KENTUCKY STATE UNIVERSITY

Financial Statements

As of and for the Years Ended June 30, 2012 and 2011
with Independent Auditors' Report Thereon

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Financial Highlights, Continued

Unrestricted net assets decreased $2.4 million, which the University reserves for spending in programs and other capital related contingencies.

The University classifies amounts earned on endowments as spendable or non spendable in accordance with the endowment's donor stipulations. Nonexpendable restricted net assets represent amounts, which must be maintained in perpetuity. Expendable restricted net assets include endowment earnings that are spendable, consistent with the University's spending policy.

Operating revenues were $43.5 million and operating expenditures were $75.7 million, resulting in a loss from operations of $32.2 million. Net non operating revenues were $33.3 million, including $24.7 million in state appropriations, which, when combined with the loss from operations and capital appropriations, resulted in an overall increase in net assets of $1.1 million.

Using the Financial Statements

The University's Financial Statements consist of three financial statements: a

	2012	2011	2010
ASSETS			
Current assets	$ 38,295,793	$ 38,395,850	$ 30,819,820
Noncurrent assets	96,426,815	94,700,547	92,557,670
Total assets	$ 134,722,608	$ 133,096,397	$ 123,377,490
LIABILITIES			
Current liabilities	8,763,719	7,449,319	7,588,173
Non current liabilities	8,867,398	9,667,863	10,393,089
Total liabilities	17,631,117	17,117,182	17,981,262
NET ASSETS			
Invested in capital assets, net of related debt	75,839,623	73,936,126	71,831,353
Restricted			
Nonexpendable	8,657,506	8,594,513	8,048,379
Expendable	6,668,365	5,119,673	5,063,026
Unrestricted	25,925,997	28,328,903	20,453,470
Total net assets	$ 117,091,491	$ 115,979,215	$ 105,396,228

As of June 30, 2012, total assets amounted to $134.7 million. Of this amount, investment in capital assets (net of depreciation) of $84.5 million, or 62.7% of total assets, represented the largest asset class. Investments amounted to $11.2 million or 8.3% of total assets. During the year, total assets increased by $1.6 million, primarily due to increases in cash and cash equivalents, student accounts, grant and loans receivables, capital assets and investments.

As of June 30, 2012, total liabilities amounted to $17.6 million. Long term debt includes bonds payable for housing and dining system and energy related equipment and technology equipment purchased under a Master Lease Agreement. During the year, total liabilities increased by $514 thousand, primarily due to an increase in accounts payable and a decrease in bonds and capital lease obligations.

Net assets of the University were $117.1 million at June 30, 2012 and were reported in four net asset categories: invested in capital assets, net of related debt $75.8 million (64.7%), restricted nonexpendable $8.7 million (7.4%), restricted expendable $6.7 million (5.7%), and unrestricted $25.9 million (22.1%).

Management's Discussion and

	2012	2011	2010
OPERATING REVENUES			
Student tuition and fees, net	$ 18,943,062	$ 18,200,942	$ 16,512,333
Grants and contracts	12,267,993	14,066,912	14,589,783
Federal appropriations	3,796,394	5,042,652	6,507,463
Auxiliary enterprises	6,838,829	6,618,704	6,745,546
Other operating revenue	1,653,909	1,103,669	1,006,390
Total operating revenues	43,500,187	45,032,879	45,361,515
OPERATING EXPENSES			
Educational and general	69,494,007	63,647,079	61,873,552
Auxiliary enterprises	6,208,366	5,511,984	5,764,044
Total operating expenses	75,702,373	69,159,063	67,637,596
OPERATING LOSS	(32,202,186)	(24,126,184)	

Total operating revenues were $43.5 million for the year ended June 30, 2012, a decrease of $1.5 million compared to FY11. The