639,369 | 878,119 |
| 2029 | 2,398,988 | 1,574,938 | 824,050 |
| 2030 | 2,521,712 | 1,754,490 | 767,222 |
| 2031-2035 | 12,623,128 | 9,666,797 | 2,956,331 |
| 2036-2040 | 11,615,650 | 10,467,921 | 1,147,729 |
| 2041-2045 | <u>1,134,000</u> | <u>1,083,498</u> | <u>50,502</u> |
| | <u>\$ 37,699,143</u> | <u>\$ 29,163,904</u> | <u>\$ 8,535,239</u> |

NOTE 12 – SUBSCRIPTION LIABILITIES

The University has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2029. During the year ended June 30, 2025, the University recognized \$220,014 of subscription expense for variable payments not previously included in the measurement of subscription liability.

The following is a summary of SBITA liabilities transactions for the University for the year ended June 30, 2025:

| | <u>Balance</u> <u>July 1, 2024</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2025</u> | <u>Current</u> <u>Portion</u> |
|-------------------|---------------------------------------|------------------|-------------------|----------------------------------------|----------------------------------|
| SBITA liabilities | \$ 1,652,447 | \$ 1,201,572 | \$ (1,198,613) | \$ 1,655,406 | \$ 844,344 |

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 12 – SUBSCRIPTION LIABILITIES (Continued)

The following is a schedule by year of payments under the SBITAs as of June 30, 2025:

| Year ending June 30: | Total to Be <u>Paid</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------|----------------------------|---------------------|------------------|
| 2026 | \$ 881,787 | \$ 844,344 | \$ 37,443 |
| 2027 | 522,691 | 507,062 | 15,629 |
| 2028 | 268,633 | 264,991 | 3,642 |
| 2029 | <u>39,139</u> | <u>39,009</u> | <u>130</u> |
| | <u>\$ 1,712,250</u> | <u>\$ 1,655,406</u> | <u>\$ 56,844</u> |

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Employees of the University are covered by one of three pension plans: the Optional Retirement Plan, the Kentucky Employees' Retirement System Plan, and the Kentucky Teachers Retirement System Plan.

Optional Retirement Plan

Plan Description: University faculty and administrative staff hired after July 1, 1996, have the option of participating in the Optional Retirement Program, a defined contribution pension plan. The plan is administered by one of three providers chosen by the employee. The plan provides retirement benefits to plan members. Benefit provisions are contained in the plan document and were established and may be amended by action of the Commonwealth of Kentucky.

For the year ended June 30, 2025, contribution rates for plan members and the University expressed as a percentage of covered payrolls were 6.16% and 8.74%, respectively. Of the University's 8.74% contribution, 0.00% is paid to Kentucky Teachers' Retirement System for unfunded liabilities.

Covered payroll totaled \$57,429,129 for the year ended June 30, 2025. The University's contributions to the Optional Retirement Program for the year ended June 30, 2025 were \$5,015,459. Employees' contributions to the Optional Retirement Program for the year ended June 30, 2025 were \$3,534,919.

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System

Plan Description: The University contributes to the Kentucky Employees' Retirement System (KERS), a cost-sharing, multiple-employer defined benefit pension and OPEB plan administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees ("KPPA Board") of KPPA administers the KERS, County Employees Retirement System and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630.

KPPA issues a publicly available financial report that includes audited financial statements and audited required supplementary information for KERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KPPA website at www.kyret.ky.gov.

Pension Benefits Provided: The information below summarizes the major retirement benefit provisions of KERS-Non-Hazardous and Hazardous plans. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

Non-Hazardous

| | Tier 1 Participation Prior to <u>9/1/2008</u> | Tier 2 Participation <u>9/1/2008 through 12/31/13</u> | Tier 3 Participation <u>1/1/2014</u> |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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. If authorized, the COLA is limited to 1.5%. 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 month purchased 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. |

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

Hazardous

| | Tier 1 Participation Prior to <u>9/1/2008</u> | Tier 2 Participation <u>9/1/2008 through 12/31/13</u> | Tier 3 Participation <u>1/1/2014</u> |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 26 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. If authorized, the COLA is limited to 1.5%. This impacts all retirees regardless of Tier. | | |
| Unreduced Benefit | Retirement Any age with 20 years of service. Age 55 with 60 months of service. | Any age with 25 years of service. Age 60 with 60 months of service. | Any age with 25 years of service. Age 60 with 60 months of service. |
| Reduced Benefit | Retirement Age 50 with 15 years of service. | Age 50 with 15 years of service. | No reduced retirement benefit. |

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

OPEB Benefits Provided: The information below summarizes the major retirement benefit provisions of KERS-Non-Hazardous and Hazardous plans. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Insurance Tier 1: Participation began before 7/1/2003

Benefit Eligibility: Recipient of a retirement allowance

Benefit: The percentage of member premiums paid by the retirement system are dependent on the number of years of service. Benefits also include duty disability retirements, duty death in service, non-duty death in service and surviving spouse of a retiree.

Insurance Tier 2: Participation began on or after 7/1/2003, but before 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 120 months of service at retirement

Benefit: The system provides a monthly contribution subsidy of \$10 (Non-hazardous) and \$15 (Hazardous) for each year of earned service. The monthly contribution is increased by 1.5% each July 1. Benefits also include duty disability retirements, duty death in service and non-duty death in service.

Insurance Tier 3: Participation began on or after 9/1/2008

Benefit Eligibility: Recipient of a retirement allowance with at least 180 months of service at retirement

Benefit: Tier 3 insurance benefits are identical to Tier 2, except Tier 3 members are required to have at least 180 months of service in order to be eligible.

Contributions: The University was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KPPA Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KPPA Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KPPA Board.

For the fiscal year ended June 30, 2025, participating employers in the Nonhazardous plan contributed 8.44% (6.99% allocated to pension and 1.45% allocated to OPEB) as set by KPPA, of each Nonhazardous employee's creditable compensation. For the fiscal year ended June 30, 2025, participating employers in the Hazardous plan contributed 23.74% (23.74% allocated to pension and 0.00% allocated to OPEB) as set by KPPA, of each Hazardous employee's creditable compensation. These percentages are inclusive of both pension and insurance payments for employers. Administrative costs of KPPA are financed through employer contributions and investments earnings.

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

The University has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2025. Total contributions by the Plan were \$9,604,343 (\$8,151,058 related to pension and \$1,453,285 related to OPEB) for the year ended June 30, 2025. The OPEB contribution amount does not include the implicit subsidy of \$211,605 for the fiscal year ended June 30, 2025.

Members whose participation began before 9/1/2008:

Nonhazardous contributions equal 5% and Hazardous contributions equal 8% of all creditable compensation. Interest paid on the members' accounts is currently 2.5%; and per statute shall not be less than 2.0%. Member entitled to a full refund of contributions with interest.

Members whose participation began on or after 9/1/2008:

Nonhazardous contributions equal to 6% and Hazardous contributions equal 9% of all creditable compensation, with 5% (Non-hazardous) and 8% (Hazardous) being credited to the member's account and 1% deposited to the KPPA 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member is entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Members whose participation on or after 1/1/2014:

Nonhazardous contributions equal to 6% and Hazardous contributions equal 9% of all creditable compensation, with 5% (Non-hazardous) and 8% (Hazardous) being credited to the member's account and 1% deposited to the KPPA 401(h) Account. Interest paid on the members' accounts will be set at 2.5%. Member is entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Pension Information

Total Pension Liability: The total pension liability ("TPL") was measured as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2024:

| | |
|---------------------------|----------------------------------------------------------------------------------------|
| Actuarial valuation date | June 30, 2023 |
| Inflation | 2.50 percent |
| Payroll growth rate | 0.00 percent for KERS Non-hazardous and KERS Hazardous |
| Salary increases | 3.30 to 15.30 percent (Non-hazardous) and 3.55 to 20.05 (Hazardous), varies by service |
| Investment rate of return | 5.25 percent (Non-hazardous) and 6.25 percent (Hazardous) |

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

The mortality table used for active members is PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members is a system-specific mortality table base on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. For disabled members, the mortality table used is PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Discount rate assumptions:

- (a) Discount Rate: The discount rate used to measure the total pension liability was 5.25% (Non-hazardous) and 6.25% (Hazardous) for June 30, 2024.
- (b) Projected Cash Flows: The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining amortization period of the unfunded actuarial accrued liability.
- (c) Long-Term Rate of Return: 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.
- (d) Municipal Bond Rate: The discount rate determination does not use a municipal bond rate.
- (e) Periods of Projected Benefit Payments: The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

- (f) Assumed Asset Allocation: 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 asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

2024 Non-hazardous

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------|--------------------------|-----------------------------------------------|
| Growth | | |
| Public Equity | 30.00% | 4.15% |
| Private Equity | 6.00% | 9.10% |
| Fixed Income | | |
| Core Fixed Income | 27.00% | 2.85% |
| Specialty Credit | 20.00% | 3.82% |
| Cash | 2.00% | 1.70% |
| Inflation Protected | | |
| Real Estate | 5.00% | 4.90% |
| Real Return | <u>10.00%</u> | 5.35% |
| Total | <u>100.00%</u> | |

2024 Hazardous

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------|--------------------------|-----------------------------------------------|
| Growth | | |
| Public Equity | 40.00% | 4.15% |
| Private Equity | 8.00% | 9.10% |
| Fixed Income | | |
| Core Fixed Income | 10.00% | 2.85% |
| Specialty Credit | 25.00% | 3.82% |
| Cash | 2.00% | 1.70% |
| Inflation Protected | | |
| Real Estate | 7.00% | 4.90% |
| Real Return | <u>8.00%</u> | 5.35% |
| Total | <u>100.00%</u> | |

The long-term expected rate of return on pension plan assets was established by the KPPA Board of Trustees at 5.25% (Non-hazardous) and 6.25% (Hazardous) based on a blending of the factors described above for the year ended June 30, 2024.

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

- (g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the University's allocated portion of the Non-hazardous net pension liability ("NPL") of the System as of June 30, 2025, calculated using the discount rate of 5.25 percent, as well as what the University's allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.25 percent) or 1 percentage-point higher (6.25 percent) than the current rate:

2025

| | 1% Decrease (4.25%) | Current Discount Rate (5.25%) | 1% Increase (6.25%) |
|--------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| The University's net pension liability - Non-hazardous | \$ 128,687,271 | \$ 111,170,343 | \$ 96,658,254 |

The following presents the University's allocated portion of the Hazardous net pension liability ("NPL") of the System, calculated using the discount rate of 6.25 percent, as well as what the University's allocated portion of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25 percent) or 1 percentage-point higher (7.25 percent) than the current rate:

2025

| | 1% Decrease (5.25%) | Current Discount Rate (6.25%) | 1% Increase (7.25%) |
|----------------------------------------------------|------------------------|-------------------------------------|------------------------|
| The University's net pension liability – Hazardous | \$ 2,249,245 | \$ 1,551,812 | \$ 990,492 |

Employer's Portion of the Collective Net Pension Liability: The University's proportionate share of the Non-hazardous net pension liability at June 30, 2025 is \$111,170,343, or approximately 0.923%, which is a decrease of 0.019% from the prior measurement period. The University's proportionate share of the Hazardous net pension liability at June 30, 2025 is \$1,551,812, or approximately 0.415%, which is a decrease of 0.064% from the prior measurement period. The net pension liabilities were distributed based on the employers' covered payroll provided for the measurement period ending June 30, 2024 and actual employer contributions to the plan for the measurement period ending June 30, 2023.

Measurement Date: June 30, 2023 is the actuarial valuation date and June 30, 2024 is the measurement date upon which the total pension liability is based.

Changes in Assumptions and Benefit Terms: There have been no assumption, method, or plan provision changes that would materially impact the total pension liability since June 30, 2023.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

Pension Expense: The University recorded pension expense of \$1,480,880 expense related to the KERS Non-Hazardous and a reduction of pension expense of \$238,035 related to the KERS Hazardous for the year ending June 30, 2025.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled as deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

| <u>Non-hazardous</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|
| Difference between expected and actual experience | \$ 2,108,036 | \$ - |
| Change of assumptions | - | - |
| Changes in proportion and differences between employer contributions and proportionate shares of contributions | - | 1,174,059 |
| Net differences between expected and actual investment earning on plan investments | - | 937,983 |
| | <u>2,108,036</u> | <u>2,112,042</u> |
| Contributions subsequent to the measurement date | <u>7,005,837</u> | <u>-</u> |
| Total | <u>\$ 9,113,873</u> | <u>\$ 2,112,042</u> |

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$7,005,837 will be recognized as a reduction of net pension liability in the year ending June 30, 2026. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

| | |
|----------------------|-------------------|
| Year ending June 30: | |
| 2026 | \$ 436,912 |
| 2027 | 222,465 |
| 2028 | (377,370) |
| 2029 | <u>(286,013)</u> |
| | <u>\$ (4,006)</u> |

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

| <u>Hazardous</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|
| Difference between expected and actual experience | \$ 87,269 | \$ - |
| Change of assumptions | - | - |
| Changes in proportion and differences between employer contributions and proportionate shares of contributions | - | 126,461 |
| Net differences between expected and actual investment earning on plan investments | <u>-</u> | <u>144,548</u> |
| | 87,269 | 271,009 |
| Contributions subsequent to the measurement date | <u>1,145,221</u> | <u>-</u> |
| Total | <u>\$ 1,232,490</u> | <u>\$ 271,009</u> |

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$1,145,221 will be recognized as a reduction of net pension liability in the year ending June 30, 2026. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

| | |
|----------------------|---------------------|
| Year ending June 30: | |
| 2026 | \$ (117,826) |
| 2027 | 29,252 |
| 2028 | (58,213) |
| 2029 | <u>(36,953)</u> |
| | <u>\$ (183,740)</u> |

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in the separately issued pension plan financial reports.

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

OPEB Information

Total OPEB Liability: The total OPEB liability was measured as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2024:

| | |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial valuation date | June 30, 2023 |
| Inflation | 2.50 percent |
| Payroll growth rate | 0.00 percent for KERS Non-hazardous and KERS Hazardous |
| Salary increases | 3.30 to 15.30 percent (Non-hazardous) and 3.55 to 20.05 percent (Hazardous), varies by service |
| Investment rate of return | 6.50 percent |
| Healthcare trend rates: | |
| Pre-65 | Initial trend starting at 7.10 percent at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25 percent over a period of 14 years. |
| Post-65 | Initial trend starting at 8.00 percent at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25 percent over a period of 10 years. |

The mortality table used for active members is PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members is a system-specific mortality table base on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. For disabled members, the mortality table used is PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Discount rate assumptions:

- (a) **Discount Rate:** The discount rate used to measure the total Non-hazardous OPEB liability was 6.00%. The discount rate used to measure the total Hazardous OPEB liability was 5.99%. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (b) **Projected Cash Flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining amortization period of the unfunded actuarial accrued liability.

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

- (c) Long-Term Rate of Return: 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.
- (d) Municipal Bond Rate: The discount rate determination used a municipal bond rate of 3.97% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024.
- (e) Period of Projected Benefit Payments: Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is the actuary's understanding that any cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.
- (f) Assumed Asset Allocations: 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 asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>2024 Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|-----------------------------------------------|
| Equity | | |
| Public Equity | 40.00% | 4.15% |
| Private Equity | 8.00% | 9.10% |
| Fixed Income | | |
| Core Fixed Income | 10.00% | 2.85% |
| Specialty Credit | 25.00% | 3.82% |
| Cash | 2.00% | 1.70% |
| Inflation Protected | | |
| Real Estate | 7.00% | 4.90% |
| Real Return | <u>8.00%</u> | 5.35% |
| Total | <u>100.00%</u> | |

The long-term expected rate of return on pension plan assets was established by the KPPA Board of Trustees at 6.93% as of June 30, 2024 based on a blending of the factors described above.

