MINUTES OF THE ANNUAL MEETING OF THE UNIVERSITY OF LOUISVILLE MEDICAL SCHOOL INC., BOARD OF DIRECTORS

In Open Session

Members of the University of Louisville Medical School, Inc., Board of Directors met on November 10, 2011, in the Jefferson Room, Grawemeyer Hall, Belknap Campus, with members present and absent as follows:

Present: Mr. Frank Minnifield, Chair
Ms. Marie Abrams
Mr. Laurence Benz
Mr. Jonathan Blue
Mr. Ron Butt
Dr. Kevin Cosby
Mr. Kurtis Frizzell
Mr. Bruce Henderson
Mrs. Augusta Brown Holland
Dr. Robert Curtis Hughes
Mr. David James
Mr. Frank Minnifield
Ms. Brucie Moore
Mr. Robert W. Rounsavall, III
Ms. Debbie Scoppechio
Dr. William Selvidge
Dr. Robert Staat

Absent: Mr. Owsley Brown Frazier
Judge Rebecca Jackson
Mr. J. Chester Porter
Ms. Phoebe Wood

From the University: Dr. James R. Ramsey, President
Dr. Shirley Willihnganz, Executive Vice President and Provost
Dr. David Dunn, Executive Vice President for Health Affairs
Mr. Michael Curtin, Vice President for Finance
Ms. Angela D. Koshewa, University Counsel
Mr. Sam Connally, Vice President for Human Resources
Dr. Priscilla Hancock, Vice President for Information Technology
Mr. Dan Hall, Vice President for Community Engagement
Mr. Keith Inman, Vice President for University Advancement
Ms. Anne Rademaker, Director, Financial Reporting and University Accounting
Ms. Cynthia Hess, Director of Communications & Marketing
Mr. Jason Tomlinson, Associate Vice President for Finance
I. Call to Order

Having determined a quorum present, Chair Minnifield called the meeting to order at 1:20 p.m. Chair Minnifield welcomed new members: Dr. Laurence Benz, Messrs. Kurtis Frizzell and Bruce Henderson.

II. Approval of Minutes

Dr. Hughes made a motion, which Ms. Scoppechio seconded, to approve the minutes of November 11, 2010. The motion passed.

II. Action Item: Approval of Revisions to Practice Plan

Dr. Dunn provided an overview of the Practice Plan. Dr. Tasman noted when the Practice Plan was amended in 1983, it established certain assessed amounts in the calculation of the Dean’s Fund. At that time, the Department of Urology was a division of the Department of Surgery. The Board of Directors recommends separating the two departments and adjusting the amounts accordingly. Drs. Dunn and Tasman fielded questions from the members. Dr. Selvidge made a motion, which Dr. Hughes seconded, to approve the

UofL Medical School Fund, Inc., Board of Directors recommendation to approve the following adjustment to the Professional Practice Plan:

<table>
<thead>
<tr>
<th>Department</th>
<th>Base Year Assessment</th>
<th>Base Year Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Surgery</td>
<td>$101,859</td>
<td>$1,018,588</td>
</tr>
<tr>
<td>Department of Urology</td>
<td>$9,006</td>
<td>$90,062</td>
</tr>
</tbody>
</table>

The motion passed.

III. Audited Financial Statements for Year Ended June 30, 2011 and Independent Auditor’s Report

Vice President Curtin reviewed the audited financial statements, noting the external auditing firm of BKD issued a clean, unqualified opinion. Mr. Curtin shared some of the funding highlights. He noted the financial reports included two financial statements: the Statements of Assets and Liabilities and the Statements of Changes in Balance due to the Dean’s Fund. Mr. Curtin shared highlights of these statements. He called upon Mary McKinley, CPA, with external auditing firm, BKD. Ms. McKinley concurred with Mr. Curtin’s summary, noting BKD issued a clean, unqualified opinion. McKinley called the audit process smooth with excellent cooperation from administration and University personnel.

Mr. Butt made a motion, which Dr. Hughes seconded, to approve the
President’s recommendation that the Board of Directors approve the attached financial statements for the period ending June 30, 2011 and Independent Auditor’s Report

The motion passed.

IV. Adjournment

Ms. Abrams made a motion, which Mr. James seconded, to adjourn the meeting at 1:30 p.m. The motion passed.