Sensitivity Analysis: This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate.

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

2025 Non-hazardous

The following presents the University's allocated portion of the Non-hazardous net OPEB liability of the System as of June 30, 2025, calculated using the discount rate of 6.00 percent, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00 percent) or 1-percentage-point higher (7.00 percent) than the current rate for Non-hazardous:

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|----------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| The University's Net OPEB (asset) liability – Non-hazardous | \$ 7,729,898 | \$ 5,594,492 | \$ 3,789,340 |

The following presents the University's allocated portion of the Non-hazardous net OPEB liability of the System as of June 30, 2025, calculated using the healthcare cost trend rate of percent, as well as what the University's allocated portion of the System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Non-hazardous:

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|----------------------------------------------------------------|--------------|---------------------------------------|--------------|
| The University's Net OPEB (asset) liability – Non-hazardous | \$ 4,149,654 | \$ 5,594,492 | \$ 7,267,827 |

2025 Hazardous

The following presents the University's allocated portion of the Hazardous net OPEB (asset) liability of the System as of June 30, 2025, calculated using the discount rate of 5.99 percent, as well as what the University's allocated portion of the System's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99 percent) or 1-percentage-point higher (6.99 percent) than the current rate for Hazardous:

| | 1% Decrease (4.99%) | Current Discount Rate (5.99%) | 1% Increase (6.99%) |
|------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| The University's Net OPEB (asset) liability – Hazardous | \$ (753,002) | \$ (976,313) | \$ (1,161,346) |

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

The following presents the University's allocated portion of the Hazardous net OPEB (asset) liability of the System as of June 30, 2025, calculated using the healthcare cost trend rate of percent, as well as what the University's allocated portion of the System's net OPEB (asset) liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for Hazardous:

| | <u>1% Decrease</u> | <u>Current Healthcare Cost Trend Rate</u> | <u>1% Increase</u> |
|------------------------------------------------------------|--------------------|-----------------------------------------------|--------------------|
| The University's Net OPEB (asset) liability – Hazardous | \$ (1,106,470) | \$ (976,313) | \$ (824,230) |

Employer's Portion of the Collective OPEB Liability: The University's proportionate share of the Non-hazardous net OPEB (asset) liability at June 30, 2025 is \$5,594,492, or approximately 0.774%, which is a decrease of 0.035% from the prior measurement period. The University's proportionate share of the Hazardous net OPEB (asset) liability at June 30, 2025 is \$(976,313), or approximately 0.415%, which is a decrease of 0.155% from the prior measurement period. The net OPEB (assets) liabilities were distributed based on the 2024 actual employer contributions to the plan.

Measurement Date: June 30, 2023 the actuarial valuation date and June 30, 2024 is the measurement date upon which the total OPEB liability is based.

Changes in Assumptions and Benefit Terms: The discount rate used to calculate the total OPEB liability increased from 5.94% to 6.00% for the non-hazardous plan and from 5.94% to 5.99% for the hazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs. The inflation rate used to calculate the total OPEB liability increased from 2.30% to 2.5%.

There were no plan provision changes that would materially impact the total OPEB liability since June 30, 2023.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

OPEB Expense: The University recorded OPEB expense of \$4,897,156 related to the KERS Non-Hazardous and \$261,917 related to the KERS Hazardous for the year ending June 30, 2025.

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

2025 Non-hazardous

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Difference between expected and actual experience | \$ 439,428 | \$ 4,625,308 |
| Change of assumptions | 341,553 | 204,768 |
| Changes in proportion and differences between employer contributions and proportionate shares of contributions | 105,660 | 2,407,523 |
| Net differences between expected and actual investment earning on plan investments | - | 415,387 |
| | 886,641 | 7,652,986 |
| Contributions subsequent to the measurement date | <u>1,662,813</u> | <u>-</u> |
| Total | <u>\$ 2,549,454</u> | <u>\$ 7,652,986</u> |

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$1,662,813 will be recognized as a reduction of net OPEB liability in the year ending June 30, 2026. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

| | |
|----------------------|-----------------------|
| Year ending June 30: | |
| 2026 | \$ (4,840,207) |
| 2027 | (1,660,101) |
| 2028 | (155,348) |
| 2029 | <u>(110,689)</u> |
| | <u>\$ (6,766,345)</u> |

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Employees Retirement System (Continued)

2025 Hazardous

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Difference between expected and actual experience | \$ 25,021 | \$ 486,995 |
| Change of assumptions | 52,093 | 72,845 |
| Changes in proportion and differences between employer contributions and proportionate shares of contributions | 8,018 | 14,430 |
| Net differences between expected and actual investment earning on plan investments | <u>-</u> | <u>106,293</u> |
| | 85,132 | 680,563 |
| Contributions subsequent to the measurement date | <u>2,077</u> | <u>-</u> |
| Total | <u>\$ 87,209</u> | <u>\$ 680,563</u> |

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$2,077 will be recognized as an addition to the net OPEB asset in the year ending June 30, 2026. The remainder of the deferred outflows and deferred inflows of resources are amortized over three to five years with remaining amortization as follows:

| | |
|----------------------|---------------------|
| Year ending June 30: | |
| 2026 | \$ (265,899) |
| 2027 | (189,903) |
| 2028 | (117,766) |
| 2029 | <u>(21,863)</u> |
| | <u>\$ (595,431)</u> |

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System

Plan Description: All full-time University faculty members and certain other staff occupying a position requiring certification or graduation from a four-year college or university as a condition of employment are covered by the Kentucky Teachers' Retirement System (KTRS), a cost sharing - multiple employer public employee retirement system. KTRS is a defined benefit plan providing for retirement, disability, death benefits and health insurance. Participants have a fully vested interest after the completion of 60 months of service, 12 of which are current service.

KTRS issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about the pension plan's fiduciary net position. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky, 40601, by calling (502) 573-3266, or visiting the website at <http://trs.ky.gov>.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System

Pension Plan Information

Pension Benefits Provided: The information below summarizes the major retirement benefit provisions of KTRS plan. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

| | Tier 1 Participation Prior to <u>July 1, 2008</u> | Tier 2 Participation on or After <u>July 1, 2008</u> |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Covered Employees: | University faculty and professional staff that do not choose the Optional Retirement Plan (Deferred Contribution) | University faculty and professional staff that do not choose the Optional Retirement Plan (Deferred Contribution) |
| Benefit Formula: | Final Compensation X Benefit Factor X Years of Service | |
| Final Compensation: | Average of the highest 5 annual salaries reduced 5% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service. | Average of the highest 5 annual salaries reduced 6% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service. |
| Benefit Factor: | Non-University members: 2.00% for service prior to 7/1/1983; 2.50% for service after 7/1/1983; 2.00% if participation after 7/1/2002 and less than 10 years; 2.50% if participation after 7/1/2002 and more than 10 years; 3.00% if retire after 7/1/2004 with more than 30 years. University members: 2.0% for each year of service. | Non-University members: 1.70% if less than 10 years; 2.00% if greater than 10 years, but no more than 20 years; 2.30% if greater than 20 years, but no more than 26 years; 2.50% if greater than 26 years, but no more than 30 years; 3.00% for service greater than 30 years. University members: 1.50% if less than 10 years; 1.70% if greater than 10 years, but less than 20 years; 1.85% if greater than 20 years, but less than 27 years; 2.00% if greater than 27 years. |
| Cost of Living Adjustment (COLA): | 1.5% annually additional ad hoc increases must be authorized by the General Assembly. | |
| Unreduced Retirement Benefit: | Any age with 27 years of Kentucky service. Age 55 with 5 years of Kentucky service. | Any age with 27 years of Kentucky service. Age 60 with 5 years of Kentucky service. Age 55 with 10 years of Kentucky service. |
| Reduced Retirement Benefit: | Must be retired for service or disability to be eligible. Retired members are given a supplement based upon a contribution supplement table approved by the KTRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. | |

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

Contributions: Benefit and contribution rates are established by state statute. Per Kentucky Revised Statutes 161.540, 161.550 and 161.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the KTRS Board. For the fiscal year ended June 30, 2025, University employees were required to contribute 8.185% of their annual covered salary for retirement benefits. The University was contractually required to contribute 15.865% (13.010% allocated to pension, 2.775% allocated to medical insurance and 0.080% allocated to life insurance) of covered payroll for plan members hired on or after July 1, 2008 and 9.775% (7.695% allocated to pension, 2.000% allocated to medical insurance and 0.080% allocated to life insurance) of covered payroll for plan members hired on or after January 1, 2022 for the fiscal year ended June 30, 2025. The actuarially determined amount, 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 has met 100% of the contribution funding requirement for the fiscal year ended June 30, 2025. Total contributions by the Plan were \$6,913,867 (\$5,649,778 related to pension and \$1,264,089 related to OPEB) for the year ended June 30, 2025. In addition, the Commonwealth of Kentucky contributes ad hoc annual cost of living adjustments provided by the General Assembly for KTRS retirees. This contribution totaled \$6,358,703 for the year ending June 30, 2025.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2025, the University reported a liability for its proportionate share of the net pension liability that reflected a reduction for pension support provided to the University by the Commonwealth of Kentucky. The amount recognized by the University as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the University were as follows:

| | |
|---------------------------------------------------------------------------------------------------------------|-----------------------|
| University's proportionate share of the net pension liability | \$ 79,546,100 |
| Commonwealth of Kentucky's proportionate share of the net pension liability associated with the University | <u>88,265,002</u> |
| | <u>\$ 167,811,102</u> |

The net pension liability was measured as of June 30, 2024. The University's proportion of the net pension liability was based on actual contributions to the pension plan during the measurement period. At June 30, 2025, the University's proportion was 0.464%, which is a decrease of 0.008% from the prior measurement period, and the Commonwealth of Kentucky's proportion associated with the University was 0.515%, which is a decrease of 0.011% from the prior measurement period.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

For the year ended June 30, 2025, the University recognized pension expense of \$15,555,481 and revenue of \$9,137,273. At June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 996,800 |
| Change in assumptions | 370,821 | - |
| Net difference between projected and actual earnings on investments | - | 1,860,913 |
| Changes in proportionate share of contributions | <u>4,822,865</u> | <u>2,548,254</u> |
| | 5,193,686 | 5,405,967 |
| Contributions subsequent to the measurement date | <u>5,649,778</u> | - |
| | <u>\$ 10,843,464</u> | <u>\$ 5,405,967</u> |

At June 30, 2025, the University reported \$5,649,778 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 following fiscal year. Deferred outflows and deferred inflows of resources at June 30, 2025, related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|---------------------|
| Year ended June 30: | |
| 2026 | \$ (2,495,362) |
| 2027 | 4,952,191 |
| 2028 | (1,595,966) |
| 2029 | <u>(1,073,144)</u> |
| | <u>\$ (212,281)</u> |

Actuarial assumptions: The total pension liability ("TPL") was determined by actuarial valuations as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------------|--------------------------------------------------------------------|
| Price Inflation | 2.50% |
| Salary Increases | 3.00% - 7.50%, including inflation |
| Investment Rate of Return | 7.10%, net of pension plan investment expense, including inflation |
| Single Equivalent Interest Rate | 7.10% |

The rates of mortality for the period after service retirement are according to the Pub2010 Mortality Table, projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees, and active members.

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020 adopted by the Board on September 20, 2021.

The long-term expected return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

| <u>2025 Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Nominal Rate of Return</u> |
|--------------------------------|--------------------------|-----------------------------------------|
| Large Cap U.S. Equity | 35.4% | 5.0% |
| Small Cap U.S. Equity | 2.6% | 5.5% |
| Developed International Equity | 15.7% | 5.5% |
| Emerging Markets Equity | 5.3% | 6.1% |
| Fixed Income | 15.0% | 1.9% |
| High Yield Bonds | 2.0% | 3.8% |
| Other Additional Categories | 8.0% | 3.6% |
| Real Estate | 7.0% | 3.2% |
| Private Equity | 7.0% | 8.0% |
| Cash | <u>2.0%</u> | 1.6% |
| Total | <u>100.0%</u> | |

Changes in Assumptions and Benefit Terms Since Prior Measurement Date: There were no changes since the prior measurement date.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the University reporting date that are expected to have a significant effect on the University's proportionate share of the collective net pension liability.

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

Discount rate: The discount rate used to measure the total pension liability at June 30, 2025 was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will contribute the Actuarially Determined Contribution (ADC) rates for all fiscal years in the future.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate: The following table presents the net pension liability of the University, calculated using the discount rate of 7.10%, as well as what the University's net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|----------------------------------------------------------------|------------------------|----------------------------------|------------------------|
| Proportionate share of the Collective Net Pension Liability | \$ 103,678,657 | \$ 79,546,100 | \$ 59,479,033 |

Medical Insurance Plan

Plan Description: In addition to the OPEB benefits previously described, Kentucky Revised Statute 161.675 requires KTRS to provide post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits Provided: To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. KTRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the KTRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

Contributions: In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from state appropriation, and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: At June 30, 2025, the University reported a liability of \$13,296,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the University. The collective net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2025, the University's proportion was 0.600%, which is a decrease of 0.044% from the prior measurement period.

The amount recognized by the University as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability at June 30, 2025 that was associated with the University were as follows:

| | |
|--------------------------------------------------------------------------------------|----------------------|
| University's proportionate share of the net OPEB liability | \$ 13,296,000 |
| State's proportionate share of the net OPEB liability associated with the University | <u>6,817,000</u> |
| Total | <u>\$ 20,113,000</u> |

For the year ended June 30, 2025, the University recognized a reduction of OPEB expense of \$309,000 and income of \$705,000 for support provided by the State. At June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Difference between expected and actual experience | \$ - | \$ 3,993,000 |
| Changes of assumptions | 3,386,000 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 427,000 |
| Changes in proportion and differences between University contributions and proportionate share of contributions | <u>3,461,000</u> | <u>5,643,000</u> |
| | 6,847,000 | 10,063,000 |
| University contributions subsequent to the measurement date | <u>1,227,323</u> | - |
| Total | <u>\$ 8,074,323</u> | <u>\$ 10,063,000</u> |

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,227,322 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

| | |
|---------------------|-----------------------|
| Year ended June 30: | |
| 2026 | \$ (1,467,000) |
| 2027 | (279,000) |
| 2028 | (221,000) |
| 2029 | (568,000) |
| 2030 | (574,000) |
| Thereafter | <u>(107,000)</u> |
| | <u>\$ (3,216,000)</u> |

Actuarial Assumptions: The total OPEB liability measured at June 30, 2024 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2024:

| | |
|---------------------------------|------------------------------------------------------------------------|
| Actuarial valuation date | June 30, 2023 |
| Investment rate of return | 7.10%, net of OPEB plan investment expense, including inflation |
| Salary increases | 3.00 – 7.50%, including inflation |
| Inflation rate | 2.50% |
| Real Wage Growth | 0.25% |
| Wage Inflation | 2.75% |
| Healthcare cost trend rates: | |
| Medical Trend | 6.50% for FYE 2024 decreasing to an ultimate rate of 4.50% by FYE 2031 |
| Medicare Part B Premiums | 5.92% for FYE 2024 with an ultimate rate of 4.50% by 2035 |
| Municipal Bond Index Rate | 3.94% |
| Single Equivalent Interest Rate | 7.10%, net of OPEB plan investment expense, including inflation. |

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

Mortality rates were based on the Pub2010 (Teachers Amount-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees, deferred vested retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2023 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2023 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2023 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs was included with experience in the TOL roll forward.

The long-term expected rate of return on Health Trust and Life Trust investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

| <u>2024 Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Nominal Rate of Return</u> |
|--------------------------------|--------------------------|-----------------------------------------|
| Large Cap U.S. Equity | 35.4% | 5.0% |
| Small Cap U.S. Equity | 2.6% | 5.5% |
| Developed International Equity | 15.0% | 5.5% |
| Emerging Markets Equity | 5.0% | 6.1% |
| Fixed Income | 9.0% | 1.9% |
| High Yield Bonds | 8.0% | 3.8% |
| Other Additional Categories | 9.0% | 3.7% |
| Real Estate | 6.5% | 3.2% |
| Private Equity | 8.5% | 8.0% |
| Cash | <u>1.0%</u> | 1.6% |
| Total | <u>100.0%</u> | |

Discount Rate: The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rates: The following table presents the University's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the University's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|--------------------------------------|------------------------|----------------------------------|------------------------|
| University's net OPEB liability (MI) | \$ 17,664,000 | \$ 13,296,000 | \$ 9,676,000 |

Sensitivity of the University's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates: The following presents the University's proportionate share of the collective net OPEB liability, as well as what the University's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current Trend Rate | 1% Increase |
|--------------------------------------|--------------|-----------------------|---------------|
| University's net OPEB liability (MI) | \$ 8,981,000 | \$ 13,296,000 | \$ 18,657,000 |

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KTRS financial report.

Changes in Assumptions and Benefit Terms: There were no changes in benefit terms for the year ending June 30, 2025.

In fiscal year 2025, for KTRS, the MIF Healthcare Cost Trend Rates for Ages 65 and Older decreased from 6.75% to 6.50%, and Medicare Part B Premiums increased from 1.55% to 5.92%, respectively. The Municipal Bond Index Rate for KTRS MIF and LIF increased from 3.66% to 3.94%.

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

Life Insurance Plan

Plan Description: KTRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The KTRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the KTRS Board of Trustees and the General Assembly.

Benefits Provided: KTRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. KTRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions: In order to fund the post-retirement life insurance benefit, four hundredths of one percent (.04%) of the gross annual payroll of members is contributed by the state.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: At June 30, 2025, the University reported a liability of \$301,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the University. The collective net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the University's proportion was 1.226%, which is a decrease of 0.046% from the prior measurement period.

The amount recognized by the University as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability at June 30, 2025 that was associated with the University were as follows:

| | |
|--------------------------------------------------------------------------------------|-------------------|
| University's proportionate share of the net OPEB liability | \$ 301,000 |
| State's proportionate share of the net OPEB liability associated with the University | <u>-</u> |
| Total | <u>\$ 301,000</u> |

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

For the year ended June 30, 2025, the University recognized OPEB expense of \$16,000 and revenue of \$15,000 for support provided by the State. At June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 7,000 | \$ 30,000 |
| Changes of assumptions | - | 29,000 |
| Net difference between projected and actual earnings on OPEB plan investments | 15,000 | - |
| Changes in proportion and differences between University contributions and proportionate share of contributions | <u>6,000</u> | <u>42,000</u> |
| | 28,000 | 101,000 |
| Contributions subsequent to the measurement date | <u>36,767</u> | <u>-</u> |
| Total | <u>\$ 64,767</u> | <u>\$ 101,000</u> |

Of the total amount reported as deferred outflows of resources related to OPEB, \$36,767 resulting from University contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows:

| | |
|---------------------|--------------------|
| Year ended June 30: | |
| 2026 | \$ (32,000) |
| 2027 | 11,000 |
| 2028 | (38,000) |
| 2029 | (13,000) |
| 2030 | - |
| Thereafter | <u>(1,000)</u> |
| | <u>\$ (73,000)</u> |

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

Actuarial Assumptions: The total OPEB liability measured at June 30, 2024 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2024:

| | |
|----------------------------|------------------------------------------------------------------|
| Actuarial valuation date | June 30, 2023 |
| Inflation rate | 2.50% |
| Real Wage Growth | 0.25% |
| Wage Inflation | 2.75% |
| Projected salary increases | 3.00 – 7.50%, including inflation |
| Investment rate of return | 7.10%, net of OPEB plan investment expense, including inflation. |

Mortality rates were based on the Pub2010 (Teachers Amount-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees, deferred vested retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2023 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2023 valuation were based on a review of recent plan experience done concurrently with the June 30, 2023 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and was shown as an assumption change in the TOL roll-forward, while the change in initial per capita claims costs were included with experience in the TOL roll-forward.

The long-term expected return on Health Trust and Life Trust investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - DEFINED BENEFIT PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS
(Continued)

Kentucky Teachers' Retirement System (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

| <u>2024 Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Nominal Rate of Return</u> |
|--------------------------------|--------------------------|-----------------------------------------|
| U.S. Equity | 40.0% | 5.2% |
| Developed International Equity | 15.0% | 5.5% |
| Emerging Markets Equity | 5.0% | 6.1% |
| Fixed Income | 21.0% | 1.9% |
| Other Additional Categories | 5.0% | 4.0% |
| Real Estate | 7.0% | 3.2% |
| Private Equity | 5.0% | 8.0% |
| Cash | <u>2.0%</u> | 1.6% |
| Total | <u>100.0%</u> | |

Discount rate: The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate: The following table presents the University's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the University's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

| | <u>1% Decrease (6.10%)</u> | <u>Current Discount Rate (7.10%)</u> | <u>1% Increase (8.10%)</u> |
|--------------------------------------|--------------------------------|------------------------------------------|--------------------------------|
| University's net OPEB liability (LI) | \$ 515,000 | \$ 301,000 | \$ 127,000 |

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KTRS financial report.

Changes of benefit terms: There were no changes in benefit terms for the year ending June 30, 2025.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Claims and Litigation: The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University.

Government Grants: The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

NOTE 15 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation, employee health and certain natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The University self-insures workers' compensation claims. Risk Management Services Corporation administers the University's workers' compensation claims. During 2025, there were no significant reductions in insurance coverage from the previous years.

Under its self-insured health plan, the University accrued 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.

Changes in the balance of the self-insured health liability as of June 30, 2025, 2024, and 2023, are summarized as follows:

| | <u>2025</u> | <u>2024</u> | <u>2023</u> |
|---------------------------------|---------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 1,131,464 | \$ 1,217,850 | \$ 1,352,580 |
| Claims and changes in estimates | 20,578,197 | 18,394,772 | 16,518,415 |
| Claims payments | <u>(20,416,919)</u> | <u>(18,481,158)</u> | <u>(16,653,145)</u> |
| Balance, end of year | <u>\$ 1,292,742</u> | <u>\$ 1,131,464</u> | <u>\$ 1,217,850</u> |

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 15 - RISK MANAGEMENT (Continued)

Under its self-insured workers' compensation plan, the University accrued the estimated costs of workers' compensation claims based on claims filed subsequent of the year end and an additional amount for incurred but not yet reported claims.

Changes in the balance of the self-insured workers' compensation liability as of June 30, 2025, 2024, and 2023 are summarized as follows:

| | <u>2025</u> | <u>2024</u> | <u>2023</u> |
|---------------------------------|-------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 184,155 | \$ 199,038 | \$ 134,899 |
| Claims and changes in estimates | 167,865 | 185,290 | 390,389 |
| Claims payments | <u>(225,824)</u> | <u>(200,173)</u> | <u>(326,250)</u> |
| Balance, end of year | <u>\$ 126,196</u> | <u>\$ 184,155</u> | <u>\$ 199,038</u> |

NOTE 16 - REGIONAL UNIVERSITY EXCELLENCE TRUST FUND (RUETF)

The Kentucky General Assembly appropriated funds to the RUETF with the passage of the Postsecondary Education Improvement Act of 1997 (House Bill 1). The purpose of this fund is to encourage private investment in public higher education activities within the Commonwealth of Kentucky. These funds were made available when matched dollar-for-dollar from external sources. The Commonwealth's Council on Postsecondary Education (CPE) was designated to oversee the distribution and use of these funds.

The University, under Kentucky House Bill 502, enacted by the 2000 General Assembly, included the provisions that "the proceeds of the endowment program authorized under Part X, Section I of this Act shall be deposited in the Regional University Excellence Trust Fund Account and invested at the direction of the CPE. Upon receipt of certification, the Council shall transfer the endowment funds from the account to the respective universities for management and investment by the university foundations if the foundations have been previously created to manage and invest private gifts and donations on behalf of the universities over time, otherwise by the university itself."

The University transfers these state match funds to the College Heights Foundation for investment purposes. The College Heights Foundation is a non-affiliated foundation under the governing laws of the Commonwealth of Kentucky. The Foundation is responsible for managing a portion of the fund raising and investing activities of the University. The University has recorded the state appropriated RUETF as assets held in trust in the Regional University Excellence Trust Fund (see Note 2 for the fair value of assets held in trust).

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 16 - REGIONAL UNIVERSITY EXCELLENCE TRUST FUND (RUETF) (Continued)

Following is a summary of the funding for the RUETF as of June 30, 2025:

| | CPE Funding Received | External Matched Pledges Received | Pledged |
|------------------------------------|-------------------------|--------------------------------------|---------------------|
| Balance, July 1, 2024 | \$ 14,211,209 | \$ 20,331,353 | \$ - |
| Current year collections / pledges | <u>2,475,900</u> | <u>1,474,662</u> | <u>1,100,513</u> |
| Balance, June 30, 2025 | <u>\$ 16,687,109</u> | <u>\$ 21,806,015</u> | <u>\$ 1,100,513</u> |

The University's externally matched pledges, both received and outstanding, have not been recorded on the University's financial statements.

NOTE 17 - NATURAL AND FUNCTIONAL CLASSIFICATIONS OF OPERATING EXPENSES

The University's operating (revenues) expenses by functional classification on June 30, 2025, were as follows:

| Functional Classification | Compensation and Benefits | Supplies, Contractual Services and Other | Utilities | Non Capitalized Property | Scholarships | Depreciation | Total |
|---------------------------------------|------------------------------|---------------------------------------------------|---------------------|--------------------------------|----------------------|----------------------|-----------------------|
| Instruction | \$ 82,772,054 | \$ 6,579,969 | \$ 1,305 | \$ 524,458 | \$ - | \$ - | \$ 89,877,786 |
| Research | 4,496,584 | 2,446,162 | 7,238 | 116,195 | - | - | 7,066,179 |
| Public service | 11,926,322 | 7,058,502 | 91,062 | 211,912 | - | - | 19,287,798 |
| Libraries | 3,603,556 | 443,227 | 1,408 | 26,686 | - | - | 4,074,877 |
| Academic support | 19,478,003 | 4,476,208 | 278 | 517,050 | - | - | 24,471,539 |
| Student services | 21,876,391 | 14,864,519 | 6,845 | 36,247 | - | - | 36,784,002 |
| Institutional support | 31,657,091 | 16,306,632 | 632 | 411,054 | - | - | 48,375,409 |
| Operation and maintenance of plant | 8,560,767 | 11,320,525 | 6,120,835 | 215,613 | - | - | 26,217,740 |
| Student financial aid | 37,379 | 186,980 | - | - | 28,607,843 | - | 28,832,202 |
| Pension and OPEB | (15,254,061) | - | - | - | - | - | (15,254,061) |
| Depreciation | - | - | - | - | - | 28,674,517 | 28,674,517 |
| Amortization | - | - | - | - | - | 3,555,998 | 3,555,998 |
| Auxiliary enterprise | <u>6,988,451</u> | <u>9,138,310</u> | <u>3,402,036</u> | <u>139,129</u> | <u>-</u> | <u>-</u> | <u>19,667,926</u> |
| Total operating expenses | <u>\$ 176,142,537</u> | <u>\$ 72,821,034</u> | <u>\$ 9,631,639</u> | <u>\$ 2,198,344</u> | <u>\$ 28,607,843</u> | <u>\$ 32,230,515</u> | <u>\$ 321,631,912</u> |

NOTE 18 – SUBSEQUENT EVENTS

On October 1, 2025, the University issued General Receipts Bonds, 2025 Series A totaling \$8,000,000.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 19 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES

Nature of Operations: WKU Student Life Foundation, Inc. (“Student Life”) is a Kentucky nonprofit corporation formed to facilitate the purchase, recapitalization, and renovation of the student residential facilities at the University. Student Life is a legally separate, tax-exempt component unit of the University that owns, and through its signed agreements with the University, operates 14 residence halls with approximately 4,891 beds on the main campus of the University. Student Life also constructed and owns two facilities that provide a total of 290 beds off the main campus. Student Life has a board of directors separate from that of the University; however, the chair and other members of the Western Kentucky University Foundation's board of trustees are also board members of Student Life. Because Student Life and the Foundation have common boards of trustees, and as the purpose of Student Life is to operate exclusively in support of the Foundation, which is a component unit created to benefit the University as described above, Student Life is considered a component unit of the University and is discretely presented in the University's financial statement package. Student Life's revenues and other support are derived principally from rental of living space to students of the University.

Complete financial statements for Student Life can be obtained from the WKU Student Life Foundation, Inc. office, P.O. Box 8290, Bowling Green, Kentucky, 42101.

Direct Financing Leasing Arrangements: Student Life constructed a food service building to improve food service offerings located near its residence halls on the south end of the main campus. Student Life entered into a long-term lease arrangement with the University to operate this facility for 25 years, which began on July 1, 2008, and ending on June 20, 2033.

Student Life also entered into leases with the University on November 1, 2019 (Hilltopper Hall), and June 30, 2022 (First Year Village), to provide additional food service operations. Student Life received all rent payments for these leases at the inception of the leases. The lease arrangements provide for the University to operate one facility for 17 years, which began on November 1, 2019, and ending on October 3, 2036, and subject to renewals at the end of 2036, and the other facility for 15 years, which began June 30, 2022, and ending on June 30, 2037, and subject to five separate renewal terms at the end of 2037. During the year ended June 30, 2025, Student Life made the decision to demolish one of the leased premises (Hilltopper Hall), thereby terminating the lease. Therefore, Student Life recognized the remaining deferred revenue relating to Hilltopper Hall.

The leases are absolute net leases where the University assumes and agrees to pay and perform all payments, expenses, maintenance, and operational costs, in connection with the use of the premises. The revenue related to these direct financing leases are recognized over the lease term, using the effective interest method.

Assets Limited as to Use

Assets limited as to use at June 30, 2025 consisted of the following:

| | |
|-------------------------------------------------------|---------------------|
| Money market accounts | <u>\$ 8,200,224</u> |
| Assets limited as to use: | |
| Restricted by bond indenture | \$ 6,980,001 |
| Internally restricted for debt principal and interest | <u>1,220,223</u> |
| Total | <u>\$ 8,200,224</u> |

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 19 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Property and Equipment

Property and equipment at June 30, 2025 consisted of:

| | |
|------------------------------------------------|-----------------------|
| Land | \$ 6,626,701 |
| Land improvements | 2,452,320 |
| Buildings | 87,647,809 |
| Building improvements | 76,857,825 |
| Vehicles | 135,102 |
| Furnishings and fixtures | 16,044,489 |
| Housing Software | 151,050 |
| Construction in progress | <u>2,209,825</u> |
| | 192,125,121 |
| Less accumulated depreciation and amortization | <u>79,543,538</u> |
| | <u>\$ 112,581,583</u> |

At June 30, 2024, there is approximately \$22,421,000, net (\$26,313,000 gross and \$3,892,000 of accumulated depreciation) included within the buildings category and approximately \$477,000, net (\$504,000 gross and \$27,000 of accumulated depreciation) included in the building improvements category above that relates to Hilltopper Hall which was closed during the year ended June 30, 2024. During the year ended June 30, 2025, the assets related to Hilltopper Hall were fully impaired and no longer have a value included in the property and equipment totals above.

At June 30, 2025, there is approximately \$41,128,000, net (\$45,931,000 gross and \$4,803,000 of accumulated depreciation) included within the buildings category, approximately \$394,000, net (\$1,764,000 gross and \$1,370,000 of accumulated depreciation) included within the furnishings and fixtures category, and approximately \$1,016,000, net (\$1,121,000 gross and \$105,000 of accumulated depreciation) included in the land improvements category above that relates to First Year Village which was closed during the year ended June 30, 2025. First Year Village was closed at the end of the year and thus all depreciation was recorded during the year, but will be suspended for the next fiscal year.

Long-Term Debt

Long-term debt consisted of the following:

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Series 2017 A – Industrial Building Revenue Bonds - Tax-exempt fixed rate of 3.368%; payable in monthly installments of principal and interest; annual principal payments range from \$1,930,059 to \$6,805,639 through 2026; rate to be renegotiated in March 2027 when balance due will be \$45,435,919; collateralized by all real estate; matures on June 30, 2041. Unamortized debt issuance costs as of June 30, 2025 were \$ 153,255. | \$ 55,745,151 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 19 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Long-Term Debt (Continued)

Series 2019 B – Industrial Building Revenue Bonds – Tax-exempt fixed rate of 3.17%; 8-year lockout period; payable in monthly installments of principal and interest; annual principal payments range from \$414,045 to \$5,653,476 through 2029; rate to be renegotiated in September 2029 when balance due will be \$26,027,325; collateralized by all real estate; matures on June 30, 2030. Unamortized debt issuance costs as of June 30, 2025 were \$140,182.

40,112,076
95,857,227

Less unamortized bond issuance costs

293,437

\$ 95,563,790

Student Life is required to maintain certain financial ratios and a debt reserve account balance in accordance with the bond agreement. Aggregate annual maturities of long-term debt are listed below:

| | |
|------------|----------------------|
| 2026 | 7,464,914 |
| 2027 | 7,707,075 |
| 2028 | 12,162,925 |
| 2029 | 12,679,115 |
| 2030 | 39,880,968 |
| Thereafter | <u>15,962,230</u> |
| | <u>\$ 95,857,227</u> |

Related Party Transactions

Student Life and University are related parties. The financial statements include the following amounts related to the University:

| | |
|-----------------------------------------------------------------|------------|
| Accounts receivable from WKU – student housing and related fees | \$ 469,067 |
| Accounts receivable from WKU – other | 1,022,041 |
| Net investment in direct financing lease | 966,343 |
| Accounts payable – operating expenses | 1,241,088 |
| Interest income – direct financing lease | - |
| Hilltopper Hub lease | 2,250,000 |
| First Year Village lease | 25,117 |
| Operating lease income | 53,046 |
| Chilled water service fees | 556,300 |
| Management fees | 84,200 |

The University has designated certain employees to work exclusively or partially for Student Life. Salaries, benefits and related expenses on the statements of activities represent amounts reimbursed to the University for these individuals. Student Life has no employees of its own and its board of directors serves on a voluntary, non-compensatory basis.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 19 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Related Party Transactions (Continued)

Accounts receivable relate to student housing fees collected by the University, which are due to Student Life, as well as amounts due from the University for work-study programs, vending contracts and chilled water plant services. The University processes all accounts receivable and payables for Student Life. Student Life reimburses the University on a monthly basis for all expenses incurred by the University on Student Life's behalf, which is represented by the accounts payable amounts noted above.

Student Life receives rent revenue from the University for the lease of retail space at one of Student Life's residence halls. The lease was renewed for another five-year term in March 2022 with annual lease payments ranging from \$52,006 to \$55,189. The rent was \$53,046 for the year ended June 30, 2025. The revenue from this lease is included in other revenues.

Student Life received prepaid rent from WKU in the amount of approximately \$3 million during the year ended June 30, 2020, for WKU to provide a food service operation in Hilltopper Hall. The lease was terminated during the year ended June 30, 2025. The revenue from this lease is recorded in the amount of \$2,250,000 for the year ended June 30, 2025. There is not expected to be any revenue recognized in relation to this lease beyond the year ended June 30, 2025 due to the closure of the residence hall.

Student Life received prepaid rent from the University in the amount of approximately \$700,000 during year ended June 30, 2023, for the University to provide a food service operation in First Year Village. The lease is for the period of June 30, 2022, through June 30, 2037, and subject to five, five-year renewal terms at the end of June 2037. The revenue from this lease is recorded in other income in the amount of \$25,117 for the year ended June 30, 2025. There is not expected to be any revenue recognized in relation to this lease during the year ending June 30, 2026 due to the temporary closure of the residence hall for repairs. Revenue will be recognized once the residence hall re-opens and the food service operation resumes operations. This is reflected in the schedule of future rent revenue below.

Student Life receives fees from the University relating to chilled water services. The fees were \$556,300 for the year ended June 30, 2025. These fees are included in other revenues.

A schedule of future rent revenue is presented below:

| | | |
|------------|----|----------------|
| 2026 | \$ | 55,189 |
| 2027 | | 25,117 |
| 2028 | | 25,117 |
| 2029 | | 25,117 |
| 2030 | | 25,117 |
| Thereafter | | <u>200,936</u> |
| | \$ | <u>356,593</u> |

The University provides certain direct and indirect support to Student Life, and Student Life provides certain direct and indirect support to the University. Both organizations have no objective basis for determining the value of these activities. However, as a part of the management agreement, Student Life does provide an annual amount to the University to help offset such related costs. The management fees were \$84,200 for the year ended June 30, 2025.

(Continued)

NOTE 19 - WKU STUDENT LIFE FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Pension Plans

Student Life has no employees; however, the University has designated certain employees to work exclusively or partially for Student Life. The University participates in three multi-employer pension plans maintained by the state of Kentucky. The plans provide defined benefits to eligible University employees providing services to Student Life. Student Life reimburses the University for Student Life's share of the actuarially determined contributions to the plans, which currently range from 8.74% to 85.03% of its covered payroll based upon the individual's retirement category. Contributions reimbursed to the University were \$771,495 for the year ended June 30, 2025.

Commitments

As of June 30, 2025, Student Life had ongoing commitments to improve residence halls with the corresponding estimated costs:

| | <u>Estimated Cost</u> |
|------------------------------|---------------------------|
| Gilbert chiller | \$ 397,806 |
| Minton HVAC controls | 29,939 |
| Chill AFD replacement | 46,992 |
| Munday & Southwest furniture | 500,087 |
| Zacharias interior upgrade | 288,740 |
| Meredith interior upgrade | 485,310 |
| Minton interior upgrade | 174,255 |
| Rodes interior upgrade | <u>366,519</u> |
| | <u>\$ 2,289,648</u> |

Impairment of Long-Lived Asset

During the Year ended June 30, 2025, Student Life recognized an impairment loss related to Hilltopper Hall, a student residence facility. Following structural concerns and engineering evaluations, Student Life concluded that the carrying amount of the asset was not recoverable. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360-10, Student Life assessed the asset for impairment and determined that its fair value was zero as of June 30, 2025. An impairment loss of approximately \$23,201,000 was recorded, reducing the carrying value of Hilltopper Hall to zero. This loss is reported in the statement of activities under operating expenses.

(Continued)

NOTE 20 - COLLEGE HEIGHTS FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES

Nature of Operations

College Heights Foundation, Inc., (“College Heights”) is a Kentucky nonprofit corporation that is a legally separate, tax-exempt component unit of the University that manages certain investments on behalf of the University. College Heights operates on a calendar year ending December 31. College Heights has a board of directors separate from that of the University. The president of the University is also a board member of College Heights. Although the University does not control the timing or amount of receipts from College Heights, the use of a majority of the resources, or income thereon, which College Heights holds and invests is restricted by the donors to the activities of the University. Because these restricted resources held by College Heights can only be used by, or for the benefit of, the University, College Heights is considered a component unit of the University and is discretely presented in the University's financial statements. A substantial portion of the donations received consists of endowment gifts from which the corpus is not available to be distributed.

Complete financial statements for College Heights can be obtained from the College Heights Foundation Office, Alumni House, 1906 College Heights Blvd., Bowling Green, Kentucky, 42101.

Investments

College Heights investments are generally administered as pools of commingled assets held in custodial investment accounts managed by professional investment advisors. College Heights invests in a combination of cash equivalent funds (money market funds), certificates of deposit, mutual funds, fixed income securities, exchange traded funds, equity securities, and real estate and other alternative investments. Fixed income securities principally include U.S. government and government agency securities and corporate bonds/notes.

All investment securities are subject to the risks common to financial markets, including interest rate risk, credit risk, and overall market risk. Due to the level of risk associated with all investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

College Heights carries its investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values, as determined by quoted market prices. Investments also consist of vested beneficial interests in various charitable remainder unitrusts and charitable remainder annuity trusts, all for which College Heights acts as the trustee. Such vested beneficial interests, since College Heights is the trustee, are included in investments at fair value.

College Heights is invested in real estate. Management considers the carrying value of real estate investments to approximate fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

College Heights' investments are commingled with certain investments held for WKU, LifeWorks, Alumni Association, and HAF. Accordingly, investment income and unrealized and realized gains/losses are allocated between the respective organizations on a pro-rata basis. Investment income includes both interest and dividend income. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized gains/losses represent the gains/losses on investments sold during the year. Net unrealized gains/losses represent the gains/losses on investments held during the year.

(Continued)

NOTE 20 - COLLEGE HEIGHTS FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Investments (Continued)

Unrealized gains/losses are included in the change in net assets in the accompanying statements of activities. Investments consist of the following at December 31, 2024:

| | |
|------------------------------------------------------|-----------------------|
| Certificates of deposit | \$ 359,496 |
| Commodities | 788,860 |
| Mutual funds | 78,966,187 |
| Exchange traded funds | 25,809,175 |
| Corporate bonds | 12,194,966 |
| Equity securities | 83,881,387 |
| Real estate | 61,400 |
| Other alternative investments | <u>64,075,872</u> |
| | 266,137,343 |
| Less: Investments included above which are held for: | |
| Western Kentucky University | (21,089,923) |
| Hilltopper Athletic Foundation (“HAF”) | (3,384,658) |
| LifeWorks | (2,977,331) |
| Alumni Association | <u>(1,073,880)</u> |
| | <u>\$ 237,611,551</u> |

As indicated above, at year-end, College Heights is invested in various types of investment securities. Investments are exposed to various risks such as interest rate risk, credit risk, and market risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

Management considers the carrying value of real estate to approximate fair value at December 31, 2024. Real estate investment trust values are reported at fair value based upon an independent valuation performed at least annually.

Pledges Receivable

Pledges are recognized and recorded as support without donor restrictions or support with donor restrictions depending on the existence or nature of any donor restrictions when the donor makes a promise to give that is, in substance, unconditional. Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using the risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Pledges receivable are reviewed annually to determine if an allowance for uncollectible contributions receivable is needed. Conditional promises to give are not included as contributions until such time as the conditions are substantially met.

(Continued)

NOTE 20 - COLLEGE HEIGHTS FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Pledges Receivable (Continued)

As of December 31, 2024, net pledges receivable consists of the following:

| | |
|-------------------------------------------------|----------------------|
| Estimated to be collected in less than one year | \$ 3,021,424 |
| Estimated to be collected in one to five years | 8,945,386 |
| Estimated to be collected thereafter | <u>105,000</u> |
| | 12,071,810 |
| Less: Allowance for uncollectible pledges | (296,700) |
| Less: Discounts to net present value | <u>(1,400,256)</u> |
| Total pledges receivable, net | <u>\$ 10,374,854</u> |

Discount rates on outstanding pledges due in more than one year range from 0.42% to 5.79%.

Beneficial Interest in Third Party Trusts and Deferred Gift Liabilities

College Heights is party to various irrevocable split-interest agreements. A split-interest agreement is a gift that is partially for College Heights' benefit and partially for the benefit of the respective donor or their designated beneficiaries. Upon acceptance of a split-interest agreement, College Heights records the contributed asset and the actuarially determined present value of the liability payable to the beneficiary. Such split-interest agreements include charitable gift annuities and charitable remainder trusts.

A charitable gift annuity is an arrangement between a donor and College Heights in which the donor contributes assets to College Heights in exchange for a promise by College Heights to pay a fixed amount to the donor or to others designated by the donor for a specified period of time. Obligations continue until the death of the beneficiary. The accompanying statement of financial position reflects liabilities totaling \$1,838,538 as of December 31, 2024, relative to the estimated present value of the future annuity obligations calculated using discount rates ranging from 4.43% to 13.02%. As of December 31, 2024, investments relative to charitable gift annuities totaled \$4,036,872.

Charitable remainder trusts are arrangements in which a donor establishes and funds a trust with specified distributions to be made to the donor or designated beneficiaries over the trust's term. Upon the termination of the trust, College Heights receives the assets remaining in the trust. Obligations to the beneficiaries are limited to the trust's assets. The accompanying statement of financial position reflects liabilities totaling \$1,547,519 as of December 31, 2024, relative to the estimated present value of the future obligations calculated using discount rate of 5.00%. As of December 31, 2024, investments relative to charitable remainder trusts held by the Foundation totaled \$3,338,420.

College Heights is the beneficiary of charitable trusts held by independent trustees. Under the terms of the trust agreements, College Heights has an irrevocable right to receive a portion of the income earned on the trust assets in perpetuity. College Heights' beneficial interest in the trust is recorded at the present value of the expected future cash flows discounted at a rate of 5.0% for the year ended December 31, 2024. The beneficial interest is adjusted annually for changes in the estimated present value of the future cash flows. As of December 31, 2024, investments relative to charitable remainder trusts held by an independent trustee totaled \$8,299,371.

(Continued)

NOTE 20 - COLLEGE HEIGHTS FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Beneficial Interest in Third Party Trusts and Deferred Gift Liabilities (Continued)

Trust assets are reported at fair value in the same manner as are all College Heights investments. The income or loss recognized under these trusts is included in net assets with donor restrictions. Discount rates are determined in accordance with the Internal Revenue Code and represent the rate at the date of the contribution. The actuarial related assumptions used in calculating the respective present values include the beneficiary's age and life expectancies using the applicable mortality tables, the date of the gift, the fair value of the amount gifted, the estimated rate of return, the payout rate, the payment schedule, and the discount rate.

Assets Held for Others

Assets held for others represent resources in the possession of, but not under the control of, College Heights. As of December 31, 2024 assets held for others consist of the following:

| | |
|------------------------------------------------------------------|----------------------|
| WKU – Regional University Excellence Trust Fund | \$ 20,692,406 |
| Hilltopper Athletic Foundation | 3,260,390 |
| LifeWorks | 2,977,331 |
| Alumni Association Lifetime | 842,984 |
| WKU – Non-Foundation employee deferred compensation benefit plan | 346,032 |
| HAF – Tincher Family Fund | 124,268 |
| WKU – Green River | 51,485 |
| WKU Alumni Association -Martens Alumni Center Endowment Fund | <u>230,896</u> |
| | <u>\$ 28,525,792</u> |

Accordingly, the accompanying statements of financial position as of December 31, 2024 reflect a liability for assets held for others in the amount of \$28,525,792.

Endowment Funds

College Heights' endowment consists of approximately 1,635 individual funds established by donors to provide annual funding for specific activities and general operations. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

College Heights' Board of Directors has interpreted the Commonwealth of Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of December 31, 2024, there were no such donor stipulations. However, 13 donors requested that College Heights spend amounts for specific purposes that reduced this endowment below the original gift amount. As a result of this interpretation, College Heights retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by College Heights in a manner consistent with the standard of prudence prescribed by UPMIFA.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 20 - COLLEGE HEIGHTS FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Endowment Funds (Continued)

Endowment net asset composition by type of fund as of December 31, 2024 is as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|----------------------------------|---------------------------------------|------------------------------------|-----------------------|
| Donor-restricted endowment funds | \$ - | \$ 204,525,249 | \$ 204,525,249 |
| Board-designated endowment funds | <u>10,653,829</u> | <u>-</u> | <u>10,653,829</u> |
| Total Assets | <u>\$ 10,653,829</u> | <u>\$ 204,525,249</u> | <u>\$ 215,179,078</u> |

Related Party Transactions

Western Kentucky University provides the facilities in which College Heights offices are located and also processes College Heights' payroll. No rent or administrative expenses are charged to College Heights by the University and College Heights does not recognize revenue and expense related to these transactions, as the amounts thereof are immaterial. College Heights also owns a parking lot which is used by the University for which no rent is charged.

On August 13, 2021, the Board of Directors approved College Heights Foundation to proceed with issuing programmatic investment loans to increase the alternative investment penetration in their overall investment strategy. College Heights Foundation can issue related party loans to WKU Real Estate corporation, as needed, with a maximum up to 5% of College Heights Foundation endowed assets. Interest rates of the loan will reflect current market. Interest rates range from 4.00% to 7.75% as of December 31, 2024. The College Heights Foundation's Investment Policy Statement was modified to include programmatic investment loans as part of alternative investments. The loans have maturity dates ranging from December 2041 to December 2045. The outstanding balance of programmatic investment loans issued by College Heights as of December 31, 2024 was \$2,531,670.

On March 4, 2025, College Heights issued an additional programmatic investment loan in the amount of \$350,000 maturing on March 4, 2044. The interest rate on the loan is 7.0% and will be paid annually on December 31 beginning in 2025.

(Continued)

WESTERN KENTUCKY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 20 - COLLEGE HEIGHTS FOUNDATION, INC. – ACCOUNTING POLICIES AND DISCLOSURES
(Continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2024:

| | |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Subject to expenditure for specified purpose: | |
| Academic support/WKU programs | \$ 37,719,838 |
| Scholarship funds | <u>4,283,320</u> |
| Total subject to expenditure for specified purpose | 42,003,158 |
| Subject to passage of time: | |
| Assets held under split-interest agreements | 7,680,602 |
| Endowments: | |
| Subject to College Heights endowment spending policy and appropriation: | |
| Investments held in perpetuity, the income from which is expendable to support the College Heights (reported as investment income) | <u>204,525,249</u> |
| Total net assets with donor restriction | <u>\$ 254,209,009</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2024:

| | |
|--------------------------------------------------------------------|----------------------|
| Distributions (proceeds are not restricted by donors): | |
| Assets held under split-interest agreements | \$ 682,703 |
| Restricted-purpose spending-rate distributions and appropriations: | |
| Academic support/WKU programs | 13,023,522 |
| Scholarship funds | 8,423,903 |
| Change in endowment classification | <u>-</u> |
| Total | <u>\$ 22,130,128</u> |

(Continued)

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(in thousands)
June 30, 2025

KERS – Non-Hazardous

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| University's proportion of the net pension liability | 0.92% | 0.94% | 0.97% | 0.97% | 1.09% |
| University's proportionate share of the net pension liability | \$ 111,170 | \$ 116,018 | \$ 128,496 | \$ 129,018 | \$ 153,739 |
| University's covered payroll | \$ 13,358 | \$ 14,014 | \$ 13,139 | \$ 15,187 | \$ 17,013 |
| University's proportionate share of the net pension liability as a percentage of its covered payroll | 832.24% | 827.87% | 977.97% | 849.53% | 903.66% |
| Plan fiduciary net position as a percentage of the total pension liability | 25.96% | 22.32% | 18.51% | 18.48% | 14.01% |

KERS – Hazardous

| | | | | | |
|------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| University's proportion of the net pension liability | 0.42% | 0.48% | 0.57% | 0.59% | 0.61% |
| University's proportionate share of the net pension liability | \$ 1,552 | \$ 2,024 | \$ 2,895 | \$ 2,638 | \$ 3,402 |
| University's covered payroll | \$ 1,302 | \$ 1,250 | \$ 1,189 | \$ 1,142 | \$ 1,155 |
| University's proportionate share of the net pension liability as a percentage of its covered payroll | 119.20% | 161.92% | 243.48% | 230.00% | 294.55% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.18% | 67.87% | 61.51% | 66.03% | 55.18% |

KTRS

| | | | | | |
|------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| University's proportion of the net pension liability | 0.46% | 0.47% | 0.43% | 0.50% | 0.54% |
| University's proportionate share of the net pension liability | \$ 79,546 | \$ 84,031 | \$ 75,517 | \$ 67,925 | \$ 79,923 |
| State's proportionate share of the net pension liability associated with the University | <u>88,265</u> | <u>93,465</u> | <u>98,136</u> | <u>71,711</u> | <u>84,053</u> |
| Total | <u>\$ 167,811</u> | <u>\$ 177,496</u> | <u>\$ 173,653</u> | <u>\$ 139,636</u> | <u>\$ 163,976</u> |
| University's covered payroll | \$ 46,405 | \$ 45,199 | \$ 42,825 | \$ 45,018 | \$ 48,533 |
| University's proportionate share of the net pension liability as a percentage of its covered payroll | 171.42% | 185.91% | 176.34% | 150.88% | 164.68% |
| Plan fiduciary net position as a percentage of the total pension liability | 60.36% | 57.68% | 56.41% | 65.59% | 58.30% |

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(in thousands)
June 30, 2025

KERS – Non-Hazardous

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| University's proportion of the net pension liability | 1.13% | 1.26% | 1.29% | 1.46% | 1.47% |
| University's proportionate share of the net pension liability | \$ 159,267 | \$ 171,121 | \$ 173,895 | \$ 166,399 | \$ 147,109 |
| University's covered payroll | \$ 18,246 | \$ 19,527 | \$ 20,402 | \$ 23,985 | \$ 22,769 |
| University's proportionate share of the net pension liability as a percentage of its covered payroll | 872.89% | 876.33% | 852.34% | 693.76% | 646.09% |
| Plan fiduciary net position as a percentage of the total pension liability | 13.66% | 12.84% | 13.30% | 14.80% | 18.83% |

KERS – Hazardous

| | | | | | |
|------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| University's proportion of the net pension liability | 0.69% | 0.63% | 0.60% | 0.78% | 0.90% |
| University's proportionate share of the net pension liability | \$ 3,795 | \$ 3,173 | \$ 2,992 | \$ 3,039 | \$ 3,098 |
| University's covered payroll | \$ 1,257 | \$ 1,229 | \$ 1,174 | \$ 1,343 | \$ 1,310 |
| University's proportionate share of the net pension liability as a percentage of its covered payroll | 301.91% | 258.18% | 254.86% | 226.28% | 236.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 55.49% | 56.10% | 54.75% | 57.41% | 61.70% |

KTRS

| | | | | | |
|------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| University's proportion of the net pension liability | 0.56% | 0.77% | 0.73% | 1.21% | 1.23% |
| University's proportionate share of the net pension liability | \$ 79,901 | \$ 105,246 | \$ 207,035 | \$ 373,414 | \$ 299,522 |
| State's proportionate share of the net pension liability associated with the University | <u>86,580</u> | <u>78,302</u> | <u>165,003</u> | <u>35,194</u> | <u>30,458</u> |
| Total | <u>\$ 166,481</u> | <u>\$ 183,548</u> | <u>\$ 372,038</u> | <u>\$ 408,608</u> | <u>\$ 329,980</u> |
| University's covered payroll | \$ 50,972 | \$ 54,430 | \$ 55,655 | \$ 56,509 | \$ 56,089 |
| University's proportionate share of the net pension liability as a percentage of its covered payroll | 156.75% | 193.36% | 372.00% | 660.80% | 534.01% |
| Plan fiduciary net position as a percentage of the total pension liability | 58.80% | 59.30% | 39.83% | 35.22% | 42.49% |

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(in thousands)
June 30, 2025

Notes to the Schedule:

Changes in assumptions – In fiscal year 2025, there were no changes to the KERS plan or the KTRS plan.

In fiscal year 2024, there were no changes to the KERS plan or the KTRS plan.

In fiscal year 2023, there were no changes to the KERS plan or the KTRS plan.

In fiscal year 2022, for KERS Salary Increases changed from 3.55% - 15.55% for Non-Hazardous and Hazardous to 3.30% - 15.30% for Non-Hazardous and to 3.55% to 20.05% for Hazardous. The KERS Amortization Period changed from 26 years, closed to 30 years, closed. For KTRS Price Inflation changed from 3.00% to 2.50%, Salary Increases changed from 3.50% - 7.30%, including inflation to 3.00% - 7.50%, including inflation, and the Investment Rate of Return changed from 7.50%, net of pension plan investment expense, including inflation to 7.10%, net of pension plan investment expense, including inflation.

In fiscal year 2021, there were no changes to the KERS plan or the KTRS plan.

In fiscal year 2020, for KERS, the salary increase assumption changed from 3.05%, average to 3.55% - 15.55%, varies by service. There were no changes for KTRS.

In fiscal year 2019, there were no changes to the KERS plan and the KTRS plan discount rate increased from 4.49% to 7.50%.

In fiscal year 2018, the KERS plan discount rate and assumed investment rate of return decreased from 6.75% to 5.25%, the assumed rate of inflation decreased from 3.25% to 2.30% which also resulted in a 0.95% decrease in the salary increase assumption for all years of service. The payroll growth rate assumption decreased from 4.00% to 0.00% and the KTRS plan discount rate increased from 4.20% to 4.49%.

In fiscal year 2017, the KERS Non-Hazardous investment rate and discount rate both decreased from 7.50% to 6.75% and the KTRS plan discount rate decreased from 4.88% to 4.20%.

In fiscal year 2016, the KERS plan inflation rate decreased from 3.50% to 3.25%, the estimated salary increases decreased from 4.50% to 4.00%, and the investment rate and discount rate both decreased from 7.75% to 7.50%. Additionally, the mortality tables changed from the 1983 and 1994 Group Annuity Mortality Tables to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (adjusted for males and females). The KTRS plan discount rate decreased from 5.23% to 4.88%.

** 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.*

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
(in thousands)
June 30, 2025

KERS – Non-Hazardous

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 7,006 | \$ 7,775 | \$ 7,852 | \$ 8,011 | \$ 5,824 |
| Contributions in relation to the contractually required contribution | <u>(7,006)</u> | <u>(7,775)</u> | <u>(7,852)</u> | <u>(8,011)</u> | <u>(5,824)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 13,352 | \$ 13,358 | \$ 14,014 | \$ 13,139 | \$ 15,187 |
| Contributions as a percentage of covered payroll | 52.47% | 58.20% | 56.03% | 60.97% | 38.35% |

KERS – Hazardous

| | | | | | |
|----------------------------------------------------------------------|----------------|----------------|----------------|----------------|--------------|
| Contractually required contribution | \$ 1,145 | \$ 1,260 | \$ 1,177 | \$ 1,213 | \$ 411 |
| Contributions in relation to the contractually required contribution | <u>(1,145)</u> | <u>(1,260)</u> | <u>(1,177)</u> | <u>(1,213)</u> | <u>(411)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 1,442 | \$ 1,302 | \$ 1,250 | \$ 1,189 | \$ 1,142 |
| Contributions as a percentage of covered payroll | 79.40% | 96.77% | 94.16% | 102.02% | 35.99% |

KTRS

| | | | | | |
|----------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 5,650 | \$ 5,735 | \$ 5,687 | \$ 5,668 | \$ 5,909 |
| Contributions in relation to the contractually required contribution | <u>(5,650)</u> | <u>(5,735)</u> | <u>(5,687)</u> | <u>(5,668)</u> | <u>(5,909)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 45,959 | \$ 46,405 | \$ 45,199 | \$ 42,825 | \$ 45,018 |
| Contributions as a percentage of covered payroll | 12.29% | 12.36% | 12.58% | 13.24% | 13.13% |

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
(in thousands)
June 30, 2025

KERS – Non-Hazardous

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|----------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 6,430 | \$ 6,868 | \$ 8,018 | \$ 8,210 | \$ 7,397 |
| Contributions in relation to the contractually required contribution | <u>(6,430)</u> | <u>(6,868)</u> | <u>(8,018)</u> | <u>(8,210)</u> | <u>(7,397)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 17,013 | \$ 18,246 | \$ 19,527 | \$ 20,402 | \$ 23,985 |
| Contributions as a percentage of covered payroll | 37.79% | 37.64% | 41.06% | 40.24% | 30.84% |

KERS – Hazardous

| | | | | | |
|----------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 397 | \$ 432 | \$ 263 | \$ 248 | \$ 220 |
| Contributions in relation to the contractually required contribution | <u>(397)</u> | <u>(432)</u> | <u>(263)</u> | <u>(248)</u> | <u>(220)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 1,155 | \$ 1,257 | \$ 1,229 | \$ 1,174 | \$ 1,343 |
| Contributions as a percentage of covered payroll | 34.37% | 34.37% | 21.40% | 21.12% | 16.38% |

KTRS

| | | | | | |
|----------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 6,248 | \$ 6,539 | \$ 9,564 | \$ 9,661 | \$ 9,624 |
| Contributions in relation to the contractually required contribution | <u>(6,248)</u> | <u>(6,539)</u> | <u>(9,564)</u> | <u>(9,661)</u> | <u>(9,624)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 48,533 | \$ 50,972 | \$ 54,430 | \$ 55,655 | \$ 56,509 |
| Contributions as a percentage of covered payroll | 12.87% | 12.83% | 17.57% | 17.36% | 17.03% |

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PENSION CONTRIBUTIONS
(in thousands)
June 30, 2025

Notes to the Schedule:

Changes in assumptions – In fiscal year 2025, there were no changes to the KERS plan or the KTRS plan.

In fiscal year 2024, there were no changes to the KERS plan or the KTRS plan.

In fiscal year 2023, there were no changes to the KERS plan or the KTRS plan.

In fiscal year 2022, for KERS Salary Increases changed from 3.55% - 15.55% for Non-Hazardous and Hazardous to 3.30% - 15.30% for Non-Hazardous and to 3.55% to 20.05% for Hazardous. The KERS Amortization Period changed from 26 years, closed to 30 years, closed. For KTRS Price Inflation changed from 3.00% to 2.50%, Salary Increases changed from 3.50% - 7.30%, including inflation to 3.00% - 7.50%, including inflation, and the Investment Rate of Return changed from 7.50%, net of pension plan investment expense, including inflation to 7.10%, net of pension plan investment expense, including inflation.

In fiscal year 2021, there were no changes to the KERS plan or the KTRS plan.

In fiscal year 2020, for KERS, the salary increase assumption changed from 3.05%, average to 3.55% - 15.55%, varies by service. There were no changes for KTRS.

In fiscal year 2019, there were no changes to the KERS plan and the KTRS plan discount rate increased from 4.49% to 7.50%.

In fiscal year 2018, the KERS plan discount rate and assumed investment rate of return decreased from 6.75% to 5.25%, the assumed rate of inflation decreased from 3.25% to 2.30% which also resulted in a 0.95% decrease in the salary increase assumption for all years of service, the payroll growth rate assumption decreased from 4.00% to 0.00% and the KTRS plan discount rate increased from 4.20% to 4.49%.

In fiscal year 2017, the KERS Non-Hazardous investment rate and discount rate both decreased from 7.50% to 6.75% and the KTRS plan discount rate decreased from 4.88% to 4.20%.

In fiscal year 2016, the KERS plan inflation rate decreased from 3.50% to 3.25%, the estimated salary increases decreased from 4.50% to 4.00%, and the investment rate and discount rate both decreased from 7.75% to 7.50%. Additionally, the mortality tables changed from the 1983 and 1994 Group Annuity Mortality Tables to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (adjusted for males and females). The KTRS plan discount rate decreased from 5.23% to 4.88%.

*** 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.*

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2025

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|-----------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| KERS – Non-Hazardous | | | | | |
| University's proportion of the net OPEB liability | 0.77% | 0.81% | 1.02% | 0.98% | 1.09% |
| University's proportionate share of the net OPEB liability | \$ 5,594 | \$ 6,346 | \$ 22,571 | \$ 22,325 | \$ 27,557 |
| University's covered payroll | \$ 13,358 | \$ 14,014 | \$ 13,139 | \$ 15,187 | \$ 17,013 |
| University's proportionate share of the net pension OPEB as a percentage of its covered payroll | 41.88% | 45.28% | 171.79% | 147.00% | 161.98% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 70.95% | 66.14% | 38.15% | 38.38% | 29.47% |
| KERS – Hazardous | | | | | |
| University's proportion of the net OPEB liability | 0.42% | 0.48% | 0.57% | 0.59% | 0.61% |
| University's proportionate share of the net OPEB (asset) liability | \$ (976) | \$ (996) | \$ 43 | \$ (68) | \$ 259 |
| University's covered payroll | \$ 1,302 | \$ 1,250 | \$ 1,189 | \$ 1,142 | \$ 1,155 |
| University's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | -74.96% | -79.68% | 3.62% | -5.95% | 22.42% |
| Plan fiduciary net position as a percentage of the total OPEB (asset) liability | 153.10% | 149.84% | 98.72% | 101.85% | 92.42% |

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2025

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-----------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| KERS – Non-Hazardous | | | |
| University's proportion of the net OPEB liability | 1.13% | 1.26% | 1.30% |
| University's proportionate share of the net OPEB liability | \$ 25,068 | \$ 29,797 | \$ 32,938 |
| University's covered payroll | \$ 18,246 | \$ 19,527 | \$ 20,402 |
| University's proportionate share of the net pension OPEB as a percentage of its covered payroll | 137.39% | 152.59% | 161.44% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 30.92% | 27.32% | 24.40% |
| KERS – Hazardous | | | |
| University's proportion of the net OPEB liability | 0.69% | 0.63% | 0.60% |
| University's proportionate share of the net OPEB (asset) liability | \$ (186) | \$ (208) | \$ 36 |
| University's covered payroll | \$ 1,257 | \$ 1,229 | \$ 1,174 |
| University's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | -14.80% | -16.92% | 3.07% |
| Plan fiduciary net position as a percentage of the total OPEB (asset) liability | 105.29% | 106.83% | 98.80% |

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2025

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|---------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| KTRS – Medical Insurance | | | | | |
| University's proportion of the net OPEB liability | 0.60% | 0.64% | 0.81% | 0.60% | 0.65% |
| University's proportionate share of the net OPEB liability | \$ 13,296 | \$ 15,683 | \$ 20,220 | \$ 12,968 | \$ 16,343 |
| University's covered payroll | \$ 46,405 | \$ 45,199 | \$ 42,825 | \$ 45,018 | \$ 48,533 |
| University's proportionate share of the net pension OPEB as a percentage of its covered payroll | 28.65% | 34.70% | 47.22% | 28.81% | 33.67% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 59.81% | 52.97% | 47.75% | 51.74% | 39.05% |
| KTRS – Life Insurance | | | | | |
| University's proportion of the net OPEB liability | 1.23% | 1.27% | 1.24% | 1.32% | 1.40% |
| University's proportionate share of the net OPEB liability | \$ 301 | \$ 359 | \$ 387 | \$ 173 | \$ 485 |
| University's covered payroll | \$ 46,405 | \$ 45,199 | \$ 42,825 | \$ 45,018 | \$ 48,533 |
| University's proportionate share of the net OPEB liability as a percentage of its covered payroll | 0.65% | 0.79% | 0.90% | 0.38% | 0.99% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 80.56% | 76.91% | 73.97% | 89.15% | 71.57% |

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2025

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---------------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| KTRS – Medical Insurance | | | |
| University's proportion of the net OPEB liability | 0.69% | 0.73% | 0.78% |
| University's proportionate share of the net OPEB liability | \$ 20,219 | \$ 25,269 | \$ 27,960 |
| University's covered payroll | \$ 50,972 | \$ 54,430 | \$ 55,655 |
| University's proportionate share of the net pension OPEB as a percentage of its covered payroll | 39.67% | 46.42% | 50.24% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 32.58% | 25.50% | 21.18% |
| KTRS – Life Insurance | | | |
| University's proportion of the net OPEB liability | 1.49% | 1.61% | 1.68% |
| University's proportionate share of the net OPEB liability | \$ 463 | \$ 454 | \$ 368 |
| University's covered payroll | \$ 50,972 | \$ 54,430 | \$ 55,655 |
| University's proportionate share of the net OPEB liability as a percentage of its covered payroll | 0.91% | 0.83% | 0.66% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 73.40% | 75.00% | 79.99% |

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2025

Notes to the Schedule:

Changes in assumptions – In fiscal year 2025, the KERS Discount Rates used for Non-Hazardous and Hazardous increased from 5.94% to 6.00% and from 5.94% to 5.99%, respectively. For KERS, the municipal bond rate increased from 3.86% to 3.97%. For KTRS, the “Medical Trends” rate decreased from 6.75% to 6.50%. Medicare Part B Premiums increased from 1.55% to 5.92%. The Municipal Bond Index Rate for KTRS MIF and LIF increased from 3.66% to 3.94%.

In fiscal year 2024, for KERS the Healthcare Trend Rate for Under Age 65 increased from 6.20% to 6.30% and for Ages 65 and Older the Healthcare Trend Rate decreased from 9.00% to 6.30%. The KERS Discount Rates used for Non-Hazardous and Hazardous increased from 5.72% to 5.94% and from 5.59% to 5.94%, respectively. For KERS, the municipal bond rate increased from 3.86% to 3.69%. For KTRS, the prior year MIF Healthcare Cost Trends groups of “Under 65” and “Ages 65 and Older” were merged into one group called “Medical Trends” with a rate of 6.75%. Medicare Part B Premiums decreased from 6.97% to 1.55%. The Municipal Bond Index Rate for KTRS MIF and LIF increased from 3.37% to 3.66%.

In fiscal year 2023, for KERS the Healthcare Trend Rate for Under Age 65 decreased from 6.25% to 6.20% and for Ages 65 and Older the Healthcare Trend Rate increased from 5.50% to 9.00%. The KERS Discount Rates used for Non-Hazardous and Hazardous increased from 5.26% to 5.72% and from 5.01% to 5.59%, respectively. For KTRS, the MIF Healthcare Cost Trend Rates for Ages 65 and Older and Medicare Part B Premiums increased from 5.00% to 5.125% and from 4.40% to 6.97%, respectively. The Municipal Bond Index Rate for KTRS MIF and LIF increased from 2.13% to 3.37%.

In fiscal year 2022, for KERS the Healthcare Trend Rate for Under Age 65 decreased from 6.40% to 6.25% and for Ages 65 and Older the Healthcare Trend Rate increased from 2.90% to 5.50%. The KERS Salary Increases for Hazardous changed from 3.55% - 19.55% to 3.55% - 20.05%. The KERS Discount Rates used for Non-Hazardous and Hazardous decreased from 5.43% to 5.26% and from 5.28% to 5.01%, respectively. For KTRS, Salary Increases changed from 3.50% - 7.20% to 3.00% - 7.50%, the Inflation Rate decreased from 3.00% to 2.50%, Real Wage Growth decreased from 0.50% to 0.25%, Wage Inflation decreased from 3.50% to 2.75%, and the Municipal Bond Index rate decreased from 2.19% to 2.13%. The KTRS MIF Healthcare Cost Trend Rates for Under Age 65 and Ages 65 and Older decreased from 7.25% to 7.00% and 5.25% to 5.00%, respectively. The KTRS MIF Medicare Part B Premiums decreased from 6.49% to 4.40%.

In fiscal year 2021, for KERS the healthcare trend rates for Under Age 65 and Ages 65 and Older increased from 7.00% to 7.25% and 5.00% to 5.10%, respectively. The KTRS Municipal Bond Index rate decreased from 3.50% to 2.19%. The KTRS MIF health care cost trends for Under Age 65 and Ages 65 and Older decreased from 7.50% to 7.25% and 5.50% to 5.25%, respectively. The KTRS MIF Medicare Part B Premiums increased from 2.63% to 6.49%. The KTRS LIF Salary Increases changed from 3.50% – 7.45% to 3.50% - 7.20%.

In fiscal year 2020, for KERS the salary increases changed from 3.05% avg. to 3.55% – 15.55% (non-hazardous) and 3.55% – 19.55% (hazardous). The KTRS Municipal Bond Index rate decreased from 3.89% to 3.50%. The KTRS MIF health care cost trends for Under Age 65 and Ages 65 and Older decreased from 7.75% to 7.50% and 5.75% to 5.50%, respectively.

In fiscal year 2019, the KERS Non-hazardous plan discount rate increased from 5.83% to 5.86% and the KERS Hazardous plan discount rate increased from 5.87% to 5.88%. The KTRS plan health care trend rates decreased from 1.02% to 0.00% for Medicare Part B premiums, the municipal bond index rate increased from 3.56% to 3.89%, the amortization period was changed from 27 year to 30 years and the inflation rate increased from 3.00% to 3.50%.

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(in thousands)
June 30, 2025

In fiscal year 2018, the KERS plan assumed investment rate of return decreased from 7.50% to 6.25%, the inflation rate decreased from 3.25% to 2.30% which also resulted in a 0.95% decrease in the salary increase assumption for all years of service, the payroll growth rate assumption decreased from 4.00% to 0.00%. There were no changes in assumptions for the KTRS plan.

Changes in benefit terms – For fiscal year 2018, for the KTRS plan, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 was restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

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

*** This is a ten-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 ten years of information is available.*

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
(in thousands)
June 30, 2025

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| KERS – Non-Hazardous | | | | | |
| Contractually required contribution | \$ 1,453 | \$ 2,138 | \$ 2,159 | \$ 2,231 | \$ 1,193 |
| Contributions in relation to the contractually required contribution | <u>(1,453)</u> | <u>(2,138)</u> | <u>(2,159)</u> | <u>(2,231)</u> | <u>(1,193)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 13,352 | \$ 13,358 | \$ 14,014 | \$ 13,139 | \$ 15,187 |
| Contributions as a percentage of covered payroll | 10.88% | 16.01% | 15.41% | 16.98% | 7.86% |
| KERS – Hazardous | | | | | |
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 1,442 | \$ 1,302 | \$ 1,250 | \$ 1,189 | \$ 1,142 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
(in thousands)
June 30, 2025

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------------------------------------------|----------------|----------------|----------------|
| KERS – Non-Hazardous | | | |
| Contractually required contribution | \$ 1,317 | \$ 1,406 | \$ 1,642 |
| Contributions in relation to the contractually required contribution | <u>(1,317)</u> | <u>(1,406)</u> | <u>(1,642)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 17,013 | \$ 18,246 | \$ 19,527 |
| Contributions as a percentage of covered payroll | 7.74% | 7.71% | 8.41% |
| KERS – Hazardous | | | |
| Contractually required contribution | \$ 28 | \$ 31 | \$ 28 |
| Contributions in relation to the contractually required contribution | <u>(28)</u> | <u>(31)</u> | <u>(28)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 1,155 | \$ 1,257 | \$ 1,229 |
| Contributions as a percentage of covered payroll | 2.42% | 2.47% | 2.28% |

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
(in thousands)
June 30, 2025

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------------|----------------|----------------|----------------|--------------|----------------|
| KTRS – Medical Insurance | | | | | |
| Contractually required contribution | \$ 1,227 | \$ 1,239 | \$ 1,221 | \$ 990 | \$ 1,073 |
| Contributions in relation to the contractually required contribution | <u>(1,227)</u> | <u>(1,239)</u> | <u>(1,221)</u> | <u>(990)</u> | <u>(1,073)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 45,959 | \$ 46,405 | \$ 45,199 | \$ 42,825 | \$ 45,018 |
| Contributions as a percentage of covered payroll | 2.67% | 2.67% | 2.70% | 2.31% | 2.38% |
| KTRS – Life Insurance | | | | | |
| Contractually required contribution | \$ 37 | \$ 37 | \$ 36 | \$ 30 | \$ 27 |
| Contributions in relation to the contractually required contribution | <u>(37)</u> | <u>(37)</u> | <u>(36)</u> | <u>(30)</u> | <u>(27)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 45,959 | \$ 46,405 | \$ 45,199 | \$ 42,825 | \$ 45,018 |
| Contributions as a percentage of covered payroll | 0.08% | 0.08% | 0.08% | 0.07% | 0.06% |

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
(in thousands)
June 30, 2025

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------------------------------------------|----------------|----------------|----------------|
| KTRS – Medical Insurance | | | |
| Contractually required contribution | \$ 1,143 | \$ 1,203 | \$ 1,294 |
| Contributions in relation to the contractually required contribution | <u>(1,143)</u> | <u>(1,203)</u> | <u>(1,294)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 48,533 | \$ 50,972 | \$ 54,430 |
| Contributions as a percentage of covered payroll | 2.36% | 2.36% | 2.38% |
| KTRS – Life Insurance | | | |
| Contractually required contribution | \$ 23 | \$ 20 | \$ 16 |
| Contributions in relation to the contractually required contribution | <u>(23)</u> | <u>(20)</u> | <u>(16)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 48,533 | \$ 50,972 | \$ 54,430 |
| Contributions as a percentage of covered payroll | 0.05% | 0.04% | 0.03% |

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
(in thousands)
June 30, 2025

Notes to the Schedule:

Changes in assumptions – In fiscal year 2025, the KERS Discount Rates used for Non-Hazardous and Hazardous increased from 5.94% to 6.00% and from 5.94% to 5.99%, respectively. For KERS, the municipal bond rate increased from 3.86% to 3.97%. For KTRS, the “Medical Trends” rate decreased from 6.75% to 6.50%. Medicare Part B Premiums increased from 1.55% to 5.92%. The Municipal Bond Index Rate for KTRS MIF and LIF increased from 3.66% to 3.94%.

In fiscal year 2024, for KERS the Healthcare Trend Rate for Under Age 65 increased from 6.20% to 6.30% and for Ages 65 and Older the Healthcare Trend Rate decreased from 9.00% to 6.30%. The KERS Discount Rates used for Non-Hazardous and Hazardous increased from 5.72% to 5.94% and from 5.59% to 5.94%, respectively. For KERS, the municipal bond rate increased from 3.86% to 3.69%. For KTRS, the prior year MIF Healthcare Cost Trends groups of “Under 65” and “Ages 65 and Older” were merged into one group called “Medical Trends” with a rate of 6.75%. Medicare Part B Premiums decreased from 6.97% to 1.55%. The Municipal Bond Index Rate for KTRS MIF and LIF increased from 3.37% to 3.66%.