Approved by:

Signature on File
Asst. Secretary
RECOMMENDATION TO THE UNIVERSITY OF LOUISVILLE MEDICAL SCHOOL FUND, INC. MEMBERS CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDING JUNE 30, 2011 AND INDEPENDENT AUDITOR’S REPORT

November 10, 2011

RECOMMENDATION:

The President recommends that the Members approve the attached financial statements for the period ending June 30, 2011 and Independent Auditor’s Report.

Board Action:

Passed: ___ X ___
Did Not Pass: ______
Other: ______
Date: __________

Signature on File
Assistant Secretary
UNIVERSITY OF LOUISVILLE MEDICAL SCHOOL FUND, INC.

Accountants' Report and Financial Statements
June 30, 2011 and 2010
UNIVERSITY OF LOUISVILLE MEDICAL SCHOOL FUND, INC.

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Management's Discussion and Analysis (Unaudited)........................................2
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Notes to Financial Statements.........................................................................9
Independent Accountants' Report on Financial Statements
and Supplementary Information

Board of Directors
University of Louisville Medical School Fund, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of the University of Louisville Medical School Fund, Inc. (Medical School Fund) as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Medical School Fund’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1, the Medical School Fund’s policy is to prepare its financial statements on a modified cash basis, which is a comprehensive basis of accounting, other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Medical School Fund as of June 30, 2011 and 2010, and the respective changes in balance due to the Dean’s Fund for the years then ended, on the basis of accounting described in Note 1.

The accompanying management’s discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bkd, llp

September 28, 2011
UNIVERSITY OF LOUISVILLE MEDICAL SCHOOL FUND, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

INTRODUCTION

The following discussion provides an overview of the assets, liabilities, and changes in balance due to the Dean’s Fund of the University of Louisville Medical School Fund, Inc. (the Medical School Fund) for the years ended June 30, 2011, 2010, and 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements and related notes, which follow this section.

ORGANIZATION AND ACTIVITIES OF THE MEDICAL SCHOOL FUND

The Medical School Fund is a Kentucky not-for-profit corporation organized exclusively to benefit the academic endeavors of the University of Louisville School of Medicine (School of Medicine). The Medical School Fund provides financial support to the School of Medicine through the collection of a percentage of professional practice income from the full-time clinical and basic sciences faculty employed by the School of Medicine.

The purpose and duties of the Medical School Fund are to:

- monitor and account for the Dean’s Fund collections,

- remit all collections to the Dean’s Fund of the University of Louisville Research Foundation, Inc. within thirty days of receipt,

- provide a forum for discussing academic practice-related issues and the continued equity of the professional practice plan, and

- provide an annual report of its activities to the Board of Directors of the Medical School Fund and the Board of Trustees of the University of Louisville.

The Medical School Fund organization is governed by its Board of Directors consisting of the Dean of the School of Medicine, clinical department chairs, and other School of Medicine faculty members. The members of the Medical School Fund are the Board of Trustees of the University of Louisville. All full-time faculty members of the University of Louisville’s School of Medicine are required to participate in the Practice Plan. The original Practice Plan was instituted in June of 1975. The current Practice Plan has been in effect since January 1, 1993.

The Medical School Fund receives a calculated share of income from the various practice groups as remitted through departmental entities associated with the School of Medicine. Departmental entities are not-for-profit corporations established within the School of Medicine to coordinate the collection of financial support from the faculty practice groups in accordance with the Practice Plan.
USING THE FINANCIAL STATEMENTS

The Medical School Fund financial report includes two financial statements: the Statements of Assets and Liabilities and the Statements of Changes in Balance Due to the Dean’s Fund. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles as prescribed by GASB Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis – for State and Local Governments, as amended by GASB Statement No. 37.

The Medical School Fund is considered a fiduciary fund that serves in a custodial capacity for the primary purpose of receiving and disbursing funds to benefit the University of Louisville’s School of Medicine. The Medical School Fund’s financial statements are reported separately as an agency fund and are not part of the financial statements of the University of Louisville.

The Medical School Fund’s financial statements are reported on the modified cash basis of accounting. Total receipts consist of contributions to the Medical School Fund from the Practice Plan and the interest earned from the temporary deposit of these contributions.

All contributions plus investment earnings are disbursed to the Dean’s Fund of the University of Louisville Research Foundation, Inc. Since the Medical School Fund disburses all collections and interest in its custodial capacity, any undistributed collections are classified as liabilities of the Medical School Fund.