In fiscal year 2023, for KERS the Healthcare Trend Rate for Under Age 65 decreased from 6.25% to 6.20% and for Ages 65 and Older the Healthcare Trend Rate increased from 5.50% to 9.00%. The KERS Discount Rates used for Non-Hazardous and Hazardous increased from 5.26% to 5.72% and from 5.01% to 5.59%, respectively. For KTRS, the MIF Healthcare Cost Trend Rates for Ages 65 and Older and Medicare Part B Premiums increased from 5.00% to 5.125% and from 4.40% to 6.97%, respectively. The Municipal Bond Index Rate for KTRS MIF and LIF increased from 2.13% to 3.37%.

In fiscal year 2022, for KERS the Healthcare Trend Rate for Under Age 65 decreased from 6.40% to 6.25% and for Ages 65 and Older the Healthcare Trend Rate increased from 2.90% to 5.50%. The KERS Salary Increases for Hazardous changed from 3.55% - 19.55% to 3.55% - 20.05%. The KERS Discount Rates used for Non-Hazardous and Hazardous decreased from 5.43% to 5.26% and from 5.28% to 5.01%, respectively. For KTRS, Salary Increases changed from 3.50% - 7.20% to 3.00% - 7.50%, the Inflation Rate decreased from 3.00% to 2.50%, Real Wage Growth decreased from 0.50% to 0.25%, Wage Inflation decreased from 3.50% to 2.75%, and the Municipal Bond Index rate decreased from 2.19% to 2.13%. The KTRS MIF Healthcare Cost Trend Rates for Under Age 65 and Ages 65 and Older decreased from 7.25% to 7.00% and 5.25% to 5.00%, respectively. The KTRS MIF Medicare Part B Premiums decreased from 6.49% to 4.40%.

In fiscal year, 2021, for KERS the healthcare trend rates for Under Age 65 and Ages 65 and Older increased from 7.00% to 7.25% and 5.00% to 5.10%, respectively. The KTRS Municipal Bond Index rate decreased from 3.50% to 2.19%. The KTRS MIF health care cost trends for Under Age 65 and Ages 65 and Older decreased from 7.50% to 7.25% and 5.50% to 5.25%, respectively. The KTRS MIF Medicare Part B Premiums increased from 2.63% to 6.49%. The KTRS LIF Salary Increases changed from 3.50% – 7.45% to 3.50% - 7.20%.

In fiscal year 2020, for KERS the salary increases changed from 3.05% avg. to 3.55% – 15.55% (non-hazardous) and 3.55% – 19.55% (hazardous). The KTRS Municipal Bond Index rate decreased from 3.89% to 3.50%. The KTRS MIF health care cost trends for Under Age 65 and Ages 65 and Older decreased from 7.75% to 7.50% and 5.75% to 5.50%, respectively.

In fiscal year 2019, the KERS Non-hazardous plan discount rate increased from 5.83% to 5.86% and the KERS Hazardous plan discount rate increased from 5.87% to 5.88%. The KTRS plan health care trend rates decreased from 1.02% to 0.00% for Medicare Part B premiums, the municipal bond index rate increased from 3.56% to 3.89%, the amortization period was changed from 27 year to 30 years and the inflation rate increased from 3.00% to 3.50%.

WESTERN KENTUCKY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE UNIVERSITY'S OPEB CONTRIBUTIONS
(in thousands)
June 30, 2025

In fiscal year 2018, the KERS plan assumed investment rate of return decreased from 7.50% to 6.25%, the inflation rate decreased from 3.25% to 2.30% which also resulted in a 0.95% decrease in the salary increase assumption for all years of service, the payroll growth rate assumption decreased from 4.00% to 0.00%. There were no changes in assumptions for the KTRS plan.

Changes in benefit terms – For fiscal year 2018, for the KTRS plan, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 was restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

** This is a ten-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 ten years of information is available.*

** Employer contributions do not include the expected implicit subsidy.*

Supplementary Information

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Assistance Listing Number | Total Federal Expenditures |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------|----------------------------------|
| Student Financial Assistance Cluster | | | |
| U.S. Department of Education | | | |
| Direct Programs | | | |
| Federal Supplemental Educational Opportunity Grants | | 84.007 | \$ 447,468 |
| Federal Direct Student Loans | | 84.268 | 57,943,487 |
| Federal Perkins Loan Program | | 84.038 | 691,830 |
| Federal Work Study Program | | 84.033 | 734,417 |
| Federal Pell Grant Program | | 84.063 | 31,041,431 |
| Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | | 84.379 | 110,330 |
| Total U.S. Department of Education Direct Programs | | | <u>90,968,963</u> |
| Total U.S. Department of Education | | | <u>\$ 90,968,963</u> |
| Total Student Financial Assistance Cluster | | | <u>90,968,963</u> |
| RESEARCH AND DEVELOPMENT CLUSTER | | | |
| U.S. Department of Agriculture | | | |
| Direct Programs | | | |
| Agricultural Research Basic and Applied Research | | 10.001 | 366,943 |
| Improving Meat Safety | | 10.326 | 205,770 |
| Partnership Agreements | | 10.699 | 7,393 |
| Total U.S. Department of Agriculture Direct Programs | | | <u>580,106</u> |
| Pass Through Programs | | | |
| Adelphi Technology, Inc/American Rescue Plan Centers of Excellence for Meat and Poultry Processing and Food Safety Research | ATI-WKU-23-003 | 10.243 | 76,826 |
| Total U.S. Department of Agriculture Pass Through Programs | | | <u>76,826</u> |
| Total U.S. Department of Agriculture | | | <u>656,932</u> |
| U.S. Department of Commerce | | | |
| Direct Programs | | | |
| Climate and Atmospheric Research | | 11.431 | 59,520 |
| Total U.S. Department of Commerce Direct Programs | | | <u>59,520</u> |
| Pass Through Programs | | | |
| Synoptic Data Corp/SGT Task Order Mesonet of KY | 52020-147 | 11.RD | 130,802 |
| University Corporation for Atmospheric Research/Climate and Atmospheric Research | SUBAWD 004045 | 11.431 | 16,166 |
| Desert Research Institute/Climate and Atmospheric Research | GR21039 | 11.431 | 53,278 |
| | | | 69,444 |
| Mississippi State University/National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes | 191001.364394.01 | 11.432 | 1,763 |
| Total U.S. Department of Commerce Pass Through Programs | | | <u>202,009</u> |
| Total U.S. Department of Commerce | | | <u>261,529</u> |
| U.S. Department of the Interior | | | |
| Direct Programs | | | |
| National Cooperative Geologic Mapping | | 15.810 | 12,487 |
| Cooperative Research and Training Programs – Resources of the National Park System | | 15.945 | 523 |
| Total U.S. Department of the Interior Direct Programs | | | <u>13,010</u> |
| Pass Through Programs | | | |
| The Research Foundation of the State University of New York/State Wildlife Grants | 240-98906-RCN 2023-03-WKU | 15.634 | 19,525 |
| KY Department of Fish and Wildlife Resources/Cooperative Endangered Species Conservation Fund | PON2 660 2500000195 | 15.615 | 9,111 |
| University of Kentucky Research Foundation/Assistance to State Water Resources Research Institutes | 3200004323-23-094 | 15.805 | 11,658 |
| Total U.S. Department of the Interior Pass Through Programs | | | <u>40,294</u> |
| Total U.S. Department of the Interior | | | <u>53,304</u> |
| U.S. Department of Justice | | | |
| Pass Through Programs | | | |
| KY Administrative Office of the Courts/Treatment Court Discretionary Grant Program | PON2 025 2400003249 | 16.585 | 24,853 |
| Total U.S. Department of Justice Pass Through Programs | | | <u>24,853</u> |
| Total U.S. Department of Justice | | | <u>24,853</u> |
| U.S. Department of Transportation | | | |
| Pass Through Programs | | | |
| University of Kentucky Research Foundation/Highway Planning and Construction | 321 0003100-25-024 | 20.205 | 29,811 |
| Adelphi Technology, Inc/Assistance to Small and Disadvantaged Businesses | ATI-WKU-24-002 | 20.910 | 122,653 |
| Total U.S. Department of Transportation Pass Through Programs | | | <u>152,464</u> |
| Total U.S. Department of Transportation | | | <u>152,464</u> |

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2025

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Assistance Listing Number | Total Federal Expenditures |
|----------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------|----------------------------------|
| National Aeronautics and Space Administration | | | |
| Direct Programs | | | |
| Science | | 43.001 | \$ 98,879 |
| Total National Aeronautics and Space Administration Direct Programs | | | <u>98,879</u> |
| Pass Through Programs | | | |
| University of Maryland/Science | 123447-Z6522201 | 43.001 | 9,398 |
| University of Kentucky Research Foundation/Office of Stem Engagement (OSTEM) | 32004436-22-125 | 43.008 | 236,624 |
| Total National Aeronautics and Space Administration Pass Through Programs | | | <u>246,022</u> |
| Total National Aeronautics and Space Administration | | | <u>\$ 344,901</u> |
| National Endowment for the Humanities | | | |
| Direct Programs | | | |
| Promotion of the Humanities Research | | 45.161 | 102,755 |
| Total National Endowment for the Humanities Direct Programs | | | <u>102,755</u> |
| Total National Endowment for the Humanities | | | <u>102,755</u> |
| National Science Foundation | | | |
| Direct Programs | | | |
| Mathematical and Physical Sciences | | 47.049 | 111,533 |
| Biological Sciences | | 47.074 | 45,632 |
| Integrative Activities | | 47.083 | 370,509 |
| NSF Technology, Innovation and Partnerships | | 47.084 | 14,608 |
| Total National Science Foundation Direct Programs | | | <u>542,282</u> |
| Pass Through Programs | | | |
| University of Kentucky Research Foundation | | | |
| STEM Education | 3200002015-19-043 | 47.076 | (840) |
| STEM Education | NSFHS-20-1-WKU | 47.076 | 2,699 |
| STEM Education | D-0000011307-02 SA1136AO5B594A | 47.076 | 43,348 |
| | | | <u>45,207</u> |
| KY NSF EPSCoR | | | |
| Integrative Activities | 3200002692-20-031 | 47.083 | (6,718) |
| Integrative Activities | 330221-04 | 47.083 | 202,963 |
| Integrative Activities | EMAIL DATED 06/18/24 | 47.083 | 3,048 |
| Integrative Activities | 320000 6309-25-006 | 47.083 | 141,760 |
| Integrative Activities | 3200006309-25-006 | 47.083 | 25,755 |
| | | | <u>366,808</u> |
| NSF Technology, Innovation and Partnerships | 320000 5526-23-291 | 47.084 | 9,647 |
| Total National Science Foundation Pass Through Programs | | | <u>421,662</u> |
| Total National Science Foundation | | | <u>963,944</u> |
| Environmental Protection Agency | | | |
| Direct Programs | | | |
| P3 Award: National Student Design Competition for Sustainability | | 66.516 | 2,366 |
| Total Environmental Protection Agency Direct Programs | | | <u>2,366</u> |
| Pass Through Programs | | | |
| City of Bowling Green/Climate Pollution Reduction Grants | 2024-215 | 66.046 | 34,468 |
| University of Kentucky Research Foundation/Clean Water State Revolving Fund | 3200005839-24-090 | 66.458 | 4,422 |
| Total Environmental Protection Agency Pass Through Programs | | | <u>38,890</u> |
| Total Environmental Protection Agency | | | <u>41,256</u> |
| U.S. Department of Energy | | | |
| Pass Through Programs | | | |
| Lehigh University/Fossil Energy Research and Development | 545135-78001 | 81.089 | 45,403 |
| Total U.S. Department of Energy Direct Programs | | | <u>45,403</u> |
| Total U.S. Department of Energy | | | <u>45,403</u> |
| U.S. Department of Education | | | |
| Direct Programs | | | |
| Fund for the Improvement of Postsecondary Education | | 84.116 | (21,000) |
| Total U.S. Department of Education Direct Programs | | | <u>(21,000)</u> |
| Total U.S. Department of Education | | | <u>(21,000)</u> |

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2025

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Assistance Listing Number | Total Federal Expenditures |
|---------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------|----------------------------------|
| U.S. Department of Health and Human Services | | | |
| Direct Programs | | | |
| Mental Health Research Grants | | 93.242 | \$ 159,583 |
| Occupational Safety and Health Program | | 93.262 | 188,772 |
| Drug Abuse and Addiction Research Programs | | 93.279 | 83,501 |
| Allergy and Infectious Diseases Research | | 93.855 | 115,057 |
| Biomedical Research and Research Training | | 93.859 | 54,419 |
| Total U.S. Department of Health and Human Services Direct Programs | | | <u>601,332</u> |
| Pass Through Programs | | | |
| Cabinet for Health and Family Services | | | |
| Drug Abuse and Addiction Research Programs | PON2 728 2200004539 | 93.391 | (1,468) |
| National Bioterrorism Hospital Preparedness Program | SC 728 2500000136 | 93.889 | 18,539 |
| Public Health Emergency Preparedness | SC 728 2500000136 | 93.069 | 91,024 |
| University of Kentucky Research Foundation | | | |
| Biomedical Research and Research Training | 3210003217-25-156 | 93.859 | 40,537 |
| National and State Tobacco Control Program | 3200006359-25-260 | 93.387 | 8,665 |
| University of Louisville | | | |
| Biomedical Research and Research Training | ULRF-18-0975E-07 | 93.859 | (263) |
| Biomedical Research and Research Training | ULRF-23-1033-07 | 93.859 | 847,209 |
| Biomedical Research and Research Training | ULRF | 93.859 | 99,971 |
| | | | <u>946,917</u> |
| Pennycroft Center/Block Grants for Community | | | |
| Mental Health Services | EMAIL DATED 02/16/22 | 93.958 | 55 |
| Total U.S. Department of Health and Human Services Pass Through Programs | | | <u>1,104,269</u> |
| Total U.S. Department of Health and Human Services | | | <u>\$ 1,705,601</u> |
| U.S. Department of Homeland Security | | | |
| Pass Through Programs | | | |
| National Institute for Hometown Security/Disruptions | | | |
| in Water Services | HS HQDC07-3-00005 | 97.RD | <u>2,984</u> |
| Total U.S. Department of Homeland Security Pass Through Programs | | | <u>2,984</u> |
| Total U.S. Department of Homeland Security | | | <u>2,984</u> |
| TOTAL RESEARCH AND DEVELOPMENT CLUSTER | | | <u>4,334,926</u> |
| HEAD START CLUSTER | | | |
| U.S. Department of Health and Human Services | | | |
| Direct Programs | | | |
| Head Start | | 93.600 | <u>2,234,349</u> |
| Total U.S. Department of Health and Human Services Direct Programs | | | <u>2,234,349</u> |
| Pass Through Programs | | | |
| Murray Head Start/Head Start | 04CH011242/05 | 93.600 | <u>36,524</u> |
| Total U.S. Department of Health and Human Services -- Pass Through | | | <u>36,524</u> |
| Total U.S. Department of Health and Human Services | | | <u>2,270,873</u> |
| TOTAL HEAD START CLUSTER | | | <u>2,270,873</u> |
| TRIO CLUSTER | | | |
| U.S. Department of Education | | | |
| Direct Programs | | | |
| TRIO Student Support Services | | 84.042A | 382,516 |
| TRIO Student Support Services | | 84.042A | <u>379,070</u> |
| | | | 761,586 |
| TRIO Talent Search | | 84.044A | 466,223 |
| TRIO Talent Search | | 84.044A | 291,331 |
| TRIO Talent Search | | 84.044A | <u>283,834</u> |
| | | | 1,041,388 |
| TRIO Upward Bound | | 84.047A | 374,799 |
| TRIO Upward Bound | | 84.047V | 297,672 |
| TRIO Educational Opportunity Centers | | 84.066 | <u>280,682</u> |
| Total U.S. Department of Education - Direct | | | <u>953,153</u> |
| Total U.S. Department of Education | | | <u>2,756,127</u> |
| TOTAL TRIO CLUSTER | | | <u>2,756,127</u> |
| CCDF CLUSTER | | | |
| U.S. Department of Health and Human Services | | | |
| Pass Through Programs | | | |
| Cabinet for Health and Family Services | | | |
| Child Care and Development Block Grant | SC736 220000 1506 | 93.575 | 21,109 |
| Child Care and Development Block Grant | SC 736 2400001482 | 93.575 | 2,712,295 |
| Child Care and Development Block Grant | AGREEMENT DATED 2/25/2021 | 93.575 | 89,962 |
| Total U.S. Department of Health and Human Services-Pass Through | | | <u>2,823,366</u> |
| Total U.S. Department of Health and Human Services | | | <u>2,823,366</u> |
| TOTAL CCDF CLUSTER | | | <u>2,823,366</u> |

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2025

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Assistance Listing Number | Total Federal Expenditures |
|--------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------|----------------------------------|
| OTHER FEDERAL | | | |
| U.S. Department of Agriculture | | | |
| Direct Programs | | | |
| Farmers Market and Local Food Promotion Program | | 10.175 | \$ 242,861 |
| Partnership Agreements | | 10.699 | 295,064 |
| Total U.S. Department of Agriculture Direct Programs | | | <u>537,925</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 537,925</u> |
| U.S. Department of Commerce | | | |
| Pass Through Programs | | | |
| University of Louisville/Economic Development Technical Assistance | ULRF-22-0901-01 | 11.303 | 32,664 |
| Total U.S. Department of Commerce Pass Through Programs | | | <u>32,664</u> |
| Total U.S. Department of Commerce | | | <u>32,664</u> |
| U.S. Department of Defense | | | |
| Pass Through Programs | | | |
| Institute of International Education | | | |
| ROTC Language and Culture Training Grants | PG02301-WKU-34-PGO-P01 | 12.357 | 6,748 |
| The Language Flagship Grants to Institutions of Higher Education | BOR21-WKU-24-TT-P04 | 12.550 | 97,468 |
| The Language Flagship Grants to Institutions of Higher Education | BOR21-WKU-24-CHN-P06 | 12.550 | 331,410 |
| The Language Flagship Grants to Institutions of Higher Education | BOR21-WKU-24-SSC-P05 | 12.550 | 36,997 |
| The Language Flagship Grants to Institutions of Higher Education | BOR25-WKU-24-CHN-P01 | 12.550 | 59,233 |
| | | | <u>525,108</u> |
| Total U.S. Department of Defense Pass Through Programs | | | <u>531,856</u> |
| Total U.S. Department of Defense | | | <u>531,856</u> |
| U.S. Department of the Interior | | | |
| Pass Through Programs | | | |
| Archaeological Services/Energy Community Revitalization Program (ECRP) | SC 128 2500000846 | 15.018 | 3,000 |
| U.S. Department of the Interior Direct Programs | | | <u>3,000</u> |
| Total U.S. Department of the Interior | | | <u>3,000</u> |
| U.S. Department of the Labor | | | |
| Direct Programs | | | |
| Registered Apprenticeship | | 17.285 | 143,598 |
| U.S. Department of the Labor Direct Programs | | | <u>143,598</u> |
| Total U.S. Department of the Labor | | | <u>143,598</u> |
| U.S. Department of the State | | | |
| Pass Through Programs | | | |
| World Learning Inc/Academic Exchange Programs - Undergraduate Programs | CBPSA20-WKU01 | 19.009 | 5,000 |
| Total U.S. Department of the State Pass Through Programs | | | <u>5,000</u> |
| Total U.S. Department of the State | | | <u>5,000</u> |
| U.S. Department of the Treasury | | | |
| Pass Through Programs | | | |
| University of Louisville/Coronavirus State and Local Fiscal Recovery Funds | ULRF-22-0474-01 | 21.027 | (3,698) |
| Office for Policy and Management/Coronavirus State and Local Fiscal Recovery Funds | EMAIL DATED 06/27/22 | 21.027 | 734,383 |
| Council of Postsecondary Education/Coronavirus State and Local Fiscal Recovery Funds | SC 415 2300000388 | 21.027 | 1,392 |
| Total U.S. Department of the Treasury Pass Through Programs | | | <u>732,077</u> |
| Total U.S. Department of the Treasury | | | <u>732,077</u> |
| National Endowment for Arts | | | |
| Direct Programs | | | |
| Promotion of the Arts Grants to Organizations and Individuals | | 45.024 | 23,781 |
| Total National Endowment for Arts Direct Programs | | | <u>23,781</u> |
| Total National Endowment for Arts | | | <u>23,781</u> |
| National Endowment for Humanities | | | |
| Direct Programs | | | |
| Promotion of the Humanities Division of Preservation and Access | | 45.149 | 41,904 |
| Total National Endowment for Humanities Direct Programs | | | <u>41,904</u> |
| Total National Endowment for Humanities | | | <u>41,904</u> |

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2025

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Assistance Listing Number | Total Federal Expenditures |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------|----------------------------------|
| National Institute for Museum and Library Services | | | |
| Direct Programs | | | |
| Museums for America | | 45.301 | \$ (452) |
| Total National Institute for Museum and Library Services Direct Programs | | | <u>(452)</u> |
| Total Institute for Museum and Library Services | | | <u>\$ (452)</u> |
| U.S. Department of Education | | | |
| Direct Programs | | | |
| Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | | 84.325 | 106,359 |
| Fund for the Improvement of Postsecondary Education | | 84.116 | 185,512 |
| Fund for the Improvement of Postsecondary Education | | 84.116 | <u>104,963</u> |
| | | | <u>290,475</u> |
| Total U.S. Department of Education Direct Programs | | | <u>396,834</u> |
| Pass Through Programs | | | |
| Kentucky Department of Education Disability Innovation Fund (DIF) | PON2 540 2500001840 | 84.421 | 15,421 |
| Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | PON2 540 2400000 857 | 84.325L | 10,938 |
| Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | PON2 540 2500001 062 | 84.325L | 27,594 |
| University of Kentucky Research Foundation/Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | 3200006487-25-064 | 84.325L | <u>1,486</u> |
| | | | 40,018 |
| Kentucky Council on Postsecondary Education/Education Stabilization Fund | SC 4150240000 1427 | 84.425U | 6,088 |
| Kentucky Department of Education/Career and Technical Education/Basic Grants to States | PON2 540 2300003251 | 84.048 | 1,895 |
| John Hopkins University/Javits Gifted and Talented Students Education | 2005153889 | 84.206 | <u>378,590</u> |
| Total U.S. Department of Education Pass Through Programs | | | <u>442,012</u> |
| Total U.S. Department of Education | | | <u>838,846</u> |
| U.S. Department of Health and Human Services | | | |
| Direct Programs | | | |
| Mental and Behavioral Health Education and Training Grants | | 93.732 | 390,641 |
| Total U.S. Department of Health and Human Services Direct Programs | | | <u>390,641</u> |
| Pass Through Programs | | | |
| University of Louisville | | | |
| Area Health Education Centers | ULRF-22-0847A-02 | 93.107 | 51,042 |
| Area Health Education Centers | ULRF-22-0847B-02 | 93.107 | <u>68,343</u> |
| | | | 119,385 |
| St Claire HealthCare/Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | Agreement Signed 9.19.24 | 93.130 | 5,000 |
| Lifeskills/Substance Abuse and Mental Health Service Projects of Regional and National Significance | LCCWEAR FY24-1 | 93.243 | 3,721 |
| Cabinet for Health and Family Services Public Health Emergency Response | SC 728 240000 1071 | 93.354 | 25,494 |
| Temporary Assistance for Needy Families | SC 736 2400001277 | 93.558 | 1,420,056 |
| University of Kentucky Research Foundation Temporary Assistance for Needy Families | 3210003209-25-274 | 93.558 | <u>9,720</u> |
| | | | 1,429,776 |
| Foster Care Title IV-E | 3200006559-25-215 | 93.658 | <u>20,272</u> |
| Total U.S. Department of Health and Human Services Pass Through Programs | | | <u>1,603,648</u> |
| Total U.S. Department of Health and Human Services | | | <u>1,994,289</u> |

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2025

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Assistance Listing Number | Total Federal Expenditures |
|----------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------|----------------------------------|
| Executive Office of the President | | | |
| Pass Through Programs | | | |
| Appalachia HIDTA | | | |
| High Intensity Drug Trafficking Areas Program | G22 AP 0001A | 95.001 | \$ 9,055 |
| High Intensity Drug Trafficking Areas Program | G24 AP 0001A | 95.001 | 10,163 |
| Total Executive Office of the President Pass Through Programs | | | <u>19,218</u> |
| Total Executive Office of the President | | | <u>\$ 19,218</u> |
| U.S. Department of Homeland Security | | | |
| Pass Through Programs | | | |
| Kentucky Department of Military Affairs | | | |
| BRIC: Building Resilient Infrastructure and Communities | PON2 095 2100001075 | 97.047 | 34,559 |
| Hazard Mitigation Grant | PON2 095 2000001514 | 97.039 | 12,349 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | SC 095 2200002042 | 97.036 | 10,471 |
| Total U.S. Department of Homeland Security Pass Through Programs | | | <u>57,379</u> |
| Total U.S. Department of Homeland Security | | | <u>57,379</u> |
| TOTAL OTHER FEDERAL | | | <u>4,961,085</u> |
| TOTAL FEDERAL EXPENDITURES | | | <u><u>\$ 108,115,340</u></u> |

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2025

During the year ended June 30, 2025, the System provided \$2,637,879 in expenditures to subrecipients as follows:

| Program | Assistance Listing Number | Subrecipient | Fiscal 2025 Expenditures |
|----------------------------------------------------|---------------------------------|-----------------------------------------------|--------------------------------|
| Cabinet for Health and Family Services | | | |
| FCCN Main Oversight FY23 | 93.575 | Appalachian Early Childhood Network | \$ 10,132 |
| FCCN Main Oversight FY25 | 93.575 | Appalachian Early Childhood Network | 526,011 |
| FCCN Main Oversight FY25 | 93.575 | Child Care council of Kentucky | 300,000 |
| FCCN Main Oversight FY25 | 93.575 | Community Coordinated Child Care Inc. 4-C | 302,749 |
| FCCN Main Oversight FY25 | 93.575 | Early Childhood Learning Education | 453,749 |
| | | | <u>1,592,641</u> |
| National Institute of Food and Agriculture | | | |
| Improving Meat Safety | 10.326 | Wayne State University | 31,202 |
| Improving Meat Safety | 10.326 | West Virginia University Research Corporation | 53,270 |
| | | | <u>84,472</u> |
| NASA | | | |
| Active Sun Turbulence | 43.001 | William Marsh Rice University | <u>11,112</u> |
| National Park Service | | | |
| CESU-Lincoln Birthplace | 15.945 | The University of Alabama in Huntsville | <u>376</u> |
| NEH - National Endowment for Humanities | | | |
| Principia Mathematica | 45.161 | University of Iowa | <u>47,943</u> |
| United States Department of Agriculture | | | |
| Consumer-oriented WIDE Partnership | 10.175 | Community Farmers Market | 23,170 |
| Consumer-oriented WIDE Partnership | 10.175 | Foundation for Connecting Communities | 9,075 |
| Consumer-oriented WIDE Partnership | 10.175 | Need More Acres Farm | 32,431 |
| Consumer-oriented WIDE Partnership | 10.175 | SoKY Marketplace LLC | 17,333 |
| Consumer-oriented WIDE Partnership | 10.175 | Southern Kentucky Produce Association | 4,626 |
| MORE Farmers Markets | 10.175 | Community Farmers Market | 9,100 |
| MORE Farmers Markets | 10.175 | Foundation for Connecting Communities | 24,300 |
| MORE Farmers Markets | 10.175 | Need More Acres Farm | 27,266 |
| MORE Farmers Markets | 10.175 | SoKY Marketplace LLC | 5,200 |
| | | | <u>152,501</u> |
| US Dept of Health & Human Services | | | |
| Head Start FY24 | 93.600 | Audubon Area Community Services Inc | 230,305 |
| Head Start FY24 | 93.600 | Murray Head Start | 100,297 |
| Head Start Training FY24 | 93.600 | Audubon Area Community Services Inc | 32 |
| Head Start Training FY24 | 93.600 | Murray Head Start | 5,204 |
| Head Start FY25 | 93.600 | Audubon Area Community Services Inc | 216,910 |
| Head Start FY25 | 93.600 | Murray Head Start | 194,796 |
| Head Start Training FY25 | 93.600 | Audubon Area Community Services Inc | 1,290 |
| | | | <u>748,834</u> |
| Total: Federal Awards Paid to Subrecipients | | | <u><u>\$ 2,637,879</u></u> |

WESTERN KENTUCKY UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Western Kentucky University (University) under programs of the federal government for the year ended June 30, 2025. 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 net position, changes in net position or cash flows of the University.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, 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.

Note 3: Indirect Cost Rate

The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. The University uses the indirect cost rate negotiated per the individual grant agreements.

Note 4: Federal Loan Programs

The Federal Perkins loan program is 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. There were no disbursements from the Federal Perkins Loan Program during the year. The balance of loans outstanding at June 30, 2025 was \$562,326.

**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
Western Kentucky University
Bowling Green, Kentucky

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary activities of Western Kentucky University (University), as of and for the year ended June 30, 2025, 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 1, 2025, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principle. Our report includes a reference to other auditors who audited the financial statements of College Heights Foundation, Inc., as described in our report on the University's financial statements. The financial statements of College Heights Foundation, Inc. were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with College Heights Foundation, Inc., or that are reported on separately by those auditors who audited the financial statements of College Heights Foundation, Inc. The financial statements of WKU Student Life Foundation, Inc., a component unit included in the financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with WKU Student Life Foundation, Inc.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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*.

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.

Forvis Mazars, LLP

**Louisville, Kentucky
October 1, 2025**

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Regents
Western Kentucky University
Bowling Green, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Western Kentucky University's (University) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (*OMB 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, 2025. 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.

In our opinion, the University complied, in all material respects, with the 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Forvis Mazars, LLP

**Louisville, Kentucky
January 23, 2026**

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2025

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

5. Type of auditor’s report issued on compliance for major federal programs:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

7. Identification of major federal programs:

| <u>Assistance Listing Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------------------|------------------------------------------------|
| | Student Financial Assistance Cluster |
| | Research and Development Cluster |
| 93.558 | Temporary Assistance for Needy Families (TANF) |

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

9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

WESTERN KENTUCKY UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2025

Section II – Financial Statement Findings

| Reference Number | Finding |
|---------------------|---------------------------|
| | No matters are reportable |

Section III – Federal Award Findings and Questioned Costs

| Reference Number | Finding |
|---------------------|---------------------------|
| | No matters are reportable |

WESTERN KENTUCKY UNIVERSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2025

| Reference Number | Summary of Finding | Status |
|---------------------|--------------------|--------|
|---------------------|--------------------|--------|

No matters are reportable