FINANCIAL HIGHLIGHTS

STATEMENTS OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS)

The Medical School Fund’s Statement of Assets and Liabilities as of June 30, 2011, 2010, and 2009 is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS: Cash</td>
<td>2011</td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td>$ 337</td>
<td>$ 188</td>
<td>$ 498</td>
</tr>
<tr>
<td>LIABILITIES: Due to the Dean’s Fund</td>
<td>2011</td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td>$ 337</td>
<td>$ 188</td>
<td>$ 498</td>
</tr>
</tbody>
</table>

As of June 30, 2011, the Medical School Fund held $337 thousand of cash on deposit compared to $188 thousand and $498 thousand as of June 30, 2010 and 2009, respectively. The change in balance is due to the timing of cash received from the Practice Plans.
The total cash held on deposit is due and payable to the Dean’s Fund within thirty days of receipt and is reported as a liability as of June 30, 2011, 2010 and 2009.

**Statements of Changes in Balance Due to the Dean’s Fund (Modified Cash Basis)**

The purpose of these statements is to provide a summary of activity affecting the liability due to the Dean’s Fund for the fiscal years ended June 30, 2011 and 2010. The Medical School Fund’s two sources of cash are the contributions from the Practice Plan and the interest received while the funds are temporarily on deposit.

As an agency fund, the Medical School Fund does not earn profits or own assets that would result in an accumulation of net assets as defined by financial reporting standards. Its sole purpose is to collect and disburse funds as specified by the Practice Plan for the Dean’s Fund.

The Medical School Fund’s Statements of Changes in Balance Due to the Dean’s Fund for the years ended June 30, 2011, 2010, and 2009 is presented below (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance due to the Dean's Fund - beginning of year</td>
<td>$188</td>
<td>$498</td>
<td>$417</td>
<td>$(310)</td>
<td>$81</td>
</tr>
<tr>
<td>Receipts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions collected from the Practice Plan</td>
<td>3,966</td>
<td>3,231</td>
<td>3,373</td>
<td>735</td>
<td>(142)</td>
</tr>
<tr>
<td>Interest income</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Total receipts</td>
<td>3,967</td>
<td>3,232</td>
<td>3,375</td>
<td>735</td>
<td>(143)</td>
</tr>
<tr>
<td>Disbursements:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributions to the Dean's Fund of the University of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Louisville Research Foundation, Inc.</td>
<td>(3,795)</td>
<td>(3,542)</td>
<td>(3,294)</td>
<td>(253)</td>
<td>(248)</td>
</tr>
<tr>
<td>Professional fees</td>
<td>(23)</td>
<td>-</td>
<td>-</td>
<td>(23)</td>
<td>-</td>
</tr>
<tr>
<td>Total disbursements</td>
<td>(3,818)</td>
<td>(3,542)</td>
<td>(3,294)</td>
<td>(276)</td>
<td>(248)</td>
</tr>
<tr>
<td>Balance due to the Dean's Fund - end of year</td>
<td>$337</td>
<td>$188</td>
<td>$498</td>
<td>$149</td>
<td>$(310)</td>
</tr>
</tbody>
</table>
RECEIPTS

For the fiscal year ended June 30, 2011, total collections received by the Medical School Fund from the Practice Plan amounted to $4.0 million, $0.8 million more than the $3.2 million reported for the year ended June 30, 2010.

The receipts for the year ended June 30, 2010 were $0.2 million less than the $3.4 million reported for the year ended June 30, 2009. The receipts have fluctuated only slightly over the past three fiscal years.

INTEREST RECEIVED ON DEPOSIT OF FUNDS

Due to continued low interest rates over the past fiscal year, interest earnings received remained about the same as compared to the prior year. Interest reported for each of the years ended June 30, 2011 and 2010 amounted to $1 thousand.

During the year ended June 30, 2009, the interest earnings were approximately $2 thousand dollars.

DISBURSEMENTS TO THE DEAN’S FUND

For the fiscal year ended June 30, 2011, the Medical School Fund remitted $3.8 million to the Dean’s Fund as compared to $3.5 million and $3.3 million for the years ended June 30, 2010 and 2009, respectively.

CHANGE IN AMOUNTS DUE TO THE DEAN’S FUND

As of June 30, 2011, the net liability increased by $149 thousand. Cash paid to the Dean’s Fund during the year ended June 30, 2011 amounted to $3.8 million. This included the $0.2 million payable on June 30, 2010 plus $3.6 million of current year collections and interest. The remaining $0.3 million cash collected in fiscal year 2011 will be paid in fiscal year 2012.

THE DEAN’S FUND

In accordance with the Practice Plan provisions, the Dean of the School of Medicine must provide an annual report of the Dean’s Fund expenditures used during the fiscal year and report on the proposed use of the Dean’s Fund for the upcoming academic year.

For the year ended June 30, 2011, the Dean reported that 54% of the Dean’s Fund was used to support the Dean’s Office. The remaining 46% was used to support various departments, core labs, and other support units in the School of Medicine. For fiscal year 2012, the Dean proposes to use the funds in a similar manner as they were used in fiscal year 2011.
ECONOMIC FACTORS IMPACTING FUTURE PERIODS

The major factor that would affect future contributions to the Medical School Fund is faculty participation in clinical practice and their annual revenues generated from clinical services. Approximately six hundred full-time faculty members participate in the Practice Plan. Approximately 50% of all members generate clinical and basic science practice income that requires a contribution to the Dean’s Fund.
University of Louisville Medical School Fund, Inc.

Statements of Assets and Liabilities
(Modified Cash Basis)

June 30, 2011 and 2010

(In Thousands)

<table>
<thead>
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</tbody>
</table>

See notes to the financial statements
## Statements of Changes in Balance Due to the Dean’s Fund
(Modified Cash Basis)

Years Ended June 30, 2011 and 2010

(In Thousands)

<table>
<thead>
<tr>
<th></th>
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<th>2010</th>
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See notes to the financial statements
1. Summary of Significant Accounting Policies

The University of Louisville Medical School Fund, Inc. (the Medical School Fund) is a non-stock, not-for-profit corporation affiliated with the University of Louisville (the University). The Medical School Fund was organized for the purpose of benefiting and furthering the academic endeavors of the University of Louisville School of Medicine, including the provision of financial support. The significant accounting policies of the Medical School Fund are described below:

a. Basis of Presentation

The financial statements of the Medical School Fund are prepared on the modified cash basis of accounting. Therefore, certain receivables and payables, which may be material, are not reflected in the accompanying financial statements. The statement is not intended to present the statements of assets and liabilities and changes in balance due to the Dean’s Fund in conformity with accounting principles generally accepted in the United States of America. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles as prescribed by GASB Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis – for State and Local Governments, as amended by GASB Statement No. 37.

The Medical School Fund is considered a fiduciary fund that serves in a custodial capacity for the primary purpose of receiving and disbursing funds to benefit the University of Louisville’s School of Medicine. The Medical School Fund financial statements are reported separately as an agency fund and are not part of the financial statements of the University of Louisville.

b. University of Louisville School of Medicine Practice Plan (the Plan)

The Plan requires each clinical department of the University of Louisville School of Medicine to establish a departmental entity, which bears the financial obligation pursuant to the Plan. The departmental entity must receive contributions from the faculty practice groups and remit the contributions as specified in the Plan.

The faculty practice groups remit funds in two forms. The first portion, Academic Program Support, as defined in the Plan, is remitted directly to the University of Louisville Research Foundation, Inc. (Research Foundation) to support the academic
programs in the clinical departments. The second portion, the Dean's Fund, as defined in the Plan, is collected by the Medical School Fund from the departmental entities and remitted, within thirty days following receipt, to the Research Foundation. This portion is used by the Dean to provide additional support for the clinical, academic programs, and other activities of the Medical School.

Pursuant to the Plan, all faculty in clinical departments are required to practice through an approved faculty practice group which has a contractual obligation to the departmental entity for a portion of the Plan assessment. The faculty practice group must verify the gross practice income of its members. The Medical School Fund is authorized to audit or otherwise verify the amount received from the departmental entity.

c. **Cash**

The Medical School Fund’s cash deposits with a commercial bank are federally insured up to $250,000. At June 30, 2011, the Medical School Fund’s interest bearing cash accounts exceeded the federally insured limits by approximately $87,000.

d. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts, disbursements, and other changes in balance due to the Dean’s Fund during the reporting period. Actual results could differ from those estimates.

2. **Relationship with University of Louisville**

The Medical School Fund is administered by the University at no cost to the Medical School Fund for the benefit of the University of Louisville School of Medicine.

3. **Tax Status**

The Medical School Fund has received a favorable determination letter from the Internal Revenue Service exempting it from federal income taxes under §501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation.