3.10.3 The institution exercises appropriate control over all its financial resources.

The University of Louisville (UofL) exercises appropriate control over all of its finances. The Board of Trustees (BOT) oversees the university's system of internal control of financial resources. As specified in *The Redbook* 1.1.1, the Board adopts a budget annually [1]. *The Redbook* Section 2.1.2 states that the university president is the chief administrative and educational officer of the university [2]. The president prepares annual operating budgets [3] and recommends them to the BOT after consultation with appropriate university units and their administrators. The president also recommends a biennial budget [4] to the Kentucky Council on Postsecondary Education (CPE), with the approval of the BOT, and modifications of the budgets, as needed, to the Board of Trustees of the university.

In January 2017, Acting President Neville Pinto announced several interim appointments. To address the vacancy of the Senior Vice President for Finance and Administration, he established three interim positions: Chief Administrator Officer (CAO), Chief Financial Officer (CFO), and Chief Operations Officer (COO) [5]. The Chief Administrator Officer (CAO) reports directly to the president of the university and has oversight and managerial responsibility for all financial areas, including internal audit, and for human resources. The Chief Financial Officer (CFO) reports up through the CAO, and all of the unit-based Lead Fiscal Officers report up through the CFO. The Chief Operations Officer (COO) is responsible for Information Technology, Business Services, Facilities Management, and Public Safety. The Executive Vice President and University Provost also reports to the president and oversees strategic planning and budgeting in addition to academic duties [6].

Budget and Financial Planning

Since 1970 the university has employed a hybrid form of incremental budgeting to develop its annual general fund operating budget. General funds include state appropriations, tuition revenue, and other funds that can be used for any unrestricted purpose. Other components of the total operating budget for the university such as activities housed in the University of Louisville Research Foundation Inc. (ULRF), University of Louisville Foundation (ULF) Inc., and the University of Louisville Athletic Association Inc. (ULAA) are derived primarily using a "program budgeted" approach. This budgeting technique employs a projection of revenue for each activity with expenditures not to exceed revenues. The annual operating budget process includes meeting with university constituencies, identifying university-wide budget priorities and issues, and determining and disseminating overall budget guidelines to the university community [7].

The university's budget development and financial planning process includes preparation and oversight of the university's general fund and non-general fund budgets. The process includes the preparation and oversight of the budget for funds provided by the UofL Foundation (ULF). The ULF has been designated by the university to receive funds derived from gifts and other sources, including funds held in trust.

The president reviews the budget and presents it to the university's Board of Trustees with a recommendation for adoption. The Board of Trustees has final authority for approving all annual budgets.

Procurement and Expenditures

The university follows KRS 164A.560 [8], which authorizes public institutions of higher education and their affiliated corporations to perform the functions of acquisition of funds, accounting, purchasing, and capital construction. The department of purchasing derives its authority to sign contracts on behalf of the university from the Board of Trustees and from the Boards of the affiliated corporations, as regulated by KRS 164A.560.

External Audits

Per state statute KRS 164A.570 [9], the financial records for the university and its affiliated corporations are audited annually in accordance with Generally Accepted Accounting Standards (GAAS). Along with auditing the financial statements of the university and its affiliates, the external auditors evaluate the internal controls over financial activities. The results of the audit and internal control evaluation are communicated to the university and to the Audit Committee of the Board of Trustees. The Audit Committee reviews the results of the audit and recommends approval to the full Board of Trustees. Deficiencies that are considered significant, individually, or in the aggregate, are communicated in the form of a management letter. When control deficiencies are identified, the university administration reviews the issue and identifies the cause of the problem. Corrective action is identified and is included in the issued management letter and labeled as the "Management's Response," which is also communicated to the BOT committees. The university's most recent audit for the fiscal year ended June 30, 2016, did not identify any significant control deficiencies [10].

Internal Audit

The university maintains an internal audit function that reports functionally to the Chief Administrative Officer and administratively to the Board of Trustees Audit Committee. The function is governed by a board-approved charter and is charged with conducting routine and ad hoc reviews of internal controls of the university and its statutory affiliates, as well as assessing overall enterprise risk. The results of individual reviews, including findings, recommendations, management response, and action plans, are published to the Chief Administrative Officer, administration of the responsible department, and the Compliance Oversight Council (COC), a committee made up of senior administrators that provides an infrastructure to facilitate ongoing assurance that the institution is complying with internal and external laws, regulations, policies, and procedures. Pending issues are tracked until action plans are completed and the implementation is verified by internal audit staff. A summary of the status of pending issues is published bi-monthly to the Chief Administrative Officer and the COC.

Cash and Short-Term Investments

Financial control of cash assets begins with receipt of any negotiable instrument throughout the university, including cash, checks, or credit card payments. The university has delegated the responsibility of establishing cash handling procedures to the Controller, currently reporting to the Chief Financial Officer. This responsibility includes enforcing these policies and procedures, requiring establishment and maintenance of appropriate records, and performing periodic audits. The Controller's Office also establishes and authorizes banking accounts to be used for university finances.

Internally managed short-term funds are those funds for which use and disbursement are anticipated to occur within one to three years. The objective is to achieve and maintain a high degree of safety and liquidity and to maximize investment income based on investment strategies for repurchase agreements, money market funds, mutual funds, United States Treasury bills, and certificates of deposits. All short-term investments are subject to documented limitations. The Short-Term Investment Policy is implemented in accordance with Kentucky regulations related to type and term of instruments purchased on behalf of the university [11]. The Controller's Office is responsible for the day-to-day management of the investment of short-term funds and reports to the board on the status of the funds when requested. The university's Short-Term Investment Policy was revised in the spring of 2016 with the provision that the BOT would be updated as requested. In response to the Kentucky State Auditor's review, the university is instituting a routine, annual reporting on short-term investments as part of overall financial reporting.

Gifts and Endowments

University Advancement is the university's fundraising unit. It solicits, receives, and records gifts from donors. Endowment donations are invested in various asset classes and are intended to last in perpetuity. After the funds have been invested for one calendar year a portion of the income is available for use by university units based on the annual spending policy for endowments approved by the UofL Foundation's (ULF) Board of Directors. The ULF Accounting Department calculates the spending policy, and the amount is available to the units beginning in July. This amount is communicated to the university and loaded into the budget system, which makes it available for spending. The university is reimbursed by the foundation as the budget is spent. Amounts that are not spent remain invested by the foundation at the end of the year.

Financial Transactions (as listed in 1/27/17 letter)

Dr. Wheelan's letter referenced the Kentucky State Auditor's Report and identified items of concern related to Comprehensive Standard 3.10.3. Additional information related to the Voluntary Separation Plan and the two agreements with the University of Louisville Foundation and the University of Louisville Real Estate Foundation follow.

Auditor Finding #2: Voluntary Separation Incentive Program (VSIP)

In spring of 2013, UofL announced a Voluntary Separation Incentive Program (VSIP) that would provide eligible faculty and staff a financial incentive to separate from employment status with the University [12]. The primary goals of the VSIP were threefold:

- At a time when state funding had been reduced, it enabled the university to reduce salary expenditures, which in turn helped the university to limit tuition increases, support strategic investments, and support salary increases for faculty and staff.
- It rewarded dedicated faculty and staff who have worked for years in support of UofL and who were interested in retirement but needed some assistance in making a transition from active employment to retirement.
- It provided senior leadership with the strategic opportunity to reorganize and reallocate faculty and staff positions across the university.

Table 1 details the program's incentives and separation dates.

Table 1. Voluntary Separation Incentive Program for Eligible Employees

Voluntary Separation Incentive Program for Eligible Employees			
Employee Type	**Incentive Pay**	**Health Plan**	**Separation from University**
Faculty	12 Months of Annual Base Salary	All employees who have not reached age 65 may continue to participate in the University's health plan until they become Medicare eligible. University will pay 50% of the health plan subsidy that applies to regular full-time employees for up to three years.	Generally will separate within 12 months of VSIP Activation Date
Administrators and Staff	6 Months of Annual Base Salary	All employees who have not reached age 65 may continue to participate in the University's health plan until they become Medicare eligible. University will pay 50% of the health plan subsidy that applies to regular full-time employees for up to three years.	Generally will separate within 6 months of VSIP Activation Date

The projected total savings from the VSIP initiative to the university's general fund was about $7.3 million. The total savings are cumulative from FY 2013 to FY 2016.

The pool of funds that could be used to support the VSIP buy-outs differed based upon the classification of the individuals who participated in the VSIP program. Faculty tenure rights could be bought out using either general or restricted funds; however, the university could not expend general fund dollars for the staff portion of the VSIP buy-outs, beyond payments for accrued sick and/or vacation leave, based upon the strict interpretation of Section 3 of the *Kentucky Constitution* (specifically, the private emoluments clause), which prevents the payment of state dollars to individual employees without receiving consideration in turn, either in the form of services or something else of value such as a release. In the case of faculty, the purchase of contractual tenure-rights meets that requirement. Specifically, the text of Section 3 is as follows, with the relevant language underlined:

> Section 3. Men are equal – No exclusive grant except for public services – Property not to be exempted from taxation – Grants revocable. All men, when

they form a social compact, are equal; <u>and no grant of exclusive, separate public emoluments or privileges shall be made to any man or set of men, except in consideration of public services</u>; but no property shall be exempt from taxation except as provided in this Constitution, and every grant of a franchise, privilege or exemption, shall remain subject to revocation, alteration or amendment. *Text as ratified on: August 3, 1891, and revised September 28, 1891. History: Not yet amended. Private and local legislation prohibited, Const. 59; Property exempt from taxation, Const. 170.*

For this reason, the university employed ULF funds to achieve the goals of the staff portion of the VSIP.

Auditor Finding #4: Financial Transactions between UofL and ULF and ULREF

As noted in the Kentucky State Auditor's report, there were two agreements involving UofL and the UofL Foundation, one in 2014 and one in 2015.

The University of Louisville Board's of Trustees (BOT) regularly delegates and assigns signature authority to the university president and other officers to execute contracts on behalf of the university. The resolution approved by the BOT on February 16, 2017, granting this authority states:

> **WHEREAS,** the Interim President, or his designee (appropriately documented), Acting Executive Vice President/Provost, Interim Chief Administrative Officer, Interim Chief Financial Officer, Interim Chief Operating Officer, Interim Associate Vice President for Finance/Controller, and Director of Purchasing are officers or agents of the University of Louisville and are empowered to execute contracts on behalf of the University of

Louisville pursuant to their respective administrative duties, including contracts with federal and other governmental agencies.

The BOT resolutions for the signature authority of President James Ramsey, 2001 [13]; Acting President Neville Pinto, 2016 [14]; and Interim President Gregory Postel 2017 [15] and their respective deputies are provided.

As discussed in note 4 of the UofL and Affiliated Corporations Auditor's Report and Financial Statements for FY 2013-2014 [16], the university entered into a Memorandum of Agreement for a loan of $29 million to the ULF. This agreement, dated June 27, 2014 [17], was a one-year loan and was signed by former UofL president Dr. James Ramsey; Jason Tomlinson, ULF Chief Financial Officer (CFO); and Susan Howarth, the UofL Associate Vice President for Finance. In the agreement, the university loaned funds to the Foundation to support real estate activities related to the university's strategic goals as outlined in the UofL 2020 Plan and Tactical Goals [18]. In return, the university received 1 percent interest from ULF. According to the university's FY 2015 audited financial statements, the 2014 loan was fully repaid as of June 30, 2015 [19].

As discussed in note 5 of the UofL and Affiliated Corporations – Auditor's Report and Financial Statements for FY 2015-2016 [20], the university entered into a memorandum of agreement for a loan of $38 million to the ULREF, an affiliate organization of ULF, in the amount of $38 million. This agreement, dated July 1, 2015 [21], was a three-year loan and was signed by Dr. James Ramsey and Mr. Jason Tomlinson. Mr. Tomlinson also served as assistant treasurer to the UofL Real Estate Foundation (ULREF). The terms of this MOA included a 1 percent interest return to the university. The ULREF repaid $28.2 million of the loan during fiscal year 2016, leaving a balance of $9.8 million as of June 30, 2016 per the repayment schedule.

The ULREF was established in 2014 to provide infrastructure for future acquisition, development, and management of real estate, primarily on the university's Belknap campus but also throughout the city, in support of the university. It also was established to help shield the endowment from potential liability for injuries or claims arising out of or on any of the properties.

Each agreement included an analysis of the financial benefit [22] to the university and to the foundation. The university always has cash reserves and must determine what, if anything, to do with that cash. There are times in which the loaning of the cash on a short-term basis is a good investment. In the case of the two separate loans of $29M and $38M respectively, the money was loaned to the ULF to enable the ULF to purchase properties for the ultimate benefit of the university. Some of the property the university already occupied under lease agreements through the ULF, and the loans allowed for the purchase of the property. The university was able to loan the money at a lower rate than the ULF would otherwise pay to a lending institution. In return the university not only collected interest but it also had the ability to use the land purchased for its benefit.

See Comprehensive Standard 3.2.13 for a discussion of the use of the funds and the relationship of the loans to the university's mission.

Summary

The institution's control over its financial resources is extensive and comprehensive. UofL's financial position is strong. As mandated by KRS 164A.570, the university hires a qualified firm of certified public accountants to perform an annual examination of the institution, which ensures a regular cross-check of stability. Institutional revenues continue to grow despite recurring reductions in state general fund appropriations. As illustrated in Table 2, the university's total net position is positive.

Table 2 –University's Net Position from FY 2014 to FY 2016

Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position present the University's results of operations. Condensed statements of the University's revenues, expenses and changes in net position for the years ended June 30, 2016, 2015 and 2014, are summarized on the following page.

Condensed Statements of Revenues, Expenses and Changes in Net Position
Years ended June 30, 2016, 2015, and 2014
(In Thousands)

	2016	2015	2014	2016 - 2015 Change	2015 - 2014 Change
OPERATING REVENUES					
Student tuition and fees, net	$ 209,503	$ 209,834	$ 209,442	$ (331)	$ 392
Clinical services and practice plan	269,305	252,446	227,858	16,859	24,588
Grants and contracts	103,416	90,135	91,886	13,281	(1,751)
Facilities and administrative cost recoveries	24,611	22,596	21,965	2,015	631
Other	102,734	93,329	81,262	9,405	12,067
Total operating revenues	709,569	668,340	632,413	41,229	35,927
OPERATING EXPENSES					
Depreciation	51,295	53,339	56,333	(2,044)	(2,994)
Other	959,370	911,024	817,350	48,346	93,674
Total operating expenses	1,010,665	964,363	873,683	46,302	90,680
NONOPERATING REVENUES (EXPENSES)					
State appropriations	142,213	140,744	147,256	1,469	(6,512)
Other nonoperating revenues	171,794	168,052	92,164	3,742	75,888
Total nonoperating revenues	314,007	308,796	239,420	5,211	69,376
Increase/(decrease) in net position	12,911	12,773	(1,850)	138	14,623
Net position - beginning of year	706,580	693,807	695,657	12,773	(1,850)
Net position - end of year	$ 719,491	$ 706,580	$ 693,807	$ 12,911	$ 12,773

Source: UofL Consolidated Financial Statement FY 2015-16

As it relates to financial control at the institution, the UofL BOT regularly delegates and assigns signature authority to the university president to execute contracts on behalf of the university. As discussed earlier in 3.10.3, the president and authorized university administrators regularly sign financial agreements beneficial to UofL based on this delegated board authority. Also, UofL and the ULF conduct regular board orientations to ensure that members are aware of their legal and fiduciary responsibilities [23] [24].

Supporting Documentation

[1] *Redbook* 1.1.1, Board Adopts Annual Budget

[2] *Redbook* 2.1.2, Powers and Duties of the President

[3] UofL 2015-2016 Operating Budget – Table of Contents

[4] 2016-18 UofL Biennial Budget Request to the State

[5] Pinto Email on Interim Appointments

[6] UofL Organizational Chart 2017

[7] UofL FY 2017-18 Budget Development

[8] KRS 164A.560, Purchasing

[9] KRS 164A.570, Annual Audit

[10] UofL Audited Consolidated Financial Statement FY 2016

[11] Short Term Investments Guidelines

[12] Voluntary Separation Incentive Program (VSIP)

[13] Signature Authority 9-24-2001 (Ramsey)

[14] Signature Authority 9-22-2016 (Pinto)

[15] Signature Authority 2-16-2017 (Postel)

[16] Note 4 –FY 2013-14 UofL Audited Financial Statement, Page 37

[17] 2014 Memorandum of Agreement – University Receivable from ULF

[18] UofL 2020 Plan and Tactical Goals: 2014-15

[19] Note 4 –FY 2014-15 UofL Audited Financial Statement, Page 34

[20] Note 5 - FY 2015-16 UofL Audited Financial Statements, Page 37

[21] 2015 Memorandum of Agreement - University Receivable from the UofL Real Estate Foundation

[22] MOA Financial Benefits to the University Resulting from Loans to ULF/ULREF

[23] UofL Board of Trustees, Orientation

[24] ULF Board of Directors Orientation

Sec. 1.1.1 Powers of the Board

In accordance with the statutory authority of the Commonwealth of Kentucky, the Board of Trustees of the University of Louisville shall exercise final jurisdiction over the University. It shall select the President of the University; and upon recommendation of the President, it shall make all appointments to the faculty and all appointments of individuals in administrative capacities who serve at the pleasure of the Board. The Board of Trustees shall adopt a budget annually for the ensuing year and grant all degrees conferred by the University.

Sec. 2.1.2 Powers and Duties of the President

The President's functions are as follows:

A. To be the chief administrative and educational officer of the University and to perform such other duties and have such other powers as may from time to time be prescribed by the Board of Trustees.
B. To make overall policy for all aspects of the academic and other functions of the University, coordinating with whatever individuals, groups, or organizations may be required.
C. To recommend major policies and other major actions to the Board of Trustees for its final action and to be the official medium of communication between the Board of Trustees and the various segments of the University and their official bodies.
D. To make final decisions for which the office has received delegated responsibility over a wide range of activities from the Board of Trustees; such actions are ordinarily taken after consultation with various concerned individuals, groups, or organizations.
E. To enforce the rules and regulations of the University.
F. To establish and make changes in the administrative structure and table of organization of the University after consultation with individuals or groups when the matter relates to their sphere of responsibility.
G. To recommend to the Board of Trustees all personnel actions, including tenure decisions, concerning faculty members and administrators and to make final decisions concerning all other personnel actions.
H. To prepare annual budgets and recommend them to the Board of Trustees of the University after consultation with appropriate units of the University and their administrators; to recommend a biennial budget to the Council on Higher Education with the approval of the Board of Trustees; to recommend modification of the budgets as needed to the Board of Trustees of the University.
I. To appoint University-wide committees.
J. To manage the University through officials that report to the Office of the President.
K. To provide leadership in the development of academic instructional, research, and service programs by making initiatives to the Faculty Senate and to the faculties of academic units and their planning committees concerning such programs, and any other possible changes in curriculum or academic policies which are the responsibility of the faculty.
L. To serve ex officio as a member of all faculties and all faculty committees, to call and preside over the meetings of the University Congress and such advisory groups as the President chooses to appoint, and at his or her discretion to call meetings of the faculties of the colleges and schools of the University.
M. To be responsible for all University functions relating to student affairs and the life of students at the University, as well as intramural and extramural or intercollegiate athletics.

N. To arrange for the President's signature to appear on all diplomas issued by the University, either in the original or by facsimile.
O. To be responsible for all aspects of the relations of the University to the community and for providing information about the activities of the University.
P. To be responsible for public services of the University, including hospital and clinic affiliations.
Q. To maintain continuing relations with governmental agencies at city, county, state, and federal levels as required by the mission of the University.
R. To be responsible for relations of the University with alumni.
S. To be responsible for raising funds from the federal government, state and local public sources, corporations, private individuals, foundations, and other sources.
T. To supervise programs for constant maintenance and improvement of their quality, for the effectiveness of their services to students, for the adequacy of research, and for their accountability to the people of the Commonwealth of Kentucky, to the students, and to grantors or donors.
U. To be responsible for the University role in construction and renovation, in maintenance of buildings and grounds, in the acquisition of essential new facilities, equipment, and library materials, and in space allocation and utilization.
V. To prepare and submit to the Board of Trustees an annual report upon the work and general status of the University.
W. The President may delegate to the University Provost, the appropriate vice president or others the responsibility for carrying out any of the above functions.





OPERATING BUDGET

2015 | 2016

UofL


3.10.3 fn03

UNIVERSITY OF LOUISVILLE

FY 2015-16

OPERATING BUDGET

Dr. James Ramsey
President

Dr. Neville Pinto
Interim Executive VP and Provost

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UNIVERSITY OF LOUISVILLE

2016-18 KENTUCKY BRANCH BUDGET
Agency Budget Request Overview Report

Governmental Branch: Executive
Cabinet/Function: Postsecondary Education
Agency: Postsecondary Education Institutions
Appropriation Unit: University of Louisville

The University of Louisville (UofL) is a state-supported university located in Kentucky's largest metropolitan area. The Louisville area continues to be one of the largest and most dynamic urban locations in the region. UofL is actively engaged in the community as a leader in the educational, economic, and social well-being of the Commonwealth's citizens.

The University's state mandated goal, as detailed in the *Kentucky Postsecondary Education Improvement Act of 1997* (House Bill 1), is to become a premier, nationally recognized metropolitan research university. To achieve this goal, UofL launched its *2020 Plan - Making it Happen*, which seeks to advance the University's mission by having:

- The ***courage*** to question convention.
- The ***passion*** to break new ground.
- The ***insight*** to champion community.
- The ***imagination*** to pursue the undiscovered.
- The ***will*** to achieve greatness.
- The ***promise*** of a limitless future.
- The ***people*** to bring it to life.

In late 2012, the University announced the 21st Century University Initiative, which is a broad-based, campus-wide initiative to re-energize and expand on the 2020 Plan. The 21st Century Initiative is built on:

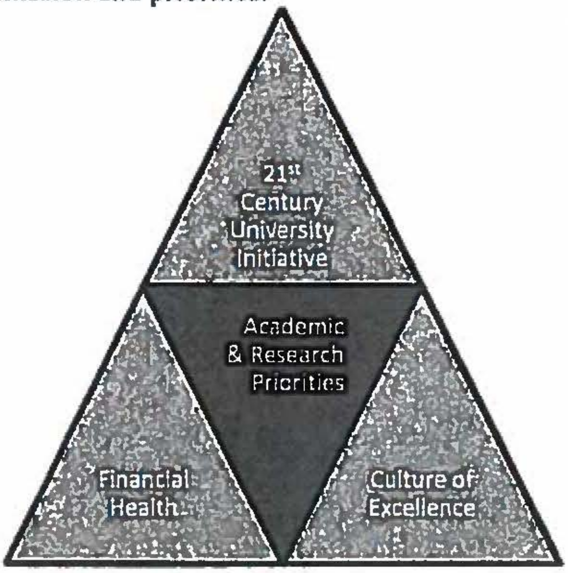
- An uncompromising focus on excellence in academic and research;
- Clear actions to achieve university goals; and
- A timeline for implementation.

Under the 21st Century Initiative, the university will pursue 10 strategic initiatives organized within three closely connected categories:

- Academic & Research Priorities
- Culture of Excellence
- Financial Health

These categories can be viewed as four triangles within one triangle, as shown in the following graph. Central to the mission of the university is its "Academic and Research Priorities." The University exists to educate students, conduct research, and provide community service. It is the middle triangle standing on its apex. On its own, it will fall over. The three other triangles—

financial health, culture of excellence, and 21st Century Initiative—support the university's academic mission and priorities.



Each of these categories is outlined in the following sections.

Academic & Research Priorities

UofL is committed to promoting advancements in academic and research.

Academic Priorities

Our academic priorities focus on improving learning for all students. UofL has already made significant strides. For example:

- The number of baccalaureate degrees conferred has increased from 1,734 in 1998-99 to 2,832 in 2014-15, which represents a 63.3 percent increase.
- The 6-year graduation rate for the fall 2009 cohort was 52.9 percent which represents a 19.7 percentage point increase over the fall 1998 cohort rate of 33.2.
- The freshman to sophomore persistence rate for the fall 2014 cohort was 79.4 percent, compared to 64.0 percent for the fall 1998 cohort.
- The 2015 freshmen class had 2,736 (full-time) students with an average ACT composite score of 25.5. Last year the University led the state in the number of Fulbright scholars and had the only Truman Scholar in Kentucky.

To continue improving, the University's academic priorities include the following initiatives:

- **Empowering Undergraduate Learning** through enriched curricula, outstanding pedagogy, enhanced learning experiences, and world-class learning spaces, provide the very best educational experience to our undergraduate students.
- **Creating an Environment for Student Success** will focus on adoption of best practices and evidence-based strategies to increase the academic success of all our students, with a particular focus on broadening opportunity for those who have been underserved.
- **Excellence in Graduate & Professional Education** will focus on providing enhanced learning and research experiences to our graduate and professional students.

Research Priorities

UofL remains at the regional forefront in research activity and research funding. UofL, for example, recently became one of only three institutions in the United State to be designated a Research Evaluation and Commercialization Hub (REACH), which included a $3 million award from the National Institutes of Health.

Research priority areas include:

- **Translational research** takes research findings and turns them into applicable technologies and products quickly and efficiently.
- **Investing in Competitive Multidisciplinary Areas of Strength** with targeted investments in selected multidisciplinary areas of research that address major societal needs and in which we are nationally prominent.
- **Investing in Emerging Research & Creative Areas** with institutional investments in additional multidisciplinary areas of research and creativity, to build a broad and deep base of scholarly excellence at the university.

UofL also supports public-private research endeavors by providing operational support to companies seeking to commercialize promising new technologies. The Nucleus building, for example, on the J.D. Nichols Campus for Innovation and Entrepreneurship provides space for UofL researchers, entrepreneurs, and innovative companies to come together and cultivate new products and ideas. These partnerships give private companies the ability to focus on commercial activities with the goal of job creation in the area.

Culture of Excellence

To promote a supportive, rewarding, and high-performing culture, the University has the following initiatives:

- **Equity, Fairness and Recognition** - Along with efforts to establish excellence in research and teaching, the university will strive to develop a culture that values and rewards its employees for outstanding performances and recognizes their unique contributions to students and the community.

- **Professional Development and Training** – To reward performance, improve service to our students, and to help employees advance in their careers, the University will offer faculty and staff enhanced opportunities to strengthen and expand their skills and knowledge through professional development.

- **Communication** – The 21st Century Initiative will rely on communication among all constituencies, including external.

Financial Health

Financial health is the key to successfully serving students and the Commonwealth of Kentucky. The University of Louisville is a careful steward of all revenues, including state appropriations and student tuition. The University seeks to allocate these limited resources in an efficient and effective manner in order to meet its long-term strategic goals.

Initiatives related to financial health include:

- **Revenue Enhancement** –The University will continue to advocate for increased state funding for higher education while pursuing a broad range of strategies to leverage demand for higher education, philanthropic support, and research. New sources of funds, such as the Tax Increment Financing districts, will also help enhance academic and research efforts.

- **Administrative Enhancement** – The University will improve the effectiveness of business operations and reduce costs where possible to ensure financial stability.

Budget Request

The following table summarizes UofL's state general fund budget request for fiscal years 2016-17 and 2017-18.

	FY 2016-17	FY 2017-18
Prior Year Appropriation	140,416,300	148,131,900
Base Budget Adjustments		
State Supported Debt Service	(1,339,400)	-
Adjusted Base Appropriation	139,076,900	148,131,900
Additional Budget Adjustments		
Strategic Investment Funds:		
Performance Funding	7,055,000	7,055,000
Special Initiatives:		
Centers for Research Excellence:		
University of Louisville portion	2,000,000	2,000,000
Total Requested Budget	148,131,900	157,186,900

For FY 2016-17, the University of Louisville requests $146,131,900 plus $2 million for the Centers for Research Excellence special initiative. For FY 2017-18, the University of Louisville requests $155,186,900 plus $2 million more for the Centers for Research Excellence. Included in each year's request is $7,055,000 for performance-based funding.

The University of Louisville also requests $33,333,000 in another round of the Bucks for Brains funding.

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2016-2018 Kentucky Branch Budget
Baseline Budget Request: Expenditure Detail Summary Record
All requested columns rounded to nearest $100

OPERATING BUDGET RECORD A1/A2	Agency: Postsecondary Education Institutions
Governmental Branch: Executive Branch	Appropriation: University of Louisville
Cabinet: Postsecondary Education	Program/Service Unit:
	Sub Program:
	Posting Unit:

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Budgeted	FY 2016-17 Requested	FY 2017-18 Requested
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	166,212,300	139,076,900	140,416,300	139,076,900	139,076,900
Mandated Allotments	0	637,800	1,034,700	0	0
Total General Fund	166,212,300	139,714,700	141,451,000	139,076,900	139,076,900
Restricted Funds					
Current Receipts	760,601,900	811,249,900	974,383,300	974,383,300	974,383,300
Total Restricted Funds	760,601,900	811,249,900	974,383,300	974,383,300	974,383,300
Federal Fund					
Current Receipts	89,525,400	84,583,500	112,770,400	112,770,400	112,770,400
Total Federal Fund	89,525,400	84,583,500	112,770,400	112,770,400	112,770,400
TOTAL FUNDS	1,016,339,600	1,035,548,100	1,228,604,700	1,226,230,600	1,226,230,600
EXPENDITURES BY CLASS					
Personnel Costs	644,045,400	681,352,000	714,876,300	714,876,300	714,876,300
Operating Expenses	298,118,300	300,942,000	343,046,800	342,012,100	342,012,100
Grants Loans Benefits	32,916,800	37,468,200	129,417,300	129,417,300	129,417,300
Debt Service	22,901,000	19,147,800	18,835,700	17,496,300	17,496,300
Capital Outlay	18,358,100	16,638,100	22,428,600	22,428,600	22,428,600
TOTAL EXPENDITURES BY CLASS	1,016,339,600	1,035,548,100	1,228,604,700	1,226,230,600	1,226,230,600
EXPENDITURES BY FUND SOURCE					
General Fund	163,678,200	139,714,700	141,451,000	139,076,900	139,076,900
Restricted Funds	763,029,500	811,249,900	974,383,300	974,383,300	974,383,300
Federal Fund	89,811,100	84,583,500	112,770,400	112,770,400	112,770,400
TOTAL EXPENDITURES BY FUND	1,016,518,800	1,035,548,100	1,228,604,700	1,226,230,600	1,226,230,600
EXPENDITURE BY UNIT					
Academic Support	100,353,100	114,514,300	141,721,500	141,721,500	141,721,500
Auxiliary Enterprises	94,245,300	103,525,000	102,181,400	102,181,400	102,181,400
Hospitals	17,788,200	637,800	1,034,700	0	0
Institutional Support	76,545,400	77,379,500	97,066,000	97,066,000	97,066,000
Instruction	298,191,500	295,126,500	374,054,900	374,054,900	374,054,900
Libraries	14,820,100	15,879,400	20,632,700	20,632,700	20,632,700
Mandatory Transfers	20,206,700	16,590,800	18,835,700	17,496,300	17,496,300
Non-Mandatory Transfers	0	9,772,000	0	0	0
Operation and Maintenance of Plant	61,663,600	63,124,800	52,242,000	52,242,000	52,242,000
Public Service	110,084,300	125,753,800	110,576,200	110,576,200	110,576,200
Research	150,822,100	147,968,000	146,088,800	146,088,800	146,088,800
Scholarships and Fellowships	41,776,700	33,765,400	131,329,900	131,329,900	131,329,900
Student Services	30,421,800	31,710,800	32,840,900	32,840,900	32,840,900
TOTAL EXPENDITURES BY UNIT	1,016,518,800	1,035,548,100	1,228,604,700	1,226,230,600	1,226,230,600

2016-2018 Kentucky Branch Budget
Baseline Budget Request: Expenditure Detail Summary Record
All requested columns rounded to nearest $100

OPERATING BUDGET RECORD A-3

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville
Program/Service Unit:
Sub Program:
Posting Unit:

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Budgeted	FY 2016-17 Requested	FY 2017-18 Requested
EXPENDITURES BY FUND SOURCE					
Federal Fund	89,811,100	84,583,500	112,770,400	112,770,400	112,770,400
General Fund	163,678,200	139,714,700	141,451,000	139,076,900	139,076,900
Restricted Fund	763,029,500	811,249,900	974,383,300	974,383,300	974,383,300
TOTAL EXPENDITURES BY FUND	1,016,518,800	1,035,548,100	1,228,604,700	1,226,230,600	1,226,230,600
EXPENDITURE CATEGORY					
Personnel Cost					
E111 Regular Salaries & Wages	496,310,500	511,294,600	556,727,600	556,727,600	556,727,600
Other Salaries & Wages	17,306,800	16,034,800	14,483,200	14,483,200	14,483,200
E121 Employer FICA	31,647,000	32,442,900	36,631,800	36,631,800	36,631,800
E122 Employer Retirement	39,413,700	40,747,300	40,982,600	40,982,600	40,982,600
E123 Health Insurance	52,770,300	54,233,700	46,121,200	46,121,200	46,121,200
Other Fringe Benefits	6,597,100	6,598,700	19,929,700	19,929,700	19,929,700
Subtotal Salaries & Fringes	644,045,400	661,352,000	714,876,300	714,876,300	714,876,300
Total Personnel Cost	644,045,400	661,352,000	714,876,300	714,876,300	714,876,300
Operating Expenses					
E210 Utilities & Heating Fuels	21,015,700	21,130,600	23,189,900	23,189,900	23,189,900
E230 Maintenance & Repairs	15,404,400	17,152,900	15,240,000	15,240,000	15,240,000
E310 Items For Resale	3,125,700	2,707,800	3,584,600	3,584,600	3,584,600
E320 Supplies	242,137,700	243,288,800	283,816,300	282,781,600	282,781,600
E360 Travel Exp and Exp Allowance	16,434,800	16,661,900	17,216,000	17,216,000	17,216,000
Total Operating Expenses	298,118,300	300,942,000	343,046,800	342,012,100	342,012,100
Grants/Loans/Benefits					
E440 Finl Assista.-Non-State Employees	32,916,800	37,468,200	129,417,300	129,417,300	129,417,300
Total Grants/Loans/Benefits	32,916,800	37,468,200	129,417,300	129,417,300	129,417,300
Debt Service					
Debt Service-General Fund	22,901,000	19,147,800	18,835,700	17,496,300	17,496,300
Total Debt Service	22,901,000	19,147,800	18,835,700	17,496,300	17,496,300
Capital Outlay					
E609 Other Capital Outlay	18,358,100	16,638,100	22,428,600	22,428,600	22,428,600
Total Capital Outlay	18,358,100	16,638,100	22,428,600	22,428,600	22,428,600
TOTAL EXPENDITURES	1,016,339,600	1,035,548,100	1,228,604,700	1,226,230,600	1,226,230,600

UNIVERSITY OF LOUISVILLE

2016-18 KENTUCKY BRANCH BUDGET
Baseline Budget Request: Program Narrative / Documentation Record

OPERATING BUDGET REQUEST FORM A-4

Governmental Branch: Executive
Cabinet/Function: Postsecondary Education
Agency: Postsecondary Education Institutions
Appropriation Unit: University of Louisville

I. PROGRAM NARRATIVE (Specific Legal Citations)

The University of Louisville was founded in 1798 and became a state institution on July 1, 1970. Under the enacted provisions of House Bill 1 (HB) in 1997, the University of Louisville was designated as a research institution with the mandate of becoming a premier metropolitan research university by 2020.

Under HB 1, the University of Louisville's mission is:

(1) Upon approval of the CPE the University of Louisville shall provide:

a. associate and baccalaureate degree programs of instruction.

b. master's degree programs, specialist degrees above the master's degree level, doctoral degree programs, and joint doctoral programs in cooperation with other public institutions of higher education.

c. professional degree programs including medicine, dentistry, law, engineering and social professions.

(2) The University of Louisville is authorized to provide programs of a community college nature in its own community comparable to those listed for the community college system as provided in this chapter.

(3) The University of Louisville shall continue to be a principal University for the conduct of research and service programs without geographical limitation but subject to the implied limitations of KRS 164.125.

II. BASELINE BUDGET REQUESTS / DOCUMENTATION

Fixed Costs:

The University's base budget includes many fixed costs. These costs reflect what is necessary just to "keep the lights on." In the past decade, diminished state support has placed an increased financial burden on the University to cover these fixed costs. In order for the University of Louisville to meet its state-mandated goal of becoming a premier metropolitan research university by 2020, the University requires a higher state base budget. The University cannot continue to rely on students and other funding sources to fund these structural costs.

Faculty and Staff Salaries:

At the University of Louisville, competitive faculty and staff compensation is critical to achieving the goals of HB1 and the University's strategic plan. Competitive compensation is necessary to attract, recruit, and retain highly qualified faculty and staff. The inability to provide adequate salary increases may contribute to poor morale among the University's faculty and staff and could encourage the University's best faculty and staff to move to other institutions and organizations.

The President and the executive Leadership Team place employee compensation high on the list of University strategic priorities. For FY 2015-16, the University provided a merit-based salary increase pool of $7.8 million to pay for salary and wage increases and associated benefits. Even with FY 2015-16's salary increase, many faculty and staff salaries remain below competitive standards. The University's Leadership advocates strongly for a multi-year salary increase approach, based on performance, to move employee pay up to competitive levels. These salary adjustments are imperative to retaining the University's best and brightest faculty and staff.

III. PERFORMANCE / RESULTS DOCUMENTATION

In order to re-energize and expand on "***The 2020 Plan,***" UofL developed a new initiative entitled the, "21st Century Initiative." This initiative assessed what actions are required to ensure the University accomplished the goals for 2020. The 21st Century Initiative is built on:

1) **An uncompromising focus on excellence in academics and research**
2) **Clear actions to achieve university goals**
3) **A timeline for implementation**

Examples include:

- UofL continues to develop the Shelby Campus; two office building complexes have been completed and a third is under construction.

- The energy-performance contract with Siemens, Inc. has enabled the university to save $12.9 million in energy costs over slightly more than six years.

- Tax-increment financing has helped fund the downtown life sciences research park.

- The FirstBuild micro-factory, a collaborative project with GE Appliances, UofL and Local Motors, just celebrated its first year of business and received the Silver Fleur De Lis Award from Greater Louisville Inc. this year.

- Cardinal Covenant, which covers the cost of tuition, room, board and books for students from families living at or below 150 percent of the poverty level, received a $1,500,000 gift from Dr. Robert and Joyce Hughes.

- University of Louisville Signature Partnership received $5,000,000 from the Mary K. Oxley Foundation.

- The Kentucky Spinal Cord injury Research Center received a three-year, $1.5 million grant from the Leona M. and Harry B. Helmsley Charitable Trust. The award will benefit Dr. Andrea Behrman's research in pediatric spinal cord injury.

Instruction:

- For the fall of 2015, there are approximately 22,599 students enrolled at the University of Louisville.

- For the 2014-15 academic year, 4,938 degrees were awarded as follows: 71 associate degrees and undergraduate certificates; 2,832 baccalaureate degrees; 1,352 master's or specialist degrees; 172 doctoral degrees; 395 first-professional degrees and 116 post-baccalaureate and post-master certificates were awarded.

Research:

- Since the passage of HB1 in 1997, UofL's strategic focus has included investment in our research enterprises. Grant and contract awards totaled $136.9 million in fiscal year 2014-15. That is an increase of $53.3 million from fiscal year 2002-03.

- Research awards totaled $631 million from 2011-2015. The majority of this research funding is geared toward life sciences and has resulted in an incredible return on investment in terms of human well-being.

Public Service:

The University's Health Sciences Campus outpatient clinics provide health care services to thousands of Kentucky's citizens. The following provides details on some of the services:

- **Area Health Education Centers (AHEC):** AHEC is a collaborative effort of the University of Louisville Health Sciences Center, the University of Kentucky Medical Center and eight regional centers. The AHECs work to improve the recruitment, distribution and retention of health care professionals (particularly in primary care) in medically under-served areas throughout the state. Each regional AHEC center serves a specific geographic area of the state, and is responsible for certain counties in their area.

- **Center for Health Hazards Preparedness (formerly the Deterrence of Biowarfare and Bioterrorism):** The center's activities aim to bring together the information resources, human expertise and research infrastructure to improve the local, regional and national response to outbreaks of infectious diseases and the defense against potential biological, chemical and radiation threats and natural disasters.

- **Center for Predictive Medicine for Biodefense and Emerging Infectious Diseases:** The Center for Predictive Medicine for Biodefense and Emerging Infectious Disease (CPM) supports basic and translational research to promote understanding of pathogens and their diseases for the development of therapeutics. The research efforts of the faculty, fellows, graduate students and staff affiliated with the CPM will provide new insights into basic mechanisms of newly recognized emerging diseases such as the "swine flu", West Nile encephalitis, hantavirus pulmonary syndrome and SARS. The University is committed to translation of the University's basic research efforts into new diagnostic methods, antivirals, antimicrobial drugs, and vaccines. For the conduct of these research and development efforts, the University of Louisville was awarded a grant to construct one of eleven Regional Biocontainment Laboratories (RBL) funded by the National Institutes of Health to provide state-of-the-art containment of these pathogens

- **Department of Medicine Clinics and Centers:** includes the General Internal Medicine Clinic, Preventive Cardiology Clinic, Medical Oncology and Hematology, University Sleep Center, Lung Nodule Clinic, Kidney Disease Program, Allergy and Immunology Clinic, Med/Peds Clinic, Dermatology Clinic, Gastroenterology/Hematology Clinic, Cardiology Clinic, Pulmonary Clinic, Rheumatology Clinic, Endocrinology Clinic, Infectious Disease and UofL WINGS HIV/AIDS clinics.

- **Family and Geriatric Medicine Clinics:** includes Family Medicine Clinics in the greater Louisville area and a rural clinic in Glasgow, KY; specialty geriatric care in the clinic on the U of L Health Services Campus; and a family medicine residency program in Glasgow, KY.

- **James Graham Brown Cancer Center:** provides comprehensive health care for the ambulatory cancer patients through units in Medical Oncology, GYN Oncology, Pediatric Oncology, Surgical Oncology, Bone Marrow Transplantation, Hemophilia Program, Radiation Therapy, Breast Care Center; and a comprehensive program in cancer outreach and education.

- **Kentucky Lions Eye Center:** It is at the Kentucky Lions Eye Center that the clinicians, residents, fellows, researchers and educators of the UofL Department of Ophthalmology & Visual Sciences are doing the work that is changing the face of eye care. Patients who visit the on-site clinics benefit from the cutting-edge technology and research work of the department faculty in various sub-specialties of the eye.

- **Nationally Certified Primary Stroke Center:** Provides comprehensive, multi-disciplinary diagnosis and treatment for patients throughout the service area with acute strokes. The center is accredited by the Joint Commission for Accreditation of Hospital Organizations (JCAHO).

- **Multiple Sclerosis Care Center Program:** University of Louisville's MS Care Center Program provides comprehensive, multidisciplinary care for each patient - with access to the full range of medical expertise, without the inconvenience of multiple appointments and referrals. MS specialists are an interdisciplinary group of highly skilled and trained team members serving approximately 1000 MS patients with access to state-of-the-art technology, and up-to-the-minute research and drug therapies based on the MS Care Center Program's participation in clinical trials.

- **Pediatric Clinics:** includes Comprehensive Health Care Center for High Risk Infants and Children (C & Y Clinic), Child Evaluation Center, University Child Health Specialists Clinic, the Neonatal Follow-up Clinic, the Pediatric Sub-specialty Clinics, and the Outreach Neonatal Follow-up Clinics (Paducah, Bowling Green, Henderson, and Elizabethtown), and Cardiology satellites (Ashland, Bardstown, Bowling Green, Campbellsville, Elizabethtown, Glasgow, Henderson, Hopkinsville, Mayfield, Madisonville, Owensboro, Paducah, Somerset and Madison, Indiana).

- **Psychiatry Clinics:** includes outpatient clinics at Norton's Hospital, the Bingham Child Guidance Clinic, the Keller Day Treatment Center, the University of Louisville Ambulatory Care Psychiatry Clinic and Emergency Psychiatry Services at the University of Louisville Hospital.

- **School of Dentistry:** provides low cost comprehensive and specialty dental care in the school's clinics and hospitals in the metropolitan Louisville service area and statewide through area health education projects. Preventive services and community education are provided through schools, health fairs, and civic organizations.

  - Care is provided by dental students, dental hygiene students and graduate dentists in specialty programs (i.e., general practice residents, orthodontics, endodontics, oral/ maxillofacial surgery, pediatric dentistry, periodontics and prosthodontics). Treatment is also available from faculty members who practice at the University of Louisville Dental Associates.

  - The School of Dentistry continues to serve the Greater Louisville area and the state at large by provision of dental and dental hygiene services to persons living with HIV/AIDS through the Ryan White federal grant program. The School has managed the Community Based Dental Partnership Program for over 13 years. Services are primarily delivered through the Richard L. Miller Dental Clinic in Elizabethtown, Kentucky, with additional specialty treatment delivered in clinics at the School's Louisville location. Funding for the Miller Clinic is provided by a federal Ryan White grant of over $300,000 per year. Additionally, for the past two years, the Miller Clinic has received funding from the State of Kentucky's HIV/AIDS program of about $1.8 million. This expanded financial support significantly helped to fund a 2014 expansion from a four dental chair clinic to a spacious seven chair well-appointed and equipped new facility.

- <u>**School of Nursing:**</u> provides nursing services and support in a variety of community settings to include: health education in JCPS elementary, middle and high schools, administration of seasonal flu vaccines in the metropolitan area, including the Kentucky Refugee Center, nurse practitioner services in School of Medicine Divisions, such as Pediatrics, Internal Medicine, and selected Metro Louisville Health Department clinics; the school also operates an independent nurse practitioner clinic at Churchill Downs for backside racetrack workers and families and provides services in adult, family, women and psychiatric mental health; and continues education and support to families and caregivers of persons with Alzheimer's Disease through the Caregivers Program and the Support & Education Program for Caregivers. The school's website houses the Color of Health Website as a health information portal for diverse populations living in Louisville and surrounding areas through its Office of Health Disparities and Community Engagement which supports teaching/learning practice, research and service activities.

- <u>**School of Public Health and Information Sciences:**</u> provides a range of service activities for faculty, staff and students. The school is dedicated to interdisciplinary, collaborative partnerships with Louisville Metro Government, the Commonwealth of Kentucky and their environs, and the national network of public health professionals. The school provides evaluation, research, technical assistance and program development service support to a diverse range of community and public health groups and agencies, including the Kentucky Department for Public Health, the Louisville Metro Department of Public Health and Wellness, and KentuckyOne Health. KOH has recently made a significant investment in SPHIS for the establishment of The Commonwealth Institute of Kentucky, which will seek to build critical public health capacity and infrastructure. SPHIS is committed to working visibly in West Louisville. The school's Office of Public Health Practice has recently opened a satellite office in the Louisville Central Community Centers (LCCC) building at 1300 W. Muhammad Ali Boulevard in the historic Russell neighborhood. Since 2009, SPHIS has worked with community partners to operate the Gray Street Farmers Market, one of few farmers markets in Louisville dedicated to increasing availability of fresh foods to generally underserved areas in what are known as food deserts.

- <u>**Surgery Clinics:**</u> includes General Surgery and sub-specialty clinics such as the Ear, Nose, and Throat Clinics; Plastic Surgery; Neurosurgery; Pediatric Surgery; Thoracic and Cardiovascular Surgery, etc.

The following are other non-health related services provided to the citizens of the Louisville metropolitan area and the Commonwealth of Kentucky:

- The University of Louisville Kentucky Author Forum is a non-profit, nationally-recognized literary event. Author Forum programs carefully match an author and interviewer; their hour-long candid conversation takes place before a live audience at The Kentucky Center in Louisville. The event is taped and distributed by KET, Kentucky Educational Television, and airs as the series **"Great Conversations"** on PBS member stations across the country.

- The **Theater Arts Department** presents many performances in the Belknap Theater, as well as free studio production performances and performances of the repertory company. The Department is also offering performances by the **African American Theater.**

- **Kentucky Institute for the Environment and Sustainable Development (KIESD)** provides the general public and the research community with the tools and the space to work towards a brighter future. The Mission of the Institute is "To provide multidisciplinary research and applied scholarship, teaching and educational outreach, and public service on issues of the environment, its protection, and sustainable development at the local, state, national and international levels. The institute is located within the Executive Vice President for Research and Innovation and is comprised of eight thematic centers in the Schools/Colleges of Arts & Sciences, Education and Human Development, Engineering, Law, Medicine, and Public Health and Information Sciences

- **Archives and Special Collections (ASC)** preserves papers, photographs, maps, audio recordings, motion picture films, and other records that document about the University and the greater Louisville community. They archive materials from Louisville industries, cultural organizations, social service agencies, churches, neighborhoods, and the personal papers of political figures, scholars, and members of the Jewish and African American communities. Archives and Special Collections also assist area organizations in developing their own in-house archives, and offers advice to individuals wishing to preserve family history. ASC collects, preserves, and makes available oral histories that tell the story of the Louisville community. In partnership with the History Department, they also support the work of community members who seek to build this documentation, by providing advice, equipment, and instruction. ASC also offers exhibits of photographs, rare books, and other materials, and answers reference requests.

- **Ekstrom Library**, the University's largest library, provides a broad range of research and information resources and services to citizens of the Louisville metropolitan area and the Commonwealth of Kentucky. Members of the community are granted borrowing privileges of print materials. They may use computing and other information technology equipment on site for research purposes. Research assistance from professional librarians is available to members of the community in person and remotely through chat, email and phone. Additionally, Ekstrom Library serves as a regional repository for government documents to support the community's ongoing need for access to critical government information.

- The University has a strong commitment to building partnerships and collaborations in the region. Working with Louisville Metro government, Greater Louisville, Inc., and business and community organizations, UofL is striving to serve the region and provide educational and research expertise to promote economic development. Coordinating closely with the **Louisville Medical Center Development Corporation** and **Greater Louisville Health Enterprise Network**, the University will pursue collaborative opportunities with medical center partners in the biomedical area.

- The Brandeis School of Law adopted a thirty hour mandatory public service requirement for all students. Funded entirely with private money, the **Samuel L. Greenbaum Public Service Program** delivers over 4,000 hours per year of legal related services to the local and national community. The School of Law maintains about 90 placements for students. These services have been delivered to the legally underserved in a variety of ways. Law students have worked with not-for-profit agencies like the Legal Aid Society, the Department of Public Advocacy, the Center for Women and Families, and the Louisville Public Defender's Office. They have partnered with private attorneys who take death penalty, immigration or family law cases on a pro bono basis. Students have collaborated with community organizations to provide legal clinics to segments of the population such as the elderly, the blind and hearing impaired. Significantly, while this public service has been beneficial to the recipients, its real power and impact has been on the law students and the Law School.

- In 2003 members of the Brandeis Student Bar Association created perhaps the first student-funded and student-administered **Student Bar Foundation (SBF)** in this country. The Foundation's mission is to raise and distribute funds for student public service fellowships with charitable, civic, community, governmental and educational organizations. Successful fundraising efforts have allowed the SBF to fund student fellowships with the Center for Women and Families, the Appalachian Research and Defense Fund, the KY Human Rights Commission, The National Juvenile Justice Network and the National Center for the Prosecution of Child Abuse.

- **Gheens Science Hall and Rauch Planetarium** is part of the College of Education and Human Development and strives to provide a unique learning environment that supports the presentation and study of astronomy and space science education. Audiences include preK-12 students (school groups), college students, and the general public. Programming in the planetarium addresses National Science Education Standards, state level curriculum science standards, post-secondary education, and serves as a public resource as well. The planetarium hosts a variety of summer camps each year for kids in grades 2 - 6 and workshops in the fall and winter for children 4 – 6 years old. Public shows are offered every Friday, Saturday, and Sunday. Before the old planetarium was razed in 2001, over a million school children had visited the facility to learn about the wonders of the universe. The current facility and its design are unique in that there are only ten others like it in the world.

- **The Signature Partnership** is a university effort to enhance the quality of life and economic opportunity for residents of west Louisville. The goal is to work with various community partners to improve the educational, health, economic and social status of individuals and families who live in our urban core. Working closely with community residents, the Jefferson County Public Schools, Louisville Metro Government, Metro United Way, the Urban League, faith based organizations, and many others, the university has coordinated and enhanced existing programs and launched new programs designed to eliminate or reduce disparities that west Louisville residents experience in education, health, economic and social conditions. The university is drawing upon the expertise and energy of faculty, staff, and students from every school and college of UofL to deal with the quality of life issues affecting our community.

- **Service Learning** coordinates service learning projects with campus student organizations. The program refers students who wish to volunteer independently to appropriate campus-based and off-campus agencies. Service Learning coordinates the "America Reads Program" and creates partnerships with non-profit agencies and Jefferson County Public Schools (JCPS). The program provides support to faculty through our resource library and provides information and training on various aspects of service learning.

- **Intramural Sports** provides recreational space for many high school and community groups to conduct various competitions and tournaments. These groups include the American Red Cross, Louisville Fire & Rescue, Kentucky Special Olympics, Metro Parks and the Jefferson County Board of Education.

- **The Psychological Services Center (PSC)** is part of the Department of Psychological and Brain Sciences. The PSC main goals are to offer services which assist persons in managing problems, intense study and application of techniques proven to be effective in treating a wide range of mental health problems, research in understanding various psychological problems and developing effective diagnosis and treatment methods, and offer professional development seminars. The PSC also advances the University's research goals by providing data and opportunities for clinical research, and through the collection of outcome data it promotes the development of true scientist-practitioners.

- The **Center for Hazards Research and Policy Development (CHR)** is a research unit at the University of Louisville that integrates the skills of engineers, natural scientists, urban planners, GIS specialists, professional researchers and social scientists in solving problems. CHR conducts research across a broad spectrum of issues including hazards preparedness, mitigation, response and recovery from technological and natural hazard events.

- **Conn Center for Renewable Energy Research** has been established in collaboration with the state to provide leadership, research, support and policy development in the renewable energy, advances the goal of renewable energy, and promotes technologies, practices and programs that increase efficiency for energy utilization in homes, businesses and public buildings.

- Each year, **Kent School of Social Work** students provide more than 182,000 hours of service to about 7,500 Kentucky residents, equivalent to more than $3.5 million of service annually.

IV. FISCAL JUSTIFICATION / IMPACT ON BASELINE BUDGET

The Council on Postsecondary Education's baseline budget recommendation for the University of Louisville begins with the prior year appropriation of $140,416,300 to support the maintenance of ongoing operations. This funding is essential for the institution to continue to provide the existing quantity and quality of educational services and programs. This base budget amount request does not take into account the fact that the University's base budget has been reduced multiple times in recent years. Flat funding the FY 2015-16 base budget will not restore those funding cuts. In order to move the University of Louisville forward, meet on-going and recurring structural costs, and achieve its state-mandated goal of becoming a premier metropolitan research university by 2020, the University's base budget needs to at least remain constant, and preferably increase.

The prior year appropriation is adjusted as detailed below:

- The allocation for mandatory debt service is decreasing $1,339,400 for 2016-17.

This adjustment brings the total baseline budget for FY 2016-17 to $139,076,900; and $139,076,900 for FY 2017-18. This amount of support is vital for the University of Louisville to continue its current operations and to be positioned to move toward reaching the goals outlined in House Bill 1. The successful pursuit of those goals will be dependant on additional requested budget support as detailed in later sections of this budget request.

2016-2018 Kentucky Branch Budget
Baseline Budget Request: Expenditure Detail Summary Record
All requested columns rounded to nearest $100

OPERATING BUDGET RECORD A6

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville
Program/Service Unit:
Sub Program:
Posting Unit:

Personnel Budget by Source of Funds	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Budgeted	FY 2016-17 Requested	FY 2017-18 Requested
Number of Positions					
Full Time Positions					
Filled	5,185	5,283	5,350	5,350	5,350
Vacant	0	0	801	801	801
Total Full Time Positions	5,185	5,283	6,151	6,151	6,151
Part Time Positions					
Filled	1,694	1,719	1,711	1,711	1,711
Vacant	0	0	116	116	116
Total Part Time Positions	1,694	1,719	1,827	1,827	1,827
Other Positions					
Filled	284	302	1,546	1,546	1,546
Vacant	0	0	310	310	310
Total Other Positions	284	302	1,856	1,856	1,856
GRAND TOTAL					
1. Number of Positions					
Filled	7,163	7,304	8,607	8,607	8,607
Vacant	0	0	1,227	1,227	1,227
Total Funds	7,163	7,304	9,834	9,834	9,834
2. Source of Funds ($)					
General Fd Cost of Positions	322,467,300	331,945,400	340,347,900	340,347,900	340,347,900
Restricted Fds Cost of Positions	266,524,200	274,025,200	321,363,600	321,363,600	321,363,600
Federal Fds. Cost of Positions	55,053,900	55,381,503	53,164,700	53,164,700	53,164,700
Total Funds	644,045,400	661,352,103	714,876,200	714,876,200	714,876,200

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2016-2018 KENTUCKY BRANCH BUDGET

Current Services Budget Request: Budgeted Positions Record

(All dollar amounts rounded to nearest $100)

Governmental Branch: Executive
Cabinet / Function: Postsecondary Education

Agency: Postsecondary Education
Appropriation Unit: University of Louisville
Program/Division/Service Unit: ____________

Position Class and Title by Filled / Vacant Categories	Total Positions	FY 2015-16 Base Gross	Salary Increment Costs	Benefits Increment Costs	Total Position Costs
1. Full-Time Positions					
A. Filled	5350	403,138,000	12,094,100	3,446,800	15,540,900
B. Vacant	801	45,524,200	1,365,700	389,200	1,754,900
TOTALS - FULL-TIME	6151	448,662,200	13,459,800	3,836,000	17,295,800
2. Part-Time Positions					
A. Filled	1711	74,272,400	2,228,200	170,500	2,398,700
B. Vacant	116	4,864,500	145,900	11,200	157,100
TOTALS - PART-TIME	1827	79,136,900	2,374,100	181,700	2,555,800
3. Interim Positions					
A. Filled	1546	37,148,700	1,114,500	85,300	1,199,800
B. Vacant	310	6,263,200	187,900	14,400	202,300
TOTALS - INTERIM	1856	43,411,900	1,302,400	99,700	1,402,100
TOTAL	9834	571,211,000	17,136,300	4,117,400	21,253,700

Assumptions:

1. Salary increase is based on a 3.0% increase on FY15-16 personal services budget
2. Fringe benefits for full-time positions is based on a 28.5% estimate. Benefits for part-time and interim positions includes social security only (7.65%).

Form A - 6

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2016-2018 Kentucky Branch Budget
Additional Budget Request: Financial Record
All requested columns rounded to nearest $100

PRIORITY
Cabinet #:
Agency #: 1

OPERATING BUDGET RECORD B-1/B-2

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville
Program/Service Unit:
Sub Program:
Posting Unit:
REQUEST TITLE: Performance Funding

REQUEST TYPE: New	FY 2015-16 Requested	FY 2016-17 Requested	FY 2017-18 Requested
SOURCE OF FUNDS			
General Fund			
Regular Appropriation	0	7,055,000	14,110,000
Total General Fund	0	7,055,000	14,110,000
TOTAL SOURCE OF FUNDS	0	7,055,000	14,110,000
EXPENDITURES BY CLASS			
Personnel Costs	0	4,105,000	8,210,000
Operating Expenses	0	2,950,000	5,900,000
TOTAL EXPENDITURES BY CLASS	0	7,055,000	14,110,000
EXPENDITURES BY FUND SOURCE			
General Fund	0	7,055,000	14,110,000
TOTAL EXPENDITURES BY FUND	0	7,055,000	14,110,000
PERSONNEL POSITIONS			
Number of Positions			
	0	0	0
GRAND TOTAL - Number of Positions	0	0	0
BUDGET POSITIONS COST BY FUND SOURCE			
	0	0	0
TOTAL FUNDS	0	0	0

2016-2018 Kentucky Branch Budget
Additional Budget Request: Financial Record
All requested columns rounded to nearest $100

PRIORITY
Cabinet #:
Agency #: 2

OPERATING BUDGET RECORD B-1/B-2

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville
Program/Service Unit:
Sub Program:
Posting Unit:
REQUEST TITLE: Centers of Research Excellence

REQUEST TYPE: Growth	FY 2015-16 Requested	FY 2016-17 Requested	FY 2017-18 Requested
SOURCE OF FUNDS			
General Fund			
Regular Appropriation	0	2,000,000	4,000,000
Total General Fund	0	2,000,000	4,000,000
TOTAL SOURCE OF FUNDS	0	2,000,000	4,000,000
EXPENDITURES BY CLASS			
Personnel Costs	0	1,163,700	2,327,400
Operating Expenses	0	836,300	1,672,600
TOTAL EXPENDITURES BY CLASS	0	2,000,000	4,000,000
EXPENDITURES BY FUND SOURCE			
General Fund	0	2,000,000	4,000,000
TOTAL EXPENDITURES BY FUND	0	2,000,000	4,000,000
PERSONNEL POSITIONS			
Number of Positions			
	0	0	0
GRAND TOTAL - Number of Positions	0	0	0
BUDGET POSITIONS COST BY FUND SOURCE			
	0	0	0
TOTAL FUNDS	0	0	0

2016-2018 Kentucky Branch Budget
Additional Budget Request: Financial Record
All requested columns rounded to nearest $100

PRIORITY
Cabinet #:
Agency #: 3

OPERATING BUDGET RECORD B-1/B-2

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

Program/Service Unit:
Sub Program:
Posting Unit:
REQUEST TITLE: Growth in Federal & Restricted

REQUEST TYPE: Growth	FY 2015-16 Requested	FY 2016-17 Requested	FY 2017-18 Requested
SOURCE OF FUNDS			
Federal Fund			
Current Receipts	0	777,700	1,563,200
Total Federal Fund	0	777,700	1,563,200
Restricted Funds			
Current Receipts	0	26,959,700	55,537,800
Total Restricted Funds	0	26,959,700	55,537,800
TOTAL SOURCE OF FUNDS	0	27,737,400	57,101,000
EXPENDITURES BY CLASS			
Personnel Costs	0	16,390,600	33,742,100
Operating Expenses	0	11,346,800	23,358,900
TOTAL EXPENDITURES BY CLASS	0	27,737,400	57,101,000
EXPENDITURES BY FUND SOURCE			
Federal Fund	0	777,700	1,563,200
Restricted Funds	0	26,959,700	55,537,800
TOTAL EXPENDITURES BY FUND	0	27,737,400	57,101,000
PERSONNEL POSITIONS			
Number of Positions			
	0	0	0
GRAND TOTAL - Number of Positions	0	0	0
BUDGET POSITIONS COST BY FUND SOURCE			
	0	0	0
TOTAL FUNDS	0	0	0

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2016-2018 Kentucky Branch Budget
Additional Budget Request: Expenditure Detail Summary Record
All requested columns rounded to nearest $100

PRIORITY
Cabinet #:
Agency #: 1

OPERATING BUDGET RECORD B-3

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville
Program/Service Unit:
Sub Program:
Posting Unit:
REQUEST TITLE: Performance Funding

REQUEST TYPE New	FY 2015-16 Requested	FY 2016-17 Requested	FY 2017-18 Requested
EXPENDITURES BY FUND			
General Fund	0	7,055,000	14,110,000
TOTAL EXPENDITURES BY FUND	0	7,055,000	14,110,000
EXPENDITURE CATEGORY			
Personnel Cost			
E111 Regular Salaries & Wages	0	3,196,900	6,393,800
Other Salaries & Wages	0	83,200	166,400
E121 Employer FICA	0	210,400	420,800
E122 Employer Retirement	0	235,300	470,600
E123 Health Insurance	0	264,800	529,600
Other Fringe Benefits	0	114,400	228,800
Subtotal Salaries & Fringes	0	4,105,000	8,210,000
Total Personnel Cost	0	4,105,000	8,210,000
Operating Expenses			
Non-Breakdown Operating	0	2,950,000	5,900,000
Total Operating Expenses	0	2,950,000	5,900,000
TOTAL EXPENDITURES	0	7,055,000	14,110,000

2016-2018 Kentucky Branch Budget
Additional Budget Request: Expenditure Detail Summary Record
All requested columns rounded to nearest $100

PRIORITY
Cabinet #:
Agency #: 2

OPERATING BUDGET RECORD B-3

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville
Program/Service Unit:
Sub Program:
Posting Unit:
REQUEST TITLE: Centers of Research Excellence

REQUEST TYPE New	FY 2015-16 Requested	FY 2016-17 Requested	FY 2017-18 Requested
EXPENDITURES BY FUND			
General Fund	0	2,000,000	4,000,000
TOTAL EXPENDITURES BY FUND	0	2,000,000	4,000,000
EXPENDITURE CATEGORY			
Personnel Cost			
E111 Regular Salaries & Wages	0	906,300	1,812,600
Other Salaries & Wages	0	23,600	47,200
E121 Employer FICA	0	59,600	119,200
E122 Employer Retirement	0	66,700	133,400
E123 Health Insurance	0	75,100	150,200
Other Fringe Benefits	0	32,400	64,800
Subtotal Salaries & Fringes	0	1,163,700	2,327,400
Total Personnel Cost	0	1,163,700	2,327,400
Operating Expenses			
Non-Breakdown Operating	0	836,300	1,672,600
Total Operating Expenses	0	836,300	1,672,600
TOTAL EXPENDITURES	0	2,000,000	4,000,000

2016-2018 Kentucky Branch Budget
Additional Budget Request: Expenditure Detail Summary Record
All requested columns rounded to nearest $100

PRIORITY
Cabinet #:
Agency #: 3

OPERATING BUDGET RECORD B-3

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville
Program/Service Unit:
Sub Program:
Posting Unit:
REQUEST TITLE: Growth in Federal & Restricted

REQUEST TYPE Growth	FY 2015-16 Requested	FY 2016-17 Requested	FY 2017-18 Requested
EXPENDITURES BY FUND			
Federal Fund	0	777,700	1,563,200
Restricted Fund	0	26,959,700	55,537,800
TOTAL EXPENDITURES BY FUND	0	27,737,400	57,101,000
EXPENDITURE CATEGORY			
Personnel Cost			
E111 Regular Salaries & Wages	0	12,764,600	26,277,500
Other Salaries & Wages	0	332,100	683,600
E121 Employer FICA	0	839,900	1,729,000
E122 Employer Retirement	0	939,600	1,934,400
E123 Health Insurance	0	1,057,500	2,176,900
Other Fringe Benefits	0	456,900	940,700
Subtotal Salaries & Fringes	0	16,390,600	33,742,100
Total Personnel Cost	0	16,390,600	33,742,100
Operating Expenses			
Non-Breakdown Operating	0	11,346,800	23,358,900
Total Operating Expenses	0	11,346,800	23,358,900
TOTAL EXPENDITURES	0	27,737,400	57,101,000

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UNIVERSITY OF LOUISVILLE

2016-18 KENTUCKY BRANCH BUDGET
Performance Funding

OPERATING BUDGET RECORD B-4 Agency Priority # 1

Governmental Branch: Executive
Cabinet/Function: Postsecondary Education
Agency: Postsecondary Education Institutions
Appropriation Unit: University of Louisville

The Council on Postsecondary Education requested Performance Funding as part of the 2012-14, and 2014-16 biennial budget submission. For the upcoming 2016-18 biennium, the Council is once again recommending appropriations for performance funding.

Kentucky's public colleges and universities have experienced seven operating budget cuts over the past eight years, losing a total of $173.5 million or 16.0 percent of their combined net General Fund appropriations. The Council and campus officials strongly encourage the new Governor and General Assembly to finance the proposed performance funding approach with new appropriations, instead of carving funds out of existing base operating funds of the postsecondary institutions.

This request restores half of the $173.5 million in state funding cuts the institutions sustained between fiscal years 2007-08 and 2014-15 over the upcoming biennium. Funds would be available to support education and general operating expenses of the campuses in each of those years, but would only become recurring to an institution's base at the beginning of the next biennium (2018-2020), if an institution made progress toward or attained desired state goals.

The proposed funding was allocated among postsecondary sectors based on each sector's share of system total budget cuts since 2007-08. Specifically, $42.5 million will be allocated to the research sector, $24.9 million will be allocated to the comprehensive sector, and $19.3 million will be allocated to the community and technical college sector. Performance funds in the research sector will be allocated between UK and UofL based on each institution's share of sector total 2015-16 net General Fund appropriations. Performance funds in the comprehensive sector will be allocated among institutions based on a combination of total public funds share and share of budget cuts since 2008. Finally, KCTCS officials will be allowed flexibility to determine how performance funds will be allocated among institutions within their system.

The performance funding model proposed for 2016-18 is a targets and goals approach, which means each institution is rewarded for making progress toward or attaining its own campus specific goals, not for exceeding the performance of other institutions. CPE staff and campus officials have already agreed on metrics, which include degrees and credentials produced, student retention, student progression, completion of credit bearing Math and English courses by underprepared students (KCTCS), closing achievement gaps (under-represented minorities and low income students), and sector-specific STEM-related metrics. Institution-specific metrics are still in process. Graduation rates will be added as a metric for the 2018-2020 biennium. Beginning in December, Council and campus staffs will work to develop goals for each metric.

Performance will be measured in fall 2017 to determine if performance funding becomes recurring in the next biennium.

The performance metrics for UofL are:

- Number of baccalaureate degrees
- 1st year, first-time retention rate (1st to 2nd year)
- Student progression rate
- 6-year graduation rate
- Research expenditures and extramural research funding
- Clinical trial revenues

UofL will receive $7,055,000 in performance funding in FY 2016-17 and $14,110,000 in FY 2017-18. The University expects to invest these funds in ways that will help it meet its performance metrics and to advance the University's 21st Century Initiative.

The University has launched a Student Success Initiative to advance the completion of the 2020 Strategic Plan under the themes and goals of the 21st Century Initiative, many of which contribute directly to advances in the metrics identified for performance funding. Under the theme of "strengthened curriculum," the university will invest in progressive pedagogies as well as the course and classroom design and equipment necessary to support these pedagogies campus wide; individual departments, already known as centers of undergraduate excellence in teaching and undergraduate research support, will be specifically identified for increased funding through additional faculty lines and curricular support to promote targeted recruitment for entering student prospects. The university will also increase the number and expand the variety of living/learning communities, a high-impact practice especially for entering students to promote engagement and success. The university will also introduce several new software programs to enhance the university's base system by improving advising records and accessibility, promoting active intervention and referrals to campus services based upon faculty and staff recommendations, and by refining the predictive model of success that the university uses in projecting the composition, profile and support of successive entering classes. In these ways and others, the University expects to increase the production of undergraduate degrees, enhance the first-year retention rate as well as the long-term student progression to degree so as to reach the goal of 60% graduation rate in 2020.

UNIVERSITY OF LOUISVILLE

2014-16 KENTUCKY BRANCH BUDGET
Centers of Research Excellence

OPERATING BUDGET RECORD B-4 | Agency Priority # 2

Governmental Branch: Executive | Agency: Postsecondary Education Institutions
Cabinet/Function: Postsecondary Education | Appropriation Unit: University of Louisville

During the first decade of postsecondary reform, Kentucky's research universities more than doubled the market value of their endowment assets, attracted and retained world-renowned researchers, and more than doubled their federal research funding. While these achievements are noteworthy, the rate of growth in these indicators has slowed in recent years, the state's economy has been slow to transform, and a number of challenges remain.

The Council on Postsecondary Education's *2011-15 Strategic Agenda* calls for Kentucky universities to increase basic, applied, and translational research to create new knowledge and economic growth. It highlights the critical roles that the University of Kentucky and the University of Louisville play in the creation of new knowledge, as well as, the importance of additional funding and new funding approaches to maximize sponsored research, Kentucky Innovation Act investments, and multi-campus collaborations.

This proposed funding supports the creation or expansion of Centers of Research Excellence at the University of Kentucky and the University of Louisville. Funds will be used to hire clusters of prominent research faculty and staff in focus areas that address important state needs.

Creating a critical mass of scholars in high potential focus areas will bolster recruitment and retention of outstanding research faculty and staff in both targeted and related disciplines, increase federal and extramural research funding, accelerate translation of discoveries from technological development to commercial utility, and support economic development and improved quality of life in Kentucky. One-third of this program's funding will go to the University of Louisville and two-thirds to the University of Kentucky, based on statutory allocations of the Research Challenge Trust Fund. The funds will be used to recruit and retain renowned research faculty and staff in identified focus areas, bolster critical research infrastructure in those areas, and leverage or attract federally sponsored centers, programs, and research grants to Kentucky.

Since the passage of HB1 in 1997, Kentucky's public universities have helped boost Kentucky's economy and educational attainment levels. These efforts have led to new products, businesses and jobs for Kentuckians. For this momentum to continue, investment in Centers of Research Excellence at the University of Louisville and the University of Kentucky is critical.

CPE requests $6 million in FY 2016-17 and $12 million in FY 2017-18 for Centers for Research Excellence at the University of Louisville and the University of Kentucky. The University of Louisville would receive $2 million and $4 million, respectively, and would use the funds to make targeted cluster hires in research areas that address important state needs. Specifically, the Centers for Research Excellence will:

- Encourage collaborative research between UofL and UK;
- Increase university partnerships with business and industry; and
- Create high wage jobs in public and private sectors of the economy.

The expected outcomes include:

- Recruitment and retention of outstanding research intensive faculty members and teams;
- Increased federal and other extramural research funding;
- Accelerated translation of discoveries into public use;
- Accelerated development of technology that can be used commercially;
- Increased development of human capital with specialized professional and technical training; and
- Improved economic development and quality of life in the Commonwealth of Kentucky.

UNIVERSITY OF LOUISVILLE

2016-18 KENTUCKY BRANCH BUDGET
Growth in Federal & Restricted Funds

OPERATING BUDGET RECORD B-4	Agency Priority # 3
Governmental Branch: Executive	Agency: Postsecondary Education Institutions
Cabinet/Function: Postsecondary Education	Appropriation Unit: University of Louisville

Despite the downward pressure on the discretionary federal budget and the elimination of federal earmarks, the University has been able to increase its federal and other restricted funds budgets over the last decade. The University will continue to strategically grow federal and other restricted funds over the next biennium and through 2020 using the 21st Century Initiative goals as the blueprint.

The university continues to be awarded new grants and contracts, for example:

- **UofL Coulter Translational Research Partnership** - $5 Million, Robert Keynton, (PI) Department of Bioengineering, Mark Slaughter (Co-PI), Division of Thoracic and Cardiovascular Surgery, University of Louisville School of Medicine. This award is to promote translation of research through successful collaboration between engineers and clinicians, supporting promising technologies. The Coulter Translational Partnership funds promising projects in order to move innovative technologies to clinical application through commercialization. The ultimate goal of this partnership is to concentrate on outcomes which will accelerate the introduction of new technologies to improve the treatment and diagnosis of disease or reduce healthcare costs.

- **KY Multi-scale Manufacturing and Nano Integration Node** - $3.76 million, National Science Foundation, Kevin Walsh (PI), Tom Starr (Co-PI), Shamus McNamara (Co-PI), Bruce Alphenaar (Co-PI), Thad Druffel (Co-PI), Department of Electrical Engineering and Conn Center. The National Nanotechnology Coordinated Infrastructure (NNCI) Kentucky Multi-scale Manufacturing and Nano Integration Node (MMNIN) is collaboration between the University of Louisville and the University of Kentucky focused on integrating manufacturing technology over widely different length scales. With nanotechnology now integral to scientific discovery and engineering, there is a pressing need for infrastructure that supports the rapid and effective prototyping of nano-scale devices in macro-scale systems. The goal of the MMNIN is to combine micro/nano fabrication processes with the latest in 3D additive manufacturing technology to allow researchers to explore nanotechnology solutions to real-life problems in healthcare, energy, the environment, communication, and security.

- **Research Evaluation and Commercialization** - $3 million grant from National Institutes of Health to become one of only three institutions in the United States selected as a Research Evaluation and Commercialization HUB (REACH).

- **Exploration of Damage Mechanisms in MEMS Based Memory and Logic Devices -** $1,050,000, Defense Threat Reduction Agency, Bruce Alphenaar (PI), Kevin Walsh (co-PI), and Shamus McNamara (co-PI), Department of Electrical and Computer Engineering in collaboration with Vanderbilt University. Project is exploring the influence of radiation on micro electromechanical (MEMS) memory and logic. It will reveal the extent to which radiation influences the MEMS properties and determine the mechanisms behind the radiation induced changes.

The University is also engaged in increased philanthropy. Examples of recent gifts include:

- $1.5 million gift to support the Cardinal Covenant which covers the cost of tuition, room, board and books for students from families living at or below 150 percent of the poverty level.
- University of Louisville Signature Partnership received $5,000,000 from the Mary K. Oxley Foundation to boost teacher preparedness, retention and professional development at five Louisville-area schools.
- $2.5 million from the Helmsley Trust to support research focused in pediatric spinal cord injuries in order to help this population walk again.
- $4.6 million from John Schnatter to establish the John H. Schnatter Center for Free Enterprise in the university's College of Business.
- $2 million from Ms. Jean Frazier to support the Institute for Optimal Aging and its research mission at the Health Sciences Center at the university.
- $1 million from the Bernard Osher Foundation to help students with college credit who have left the university to re-enter in order to obtain a degree.
- $1 million from the Helmsley Trust to support the James Graham Brown Cancer Center in its vaccine development program using plant-based pharmaceuticals.

2016-2018 Kentucky Branch Budget
Total Request: Expenditure Detail Summary Record
All requested columns rounded to nearest $100

OPERATING BUDGET RECORD C1/C2

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville
Program/Service Unit:
Sub Program:
Posting Unit:

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Budgeted	FY 2016-17 Requested	FY 2017-18 Requested
SOURCE OF FUNDS					
General Fund					
Mandated Allotments	0	637,800	1,034,700	0	0
Regular Appropriation	166,212,300	139,076,900	140,416,300	148,131,900	157,186,900
Total General Fund	166,212,300	139,714,700	141,451,000	148,131,900	157,186,900
Restricted Funds					
Current Receipts	760,601,900	811,249,900	974,383,300	1,001,343,000	1,029,921,100
Total Restricted Funds	760,601,900	811,249,900	974,383,300	1,001,343,000	1,029,921,100
Federal Fund					
Current Receipts	89,525,400	84,583,500	112,770,400	113,548,100	114,333,600
Total Federal Fund	89,525,400	84,583,500	112,770,400	113,548,100	114,333,600
TOTAL FUNDS	1,016,339,600	1,035,548,100	1,228,604,700	1,263,023,000	1,301,441,600
EXPENDITURES BY CLASS					
Personnel Costs	644,045,400	661,352,000	714,876,300	736,535,600	759,155,800
Operating Expenses	298,118,300	300,942,000	343,046,800	357,145,200	372,943,600
Grants Loans Benefits	32,916,800	37,468,200	129,417,300	129,417,300	129,417,300
Debt Service	22,901,000	19,147,800	18,835,700	17,496,300	17,496,300
Capital Outlay	18,358,100	16,638,100	22,428,600	22,428,600	22,428,600
TOTAL EXPENDITURES BY CLASS	1,016,339,600	1,035,548,100	1,228,604,700	1,263,023,000	1,301,441,600
EXPENDITURES BY FUND SOURCE					
General Fund	163,678,200	139,714,700	141,451,000	148,131,900	157,186,900
Restricted Funds	763,029,500	811,249,900	974,383,300	1,001,343,000	1,029,921,100
Federal Fund	89,811,100	84,583,500	112,770,400	113,548,100	114,333,600
TOTAL EXPENDITURES BY FUND	1,016,518,800	1,035,548,100	1,228,604,700	1,263,023,000	1,301,441,600
EXPENDITURE BY UNIT					
Academic Support	100,353,100	114,514,300	141,721,500	146,787,000	152,060,700
Auxiliary Enterprises	94,245,300	103,525,000	102,181,400	102,181,400	102,181,400
Hospitals	17,788,200	637,800	1,034,700	0	0
Institutional Support	78,545,400	77,379,500	97,066,000	99,497,400	102,071,300
Instruction	298,191,500	295,126,500	374,054,900	387,434,000	401,363,000
Libraries	14,620,100	15,679,400	20,632,700	21,149,500	21,696,600
Mandatory Transfers	20,206,700	16,590,800	18,835,700	17,496,300	17,496,300
Non-Mandatory Transfers	0	9,772,000	0	0	0
Operation and Maintenance of Plant	61,683,600	63,124,800	52,242,000	53,550,600	54,935,900
Public Service	110,084,300	125,753,800	110,576,200	114,537,800	118,662,100
Research	150,622,100	147,968,000	146,088,800	151,754,700	157,635,400
Scholarships and Fellowships	41,776,700	33,765,400	131,329,900	134,619,500	138,102,100
Student Services	30,421,800	31,710,800	32,840,900	34,014,800	35,236,800
TOTAL EXPENDITURES BY UNIT	1,016,518,800	1,035,548,100	1,228,604,700	1,263,023,000	1,301,441,600

2016-2018 Kentucky Branch Budget
Total Request: Expenditure Detail Summary Record
All requested columns rounded to nearest $100

OPERATING BUDGET RECORD C-3

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville
Governmental Branch: Executive Branch
Cabinet: Postsecondary Education
Program/Service Unit:
Sub Program:
Posting Unit:

	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Budgeted	FY 2016-17 Requested	FY 2017-18 Requested
EXPENDITURES BY FUND SOURCE					
Federal Fund	89,811,100	84,583,500	112,770,400	113,548,100	114,333,600
General Fund	163,678,200	139,714,700	141,451,000	148,131,900	157,186,900
Restricted Fund	763,029,500	811,249,900	974,383,300	1,001,343,000	1,029,921,100
TOTAL EXPENDITURES BY FUND	1,016,518,800	1,035,548,100	1,228,604,700	1,263,023,000	1,301,441,600
EXPENDITURE CATEGORY					
Personnel Cost					
E111 Regular Salaries & Wages	496,310,500	511,294,600	556,727,800	573,595,600	591,211,700
Other Salaries & Wages	17,306,800	16,034,800	14,483,200	14,922,100	15,380,400
E121 Employer FICA	31,647,000	32,442,900	36,631,800	37,741,700	38,900,800
E122 Employer Retirement	39,413,700	40,747,300	40,982,600	42,224,200	43,521,000
E123 Health Insurance	52,770,300	54,233,700	46,121,200	47,518,600	48,977,900
Other Fringe Benefits	6,597,100	6,598,700	19,929,700	20,533,400	21,164,000
Subtotal Salaries & Fringes	644,045,400	661,352,000	714,876,300	736,535,600	759,155,800
Total Personnel Cost	644,045,400	661,352,000	714,876,300	736,535,600	759,155,800
Operating Expenses					
E210 Utilities & Heating Fuels	21,015,700	21,130,600	23,189,900	23,189,900	23,189,900
E230 Maintenance & Repairs	15,404,400	17,152,900	15,240,000	15,240,000	15,240,000
E310 Items For Resale	3,125,700	2,707,800	3,584,600	3,584,600	3,584,600
E320 Supplies	242,137,700	243,288,800	283,816,300	282,781,600	282,781,600
E360 Travel Exp and Exp Allowance	16,434,800	16,661,900	17,216,000	17,216,000	17,216,000
Non-Breakdown Operating	0	0	0	15,133,100	30,931,500
Total Operating Expenses	298,118,300	300,942,000	343,046,800	357,145,200	372,943,600
Grants/Loans/Benefits					
E440 Finl Assistance-Non-State Employees	32,916,800	37,468,200	129,417,300	129,417,300	129,417,300
Total Grants/Loans/Benefits	32,916,800	37,468,200	129,417,300	129,417,300	129,417,300
Debt Service					
Debt Service-General Fund	22,901,000	19,147,800	18,835,700	17,498,300	17,498,300
Total Debt Service	22,901,000	19,147,800	18,835,700	17,498,300	17,498,300
Capital Outlay					
E609 Other Capital Outlay	18,358,100	16,638,100	22,428,600	22,428,600	22,428,600
Total Capital Outlay	18,358,100	16,638,100	22,428,600	22,428,600	22,428,600
TOTAL EXPENDITURES	1,016,339,600	1,035,548,100	1,228,604,700	1,263,023,000	1,301,441,600

Form E FD-1A FY14

FD-1A CONSOLIDATED CURRENT FUNDS REVENUE
ACTUAL FISCAL YEAR 2013-14
DUE DATE: November 1
INSTITUTION: University of Louisville

	Actual FY 2013-14		
	Unrestricted	**Restricted**	**Total**
Educational and General (E&G)			
Tuition and Fees			
Degree Credit - Fall	118,303,296	-	118,303,296
Degree Credit - Winter		-	-
Degree Credit - Spring	111,259,691	-	111,259,691
Degree Credit - Summer	21,953,725	-	21,953,725
Subtotal Tuition	251,516,712	-	251,516,712
Noncredit	2,535,745	-	2,535,745
Mandatory Student Fees	8,379,601	-	8,379,601
Other Fees	19,423,192	-	19,423,192
Subtotal Tuition and Fees	281,855,250	-	281,855,250
Less: Scholarship Allowances	72,413,633	-	72,413,633
Net Tuition and Fees	209,441,617	-	209,441,617
Governmental Appropriations-Federal			
Agricultural Experiment Station	-	-	-
Agricultural Extension Service	-	-	-
Other Current Appropriations	-	-	-
Subtotal Governmental Appropriations-Federal	-	-	-
Governmental Appropriations-State	163,278,240	1,765,577	165,043,817
Governmental Appropriations-Local	-	-	-
Governmental Grants and Contracts-Federal			
Pell Grants	-	19,269,169	19,269,169
Supplemental Educational Opportunity Grants	-	612,972	612,972
College Work Study	-	731,380	731,380
American Recovery and Reinvestment Grants	-	-	-
Other Grants and Contracts	29,249	68,882,599	68,911,848
Subtotal Governmental Grants and Contracts-Federal	29,249	89,496,120	89,525,369
Governmental Grants and Contracts-State	-	29,071,545	29,071,545
Governmental Grants and Contracts-Local	-	410,677	410,677
Non-Governmental Grants and Contracts	-	17,124,475	17,124,475
Gifts, Donations, and Pledges	322,040	92,171,788	92,493,828
Indirect Cost Reimbursement	11,580,700	10,384,347	21,965,047
Investment Income (Unrealized Loss)	874,494	119,948,545	120,823,039
Endowment Income (Unrealized Loss)	-	9,026,391	9,026,391
Sales and Services of Educational Activities	5,332,765	-	5,332,765
Budgeted Fund Balance as Support			-
Other	7,325,308	223,380,331	230,705,639
Total Educational and General (E&G)	398,184,413	592,779,796	990,964,209
Sales and Services of Auxiliary Enterprises			
Housing	7,445,809	7,394,000	14,839,809
Food Service	1,174,205		1,174,205
Bookstores	306,425		306,425
Other	5,681,528		5,681,528
Intercollegiate Athletics	-	49,155,066	49,155,066
Mandatory Student Fees	-		-
Subtotal Auxiliary Enterprises	14,607,967	56,549,066	71,157,033
Less: Discounts & Allowances allocated to Auxiliary Enterprises	(1,601,091)	-	(1,601,091)
Total Auxiliary Enterprises	13,006,876	56,549,066	69,555,942
Sales and Services of Hospitals	6,958,236	15,020,662	21,978,898
TOTAL CURRENT FUNDS REVENUE	418,149,525	664,349,524	1,082,499,049

Are affiliated corporation funds included? yes_x_ no___

If yes, are the affiliated corporations those listed in Table 25? yes_x_ no___

If no, provide explanation.

Form E FD-2A FY14

FD-2A CONSOLIDATED CURRENT FUNDS EXPENSES AND TRANSFERS BY FUNCTIONAL NATURAL OBJECT CODE
ACTUAL FISCAL YEAR 2013-14
DUE DATE: November 1
INSTITUTION: University of Louisville

	Actual FY 2013-14		
By Function	**Unrestricted**	**Restricted**	**Total**
Educational and General (E&G)			
Instruction	156,868,047	123,110,091	279,978,138
Research	25,723,950	115,698,190	141,422,140
Public Service	11,747,274	91,613,187	103,360,461
Libraries	13,727,206	-	13,727,206
Academic Support	43,438,352	50,785,199	94,223,551
Student Services	28,128,993	434,657	28,563,650
Institutional Support	46,147,394	25,722,783	71,870,177
Operation and Maintenance of Plant	48,992,883	8,904,349	57,897,232
Student Financial Aid	17,750,052	21,474,924	39,224,976
Depreciation	51,980,013	4,352,584	56,332,597
Other Educational and General Expenses	-	10,981,000	10,981,000
Subtotal E&G	444,504,164	453,076,964	897,581,128
Mandatory Transfers	8,245,480	4,236,000	12,481,480
Nonmandatory Transfers	(9,991,792)	9,991,792	-
Total Educational and General (E&G)	442,757,852	467,304,756	910,062,608
Auxiliary Enterprises			
Auxiliary Enterprise Operations	7,860,393	5,332,000	13,192,393
Intercollegiate Athletics	1,000,000	71,602,183	72,602,183
Mandatory Transfers	29,826	2,664,458	2,694,284
Nonmandatory Transfers	(1,079,855)	1,079,855	-
Total Auxiliary Enterprises	7,810,364	80,678,496	88,488,860
Hospitals			
Hospital Operations	-	-	-
Mandatory Transfers	17,788,164	-	17,788,164
Nonmandatory Transfers	-	-	-
Total Hospitals	17,788,164	-	17,788,164
TOTAL EXPENSES/TRANSFERS BY FUNCTION	468,356,380	547,983,252	1,016,339,632
By Natural Object			
Personnel Costs	304,259,760	330,490,365	634,750,125
Operating Expenses	141,728,641	180,614,527	322,343,168
Grants, Loans, or Benefits	14,092,673	29,977,902	44,070,575
Debt Service	8,275,306	6,900,458	15,175,764
Capital Outlay	-	-	-
TOTAL EXPENDITURES BY NATURAL OBJECT	468,356,380	547,983,252	1,016,339,632

Are affiliated corporation funds included? yes_x_ no___
If yes, are the affiliated corporations those included in Table 25? yes_x_ no___
If no, provide explanation.

FD-1A CONSOLIDATED CURRENT FUNDS REVENUE
ACTUAL FISCAL YEAR 2014-15
DUE DATE: November 1
INSTITUTION: University of Louisville

	Actual FY 2014-15		
	Unrestricted	Restricted	Total
Educational and General (E&G)			
Tuition and Fees			
Degree Credit - Fall	123,087,610	-	123,087,610
Degree Credit - Winter		-	
Degree Credit - Spring	115,074,651	-	115,074,651
Degree Credit - Summer	22,745,651	-	22,745,651
Subtotal Tuition	260,907,912	-	260,907,912
Noncredit	2,390,348	-	2,390,348
Mandatory Student Fees	8,678,089	-	8,678,089
Other Fees	21,567,657	-	21,567,657
Subtotal Tuition and Fees	293,544,006	-	293,544,006
Less: Scholarship Allowances	83,709,721	-	83,709,721
Net Tuition and Fees	209,834,285	-	209,834,285
Governmental Appropriations-Federal			
Agricultural Experiment Station	-	-	-
Agricultural Extension Service	-	-	-
Other Current Appropriations	-	-	-
Subtotal Governmental Appropriations-Federal	-	-	-
Governmental Appropriations-State	139,794,777	1,587,393	141,382,170
Governmental Appropriations-Local	-	-	-
Governmental Grants and Contracts-Federal			
Pell Grants	-	19,153,843	19,153,843
Supplemental Educational Opportunity Grants	-	710,939	710,939
College Work Study	-	690,089	690,089
Other Grants and Contracts	-	64,028,601	64,028,601
Subtotal Governmental Grants and Contracts-Federal	-	84,583,472	84,583,472
Governmental Grants and Contracts-State	-	43,253,267	43,253,267
Governmental Grants and Contracts-Local	-	594,316	594,316
Non-Governmental Grants and Contracts	-	19,070,690	19,070,690
Gifts, Donations, and Pledges	400,157	95,066,765	95,466,922
Indirect Cost Reimbursement	11,580,700	11,015,525	22,596,225
Investment Income (Unrealized Loss)	1,124,399	(5,051,519)	(3,927,120)
Endowment Income (Unrealized Loss)		9,692,413	9,692,413
Sales and Services of Educational Activities	6,283,076		6,283,076
Budgeted Fund Balance as Support			-
Other	7,665,643	248,916,777	256,582,420
Total Educational and General (E&G)	376,683,037	508,729,099	885,412,136
Sales and Services of Auxiliary Enterprises			
Housing	7,490,791	7,647,000	15,137,791
Food Service	1,183,524		1,183,524
Bookstores	323,873		323,873
Other	5,496,840		5,496,840
Intercollegiate Athletics	-	66,072,052	66,072,052
Mandatory Student Fees	-	-	-
Subtotal Auxiliary Enterprises	14,495,028	73,719,052	88,214,080
Less: Tuition Discount	(1,876,940)	-	(1,876,940)
Total Auxiliary Enterprises	12,618,088	73,719,052	86,337,140
Sales and Services of Hospitals	10,004,092	19,996,786	30,000,878
TOTAL CURRENT FUNDS REVENUE	399,305,217	602,444,937	1,001,750,154

Are affiliated corporation funds included? yes_x_ no___

If yes, are the affiliated corporations those listed in Table 25? yes_x_ no___

If no, provide explanation.

FD-2A CONSOLIDATED CURRENT FUNDS EXPENSES AND TRANSFERS BY FUNCTIONAL NATURAL OBJECT CODE
ACTUAL FISCAL YEAR 2014-15
DUE DATE: November 1
INSTITUTION: University of Louisville

	Actual FY 2014-15		
By Function	**Unrestricted**	**Restricted**	**Total**
Educational and General (E&G)			
Instruction	161,300,397	114,838,495	276,138,892
Research	24,441,196	114,006,907	138,448,103
Public Service	13,149,806	104,513,335	117,663,141
Libraries	14,670,732	-	14,670,732
Academic Support	36,784,322	70,362,369	107,146,691
Student Services	29,091,080	579,505	29,670,585
Institutional Support	47,033,137	25,367,877	72,401,014
Operation and Maintenance of Plant	45,574,765	13,488,841	59,063,606
Student Financial Aid	13,177,390	18,415,689	31,593,079
Depreciation	48,353,369	4,985,910	53,339,279
Other Educational and General Expenses	-	15,019,000	15,019,000
Subtotal E&G	433,576,194	481,577,928	915,154,122
Mandatory Transfers	8,579,333	5,169,000	13,748,333
Nonmandatory Transfers	(13,936,189)	15,420,174	1,483,985
Total Educational and General (E&G)	428,219,338	502,167,102	930,386,440
Auxiliary Enterprises			
Auxiliary Enterprise Operations	8,588,315	5,420,000	14,008,315
Intercollegiate Athletics	-	80,299,278	80,299,278
Mandatory Transfers	-	2,557,015	2,557,015
Nonmandatory Transfers	960,598	6,698,653	7,659,251
Total Auxiliary Enterprises	9,548,913	94,974,946	104,523,859
Hospitals			
Hospital Operations	-	-	-
Mandatory Transfers	637,788	-	637,788
Nonmandatory Transfers	-	-	-
Total Hospitals	637,788	-	637,788
TOTAL EXPENSES/TRANSFERS BY FUNCTION	438,406,039	597,142,048	1,035,548,087
By Natural Object			
Personnel Costs	304,905,347	348,221,883	653,127,230
Operating Expenses	116,963,820	215,690,665	332,654,485
Grants, Loans, or Benefits	7,957,539	25,503,485	33,461,024
Debt Service	8,579,333	7,726,015	16,305,348
Capital Outlay	-	-	-
TOTAL EXPENDITURES BY NATURAL OBJECT	438,406,039	597,142,048	1,035,548,087

Are affiliated corporation funds included? yes_x_ no___
If yes, are the affiliated corporations those included in Table 25? yes_x_ no___
If no, provide explanation.

FD-1B CONSOLIDATED CURRENT FUNDS REVENUE
BUDGETED FISCAL YEAR 2015-16
DUE DATE: September 1
INSTITUTION: University of Louisville

	Budgeted FY 2015-16		
	Unrestricted	Restricted	Total
Educational and General (E&G)			
Tuition and Fees			
Degree Credit - Fall	126,215,300	-	126,215,300
Degree Credit - Winter	-	-	-
Degree Credit - Spring	117,705,700	-	117,705,700
Degree Credit - Summer	23,438,100	-	23,438,100
Subtotal Tuition	267,359,100	-	267,359,100
Noncredit	3,671,100	-	3,671,100
Mandatory Student Fees	9,761,300	-	9,761,300
Other Fees	19,590,400	-	19,590,400
Subtotal Tuition and Fees	300,381,900	-	300,381,900
Governmental Appropriations-Federal			
Agricultural Experiment Station	-	-	-
Agricultural Extension Service	-	-	-
Other Current Appropriations	-	-	-
Subtotal Governmental Appropriations-Federal	-	-	-
Governmental Appropriations-State	140,416,300		140,416,300
Governmental Appropriations-Local			-
Governmental Grants and Contracts-Federal			
Pell Grants	-	20,000,000	20,000,000
Supplemental Educational Opportunity Grants	-	729,500	729,500
College Work Study	-	905,600	905,600
Other Federal Financial Aid	-	425,000	425,000
Other Grants and Contracts	-	77,768,800	77,768,800
Subtotal Governmental Grants and Contracts-Federal	-	99,828,900	99,828,900
Governmental Grants and Contracts-State	-	52,535,200	52,535,200
Governmental Grants and Contracts-Local	-	721,800	721,800
Non-Governmental Grants and Contracts	-	23,163,200	23,163,200
Gifts, Donations, and Pledges	-	42,095,800	42,095,800
Indirect Cost Reimbursement	11,632,100	11,367,900	23,000,000
Investment Income	3,517,700	-	3,517,700
Endowment Income	-	84,268,100	84,268,100
Sales and Services of Educational Activities	967,700	-	967,700
Budgeted Fund Balance as Support		-	-
Other Misc. Revenue (Restricted - Clinical Operations)	26,163,100	310,856,100	337,019,200
Total Educational and General (E&G)	483,078,800	624,837,000	1,107,915,800
Sales and Services of Auxiliary Enterprises			
Housing	6,844,200	-	6,844,200
Food Service	30,000	-	30,000
Bookstores	315,000	-	315,000
Other	7,108,800	-	7,108,800
Intercollegiate Athletics	-	92,530,000	92,530,000
Mandatory Student Fees	-	-	-
Total Auxiliary Enterprises	14,298,000	92,530,000	106,828,000
Sales and Services of Hospitals	13,860,900		13,860,900
TOTAL CURRENT FUNDS REVENUE	511,237,700	717,367,000	1,228,604,700

Are affiliated corporation funds included? yes_x_ no___

If yes, are the affiliated corporations those listed in Table 25? yes_x__ no___

If no, provide explanation.

FD-2B CONSOLIDATED CURRENT FUNDS EXPENSES AND TRANSFERS BY FUNCTIONAL NATURAL OBJECT CODE
BUDGETED FISCAL YEAR 2015-16
DUE DATE: November 1
INSTITUTION: University of Louisville

	Budgeted FY 2015-16		
By Function	**Unrestricted**	**Restricted**	**Total**
Educational and General (E&G)			
Instruction	174,135,900	199,834,500	373,970,400
Research	30,173,400	116,040,000	146,213,400
Public Service	9,777,200	100,956,100	110,733,300
Libraries	18,696,800	1,917,100	20,613,900
Academic Support	37,850,200	103,741,400	141,591,600
Student Services	31,572,100	1,238,700	32,810,800
Institutional Support	70,319,100	26,658,000	96,977,100
Operation and Maintenance of Plant	50,896,000	1,298,000	52,194,000
Student Financial Aid	58,056,300	73,153,200	131,209,500
Depreciation	-	-	-
Other Educational and General Expenses	1,108,800	-	1,108,800
Subtotal E&G	482,585,800	624,837,000	1,107,422,800
Mandatory Transfers	18,835,700	-	18,835,700
Nonmandatory Transfers	-	-	-
Total Educational and General (E&G)	501,421,500	624,837,000	1,126,258,500
Auxiliary Enterprises			
Auxiliary Enterprise Operations	9,816,200	-	9,816,200
Intercollegiate Athletics	-	92,530,000	92,530,000
Mandatory Transfers	-	-	-
Nonmandatory Transfers	-	-	-
Total Auxiliary Enterprises	9,816,200	92,530,000	102,346,200
Hospitals			
Hospital Operations	-	-	-
Mandatory Transfers (QCCT)	-	-	-
Nonmandatory Transfers	-	-	-
Total Hospitals	-	-	-
TOTAL EXPENSES/TRANSFERS BY FUNCTION	511,237,700	717,367,000	1,228,604,700
By Natural Object			
Personnel Costs	340,348,000	388,268,400	728,616,400
Operating Expenses	94,051,300	256,374,600	350,425,900
Grants, Loans, or Benefits	54,994,100	72,139,800	127,133,900
Debt Service	-	-	-
Capital Outlay	21,844,300	584,200	22,428,500
TOTAL EXPENDITURES BY NATURAL OBJECT	511,237,700	717,367,000	1,228,604,700

Are affiliated corporation funds included? yes_x_ no___
If yes, are the affiliated corporations those included in Table 25? yes_x__ no___
If no, provide explanation.

FD-1B CONSOLIDATED CURRENT FUNDS REVENUE
PROPOSED FISCAL YEAR 2016-17
INSTITUTION: University of Louisville

	Proposed FY 2016-17		
	Unrestricted	Restricted	Total
Educational and General (E&G)	3.0%	2.0%	1.0%
Tuition and Fees			
Degree Credit - Fall	130,544,200		130,544,200
Degree Credit - Winter	-		
Degree Credit - Spring	121,754,400		121,754,400
Degree Credit - Summer	24,203,700		24,203,700
Subtotal Tuition	276,502,300	-	276,502,300
Noncredit	3,781,200		3,781,200
Mandatory Student Fees	9,761,300		9,761,300
Other Fees	19,590,400		19,590,400
Subtotal Tuition and Fees	309,635,200	-	309,635,200
Governmental Appropriations-Federal			
Agricultural Experiment Station			-
Agricultural Extension Service			-
Other Current Appropriations			-
Subtotal Governmental Appropriations-Federal	-	-	-
Governmental Appropriations-State	148,131,900		148,131,900
Governmental Appropriations-Local			-
Governmental Grants and Contracts-Federal			
Pell Grants		20,000,000	20,000,000
Supplemental Educational Opportunity Grants		729,500	729,500
College Work Study		905,600	905,600
Other Federal Financial Aid	-	425,000	425,000
Other Grants and Contracts		78,546,500	78,546,500
Subtotal Governmental Grants and Contracts-Federal	-	100,606,600	100,606,600
Governmental Grants and Contracts-State	-	53,060,600	53,060,600
Governmental Grants and Contracts-Local		729,000	729,000
Non-Governmental Grants and Contracts		23,394,800	23,394,800
Gifts, Donations, and Pledges		42,937,700	42,937,700
Indirect Cost Reimbursement	12,137,800	11,862,200	24,000,000
Investment Income (Loss)	3,588,100		3,588,100
Endowment Income (Loss)		85,953,500	85,953,500
Sales and Services of Educational Activities	996,700		996,700
Budgeted Fund Balance as Support			-
Other	26,948,000	320,181,800	347,129,800
Total Educational and General (E&G)	501,437,700	638,726,200	1,140,163,900
Sales and Services of Auxiliary Enterprises			
Housing	7,049,500		7,049,500
Food Service	30,900		30,900
Bookstores	324,500		324,500
Other	7,322,100		7,322,100
Intercollegiate Athletics		95,305,900	95,305,900
Mandatory Student Fees	-	-	-
Total Auxiliary Enterprises	14,727,000	95,305,900	110,032,900
Sales and Services of Hospitals	13,860,900		13,860,900
TOTAL CURRENT FUNDS REVENUE	530,025,600	734,032,100	1,264,057,700

Are affiliated corporation funds included? yes___ no___
If yes, are the affiliated corporations those listed in Table 25? yes___ no___
If no, provide explanation.

FD-2B CONSOLIDATED CURRENT FUNDS EXPENSES AND TRANSFERS BY FUNCTIONAL NATURAL OBJECT CODE
PROPOSED FISCAL YEAR 2016-17
INSTITUTION: University of Louisville

	Proposed FY 2016-17		
By Function	**Unrestricted**	**Restricted**	**Total**
Educational and General (E&G)			
Instruction	181,253,835	204,476,841	385,730,676
Research	31,406,760	118,735,717	150,142,477
Public Service	10,176,850	103,301,403	113,478,254
Libraries	19,461,046	1,961,636	21,422,682
Academic Support	39,397,355	106,151,409	145,548,764
Student Services	32,862,633	1,267,476	34,130,109
Institutional Support	73,193,446	27,277,290	100,470,736
Operation and Maintenance of Plant	52,976,412	1,328,154	54,304,566
Student Financial Aid	60,429,395	74,852,617	135,282,011
Depreciation	-	-	-
Other Educational and General Expenses	1,154,123	-	1,154,123
Subtotal E&G	502,311,855	639,352,542	1,141,664,398
Mandatory Transfers	17,496,300	-	17,496,300
Nonmandatory Transfers	-	-	-
Total Educational and General (E&G)	519,808,155	639,352,542	1,159,160,698
Auxiliary Enterprises			
Auxiliary Enterprise Operations	10,217,445	-	10,217,445
Intercollegiate Athletics	-	94,679,558	94,679,558
Mandatory Transfers	-	-	-
Nonmandatory Transfers	-	-	-
Total Auxiliary Enterprises	10,217,445	94,679,558	104,897,002
Hospitals			
Hospital Operations	-	-	-
Mandatory Transfers	-	-	-
Nonmandatory Transfers	-	-	-
Total Hospitals	-	-	-
TOTAL EXPENSES/TRANSFERS BY FUNCTION	530,025,600	734,032,100	1,264,057,700
By Natural Object			
Personnel Costs	352,855,732	397,288,235	750,143,967
Operating Expenses	97,507,670	262,330,419	359,838,089
Grants, Loans, or Benefits	57,015,124	73,815,674	130,830,798
Debt Service	-	-	-
Capital Outlay	22,647,074	597,772	23,244,846
TOTAL EXPENDITURES BY NATURAL OBJECT	530,025,600	734,032,100	1,264,057,700

Are affiliated corporation funds included? yes___ no___
If yes, are the affiliated corporations those included in Table 25? yes___ no___
If no, provide explanation.

FD-1B CONSOLIDATED CURRENT FUNDS REVENUE
PROPOSED FISCAL YEAR 2017-18
INSTITUTION: University of Louisville

	Proposed FY 2017-18		
	Unrestricted	Restricted	Total
Educational and General (E&G)	3.0%	3.0%	1.0%
Tuition and Fees			
Degree Credit - Fall	135,030,300		135,030,300
Degree Credit - Winter	-		
Degree Credit - Spring	125,950,400		125,950,400
Degree Credit - Summer	24,995,400		24,995,400
Subtotal Tuition	285,976,100	-	285,976,100
Noncredit	3,894,600		3,894,600
Mandatory Student Fees	9,761,300		9,761,300
Other Fees	19,590,400		19,590,400
Subtotal Tuition and Fees	319,222,400	-	319,222,400
Governmental Appropriations-Federal			
Agricultural Experiment Station			-
Agricultural Extension Service			-
Other Current Appropriations			-
Subtotal Governmental Appropriations-Federal	-	-	-
Governmental Appropriations-State	157,186,900		157,186,900
Governmental Appropriations-Local			-
Governmental Grants and Contracts-Federal			
Pell Grants		20,000,000	20,000,000
Supplemental Educational Opportunity Grants		729,500	729,500
College Work Study		905,600	905,600
Other Federal Financial Aid	-	425,000	425,000
Other Grants and Contracts		79,332,000	79,332,000
Subtotal Governmental Grants and Contracts-Federal	-	101,392,100	101,392,100
Governmental Grants and Contracts-State	-	53,591,200	53,591,200
Governmental Grants and Contracts-Local		736,300	736,300
Non-Governmental Grants and Contracts		23,628,700	23,628,700
Gifts, Donations, and Pledges		44,225,800	44,225,800
Indirect Cost Reimbursement	12,390,700	12,109,300	24,500,000
Investment Income (Loss)	3,695,700		3,695,700
Endowment Income (Loss)		88,532,100	88,532,100
Sales and Services of Educational Activities	1,026,600		1,026,600
Budgeted Fund Balance as Support			-
Other	27,756,400	329,787,300	357,543,700
Total Educational and General (E&G)	521,278,700	654,002,800	1,175,281,500
Sales and Services of Auxiliary Enterprises			
Housing	7,261,000		7,261,000
Food Service	31,800		31,800
Bookstores	334,200		334,200
Other	7,541,800		7,541,800
Intercollegiate Athletics		98,165,100	98,165,100
Mandatory Student Fees			-
Total Auxiliary Enterprises	15,168,800	98,165,100	113,333,900
Sales and Services of Hospitals	13,860,900		13,860,900
TOTAL CURRENT FUNDS REVENUE	550,308,400	752,167,900	1,302,476,300

Are affiliated corporation funds included? yes___ no___

If yes, are the affiliated corporations those listed in Table 25? yes___ no___

If no, provide explanation.

FD-2B CONSOLIDATED CURRENT FUNDS EXPENSES AND TRANSFERS BY FUNCTIONAL NATURAL OBJECT CODE
PROPOSED FISCAL YEAR 2017-18
INSTITUTION: University of Louisville

	Proposed FY 2017-18		
By Function	**Unrestricted**	**Restricted**	**Total**
Educational and General (E&G)			
Instruction	188,426,762	209,528,869	397,955,631
Research	32,649,649	121,669,331	154,318,981
Public Service	10,579,588	105,853,681	116,433,269
Libraries	20,231,196	2,010,102	22,241,298
Academic Support	40,956,464	108,774,102	149,730,565
Student Services	34,163,137	1,298,792	35,461,929
Institutional Support	76,089,998	27,951,233	104,041,231
Operation and Maintenance of Plant	55,072,897	1,360,969	56,433,866
Student Financial Aid	62,820,823	76,702,007	139,522,831
Depreciation	-	-	-
Other Educational and General Expenses	1,199,796	-	1,199,796
Subtotal E&G	522,190,311	655,149,086	1,177,339,397
Mandatory Transfers	17,496,300	-	17,496,300
Nonmandatory Transfers	-	-	-
Total Educational and General (E&G)	539,686,611	655,149,086	1,194,835,697
Auxiliary Enterprises			
Auxiliary Enterprise Operations	10,621,789	-	10,621,789
Intercollegiate Athletics	-	97,018,814	97,018,814
Mandatory Transfers	-	-	-
Nonmandatory Transfers	-	-	-
Total Auxiliary Enterprises	10,621,789	97,018,814	107,640,603
Hospitals			
Hospital Operations	-	-	-
Mandatory Transfers	-	-	-
Nonmandatory Transfers	-	-	-
Total Hospitals	-	-	-
TOTAL EXPENSES/TRANSFERS BY FUNCTION	550,308,400	752,167,900	1,302,476,300
By Natural Object			
Personnel Costs	366,358,669	407,104,072	773,462,741
Operating Expenses	101,239,053	268,811,842	370,050,894
Grants, Loans, or Benefits	59,196,955	75,639,445	134,836,400
Debt Service	-	-	-
Capital Outlay	23,513,723	612,541	24,126,264
TOTAL EXPENDITURES BY NATURAL OBJECT	550,308,400	752,167,900	1,302,476,300

Are affiliated corporation funds included? yes___ no___
If yes, are the affiliated corporations those included in Table 25? yes___ no___
If no, provide explanation.

2016-2018 Kentucky Branch Budget
Operating Budget Request: Priority Ranking Summary Record

OPERATING BUDGET SUMMARY RECORD P

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

			FY 2015-16 Budgeted	FY 2016-17 Requested	FY 2017-18 Requested
1		Defined Calculations		0	0
1	Growth	Performance Funding	0	7,055,000	14,110,000
		Total Additional Budget Request	0	36,792,400	75,211,000

2016-2018 Kentucky Branch Budget
Operating Budget Request: Priority Ranking Summary Record

OPERATING BUDGET SUMMARY RECORD P

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

			FY 2015-16 Budgeted	FY 2016-17 Requested	FY 2017-18 Requested
1		Defined Calculations		0	0
2	Growth	Centers of Research Excellence	0	2,000,000	4,000,000
		Total Additional Budget Request	0	36,792,400	75,211,000

2016-2018 Kentucky Branch Budget
Operating Budget Request: Priority Ranking Summary Record

OPERATING BUDGET SUMMARY RECORD P

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

			FY 2015-16 Budgeted	FY 2016-17 Requested	FY 2017-18 Requested
1		Defined Calculations		0	0
3	Growth	Growth in Federal & Restricted	0	27,737,400	57,101,000
		Total Additional Budget Request	0	36,792,400	75,211,000

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2016-2018 Kentucky Branch Budget
Capital Budget Request: Project Summary Record
All dollar amounts rounded to next $1000

Capital Budget Record CBR-01

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education
Agency: Postsecondary Education Institutions
Appropriation: University of Louisville

SUMMARY BY FUND SOURCE			FY 2015-16 Requested	FY 2016-17 Requested	FY 2017-18 Requested	Total Requested
Bond Funds			0	169,473,000	0	169,473,000
Restricted Funds			0	757,044,000	0	757,044,000
Agency Bonds			0	172,395,000	0	172,395,000
Other - Cash			0	91,030,000	0	91,030,000
Other - Third Party Financing			0	227,840,000	0	227,840,000
TOTAL EXPENDITURES BY UNIT			**0**	**1,417,782,000**	**0**	**1,417,782,000**
1	460U16C552	Construct - Instructional Building at HSC		Construction		
		Bond Funds	0	71,730,000	0	71,730,000
Total Construct - Instructional Building at HSC			**0**	**71,730,000**	**0**	**71,730,000**
2	460U16C544	Renovate - Capital Renewal Pool (2016-2018)		Construction		
		Bond Funds	0	35,000,000	0	35,000,000
Total Renovate - Capital Renewal Pool (2016-2018)			**0**	**35,000,000**	**0**	**35,000,000**
3	460U16C542	Purchase - Next Generation/ERP Support System		Information Technology System		
		Bond Funds	0	6,000,000	0	6,000,000
Total Purchase - Next Generation/ERP Support System			**0**	**6,000,000**	**0**	**6,000,000**
4	460U16C555	Purchase - Research Computing Infrastructure		Information Technology System		
		Bond Funds	0	7,000,000	0	7,000,000
Total Purchase - Research Computing Infrastructure			**0**	**7,000,000**	**0**	**7,000,000**
5	460U16C537	Renovate - Natural Science Building		Construction		
		Bond Funds	0	29,843,000	0	29,843,000
Total Renovate - Natural Science Building			**0**	**29,843,000**	**0**	**29,843,000**
6	460U16C546	Renovate - Kornhauser Library		Construction		
		Bond Funds	0	19,900,000	0	19,900,000
Total Renovate - Kornhauser Library			**0**	**19,900,000**	**0**	**19,900,000**
7	460U16C549	Construct - Residence Hall		Construction		
		Agency Bonds	0	44,450,000	0	44,450,000
Total Construct - Residence Hall			**0**	**44,450,000**	**0**	**44,450,000**
8	460U16C595	Renovate - Residence Hall I		Construction		
		Agency Bonds	0	26,770,000	0	26,770,000
Total Renovate - Residence Hall I			**0**	**26,770,000**	**0**	**26,770,000**
9	460U16C596	Renovate - Residence Hall II		Construction		
		Agency Bonds	0	19,550,000	0	19,550,000
Total Renovate - Residence Hall II			**0**	**19,550,000**	**0**	**19,550,000**
10	460U16C548	Renovate - Medical School Tower Lab/Infra Renewal		Construction		
		Agency Bonds	0	36,000,000	0	36,000,000
Total Renovate - Medical School Tower Lab/Infra Renewal			**0**	**36,000,000**	**0**	**36,000,000**
11	460U16C563	Construct - Belknap Parking Garage II		Construction		
		Agency Bonds	0	45,625,000	0	45,625,000
Total Construct - Belknap Parking Garage II			**0**	**45,625,000**	**0**	**45,625,000**
12	460U16C560	Construct - Administrative Office Building		Construction		
		Other - Third Party Financing	0	52,560,000	0	52,560,000
Total Construct - Administrative Office Building			**0**	**52,560,000**	**0**	**52,560,000**
13	460U16C567	Construct - Athletic Grounds Building		Construction		
		Other - Cash	0	1,550,000	0	1,550,000
Total Construct - Athletic Grounds Building			**0**	**1,550,000**	**0**	**1,550,000**

2016-2018 Kentucky Branch Budget
Capital Budget Request: Project Summary Record
All dollar amounts rounded to next $1000

Capital Budget Record CBR-01

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education
Agency: Postsecondary Education Institutions
Appropriation: University of Louisville

SUMMARY BY FUND SOURCE	FY 2015-16 Requested	FY 2016-17 Requested	FY 2017-18 Requested	Total Requested
14 460U16C558 Construct - Athletics Office Building		Construction		
Other - Third Party Financing	0	7,550,000	0	7,550,000
Total Construct - Athletics Office Building	**0**	**7,550,000**	**0**	**7,550,000**
15 460U16C568 Construct - Center for Creative Studies		Construction		
Restricted Funds	0	10,193,000	0	10,193,000
Total Construct - Center for Creative Studies	**0**	**10,193,000**	**0**	**10,193,000**
16 460U16C539 Construct - Center for Social Change		Construction		
Other - Third Party Financing	0	13,610,000	0	13,610,000
Total Construct - Center for Social Change	**0**	**13,610,000**	**0**	**13,610,000**
17 460U16C556 Construct - Center for the Performing Arts		Construction		
Other - Third Party Financing	0	76,660,000	0	76,660,000
Total Construct - Center for the Performing Arts	**0**	**76,660,000**	**0**	**76,660,000**
18 460U16C551 Construct - Executive MBA/Business Program		Construction		
Restricted Funds	0	12,000,000	0	12,000,000
Total Construct - Executive MBA/Business Program	**0**	**12,000,000**	**0**	**12,000,000**
19 460U16C553 Construct - Physical Plant Space in HSC Garage		Construction		
Restricted Funds	0	2,440,000	0	2,440,000
Total Construct - Physical Plant Space in HSC Garage	**0**	**2,440,000**	**0**	**2,440,000**
20 460U16C590 Construct - HSC Administrative Office Building		Construction		
Restricted Funds	0	30,510,000	0	30,510,000
Total Construct - HSC Administrative Office Building	**0**	**30,510,000**	**0**	**30,510,000**
21 460U16C600 Construct - Institute for Product Realization		Construction		
Other - Cash	0	35,980,000	0	35,980,000
Total Construct - Institute for Product Realization	**0**	**35,980,000**	**0**	**35,980,000**
22 460U16C571 Construct - Shelbyhurst Hotel/Conference Center		Construction		
Other - Cash	0	18,720,000	0	18,720,000
Total Construct - Shelbyhurst Hotel/Conference Center	**0**	**18,720,000**	**0**	**18,720,000**
23 460U16C570 Construct - Shelbyhurst Parking Garage		Construction		
Other - Cash	0	28,000,000	0	28,000,000
Total Construct - Shelbyhurst Parking Garage	**0**	**28,000,000**	**0**	**28,000,000**
24 460U16C591 Construct - Soccer Stadium Practice Field		Construction		
Restricted Funds	0	2,000,000	0	2,000,000
Total Construct - Soccer Stadium Practice Field	**0**	**2,000,000**	**0**	**2,000,000**
25 460U16C020 Construct - Visitors Center		Construction		
Restricted Funds	0	2,000,000	0	2,000,000
Total Construct - Visitors Center	**0**	**2,000,000**	**0**	**2,000,000**
26 460U16C557 Expand - School of Public Health & Info Sciences		Construction		
Restricted Funds	0	11,610,000	0	11,610,000
Total Expand - School of Public Health & Info Sciences	**0**	**11,610,000**	**0**	**11,610,000**
27 460U16C554 Expand and Renovate - College of Education Bldg		Construction		
Restricted Funds	0	56,260,000	0	56,260,000
Total Expand and Renovate - College of Education Bldg	**0**	**56,260,000**	**0**	**56,260,000**
28 460U16C601 Expand and Renovate - Houchens Building		Construction		
Restricted Funds	0	25,580,000	0	25,580,000
Total Expand and Renovate - Houchens Building	**0**	**25,580,000**	**0**	**25,580,000**

2016-2018 Kentucky Branch Budget
Capital Budget Request: Project Summary Record
All dollar amounts rounded to next $1000

Capital Budget Record CBR-01

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville

SUMMARY BY FUND SOURCE			FY 2015-16 Requested	FY 2016-17 Requested	FY 2017-18 Requested	Total Requested
29	460U16C589	Expand - Papa Johns Stadium/Football Complex		Construction		
		Other - Third Party Financing	0	55,000,000	0	55,000,000
Total Expand - Papa Johns Stadium/Football Complex			**0**	**55,000,000**	**0**	**55,000,000**
30	460U16C592	Purchase - Artificial Turf Field I		Construction		
		Other - Cash	0	1,250,000	0	1,250,000
Total Purchase - Artificial Turf Field I			**0**	**1,250,000**	**0**	**1,250,000**
31	460U16C593	Purchase - Artificial Turf Field II		Construction		
		Other - Cash	0	1,250,000	0	1,250,000
Total Purchase - Artificial Turf Field II			**0**	**1,250,000**	**0**	**1,250,000**
32	460U16C594	Purchase - Electronic Video Boards		Information Technology System		
		Other - Cash	0	2,000,000	0	2,000,000
Total Purchase - Electronic Video Boards			**0**	**2,000,000**	**0**	**2,000,000**
33	460U16C545	Renovate - Burhans Hall		Construction		
		Other - Third Party Financing	0	17,000,000	0	17,000,000
Total Renovate - Burhans Hall			**0**	**17,000,000**	**0**	**17,000,000**
34	460U16C566	Renovate - Football Practice Field Lighting		Construction		
		Other - Cash	0	780,000	0	780,000
Total Renovate - Football Practice Field Lighting			**0**	**780,000**	**0**	**780,000**
35	460U16C569	Renovate - Guaranteed Energy Savings (2016-2018)		Construction		
		Restricted Funds	0	0	0	0
Total Renovate - Guaranteed Energy Savings (2016-2018)			**0**	**0**	**0**	**0**
36	460U16C599	Renovate - HSC Simulation Center		Construction		
		Restricted Funds	0	15,000,000	0	15,000,000
Total Renovate - HSC Simulation Center			**0**	**15,000,000**	**0**	**15,000,000**
37	460U16C597	Renovate - IT Data Center Power Upgrade		Construction		
		Restricted Funds	0	8,000,000	0	8,000,000
Total Renovate - IT Data Center Power Upgrade			**0**	**8,000,000**	**0**	**8,000,000**
38	460U16C550	Renovate - J. B. Speed Building		Construction		
		Restricted Funds	0	13,260,000	0	13,260,000
Total Renovate - J. B. Speed Building			**0**	**13,260,000**	**0**	**13,260,000**
39	460U16C598	Renovate - K-Wing Building		Construction		
		Restricted Funds	0	25,610,000	0	25,610,000
Total Renovate - K-Wing Building			**0**	**25,610,000**	**0**	**25,610,000**
40	460U16C547	Renovate - Law School		Construction		
		Restricted Funds	0	36,081,000	0	36,081,000
Total Renovate - Law School			**0**	**36,081,000**	**0**	**36,081,000**
41	460U16C564	Renovate - Papa John's Stadium Seat Replacement		Construction		
		Other - Third Party Financing	0	5,460,000	0	5,460,000
Total Renovate - Papa John's Stadium Seat Replacement			**0**	**5,460,000**	**0**	**5,460,000**
42	460U16C565	Renovate - Resurface Track and Cardio Path		Construction		
		Other - Cash	0	1,500,000	0	1,500,000
Total Renovate - Resurface Track and Cardio Path			**0**	**1,500,000**	**0**	**1,500,000**

2016-2018 Kentucky Branch Budget
Capital Budget Request: Project Summary Record
All dollar amounts rounded to next $1000

Capital Budget Record CBR-01

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education

Agency: Postsecondary Education Institutions
Appropriation: University of Louisville

SUMMARY BY FUND SOURCE	FY 2015-16 Requested	FY 2016-17 Requested	FY 2017-18 Requested	Total Requested
43 460U16C582 Acquire Land and Implement Land Use Plan		Construction		
Restricted Funds	0	72,000,000	0	72,000,000
Total Acquire Land and Implement Land Use Plan	**0**	**72,000,000**	**0**	**72,000,000**
44 460U16C581 Improve Accessibility		Construction		
Restricted Funds	0	5,000,000	0	5,000,000
Total Improve Accessibility	**0**	**5,000,000**	**0**	**5,000,000**
45 460U16C578 Improve Building Electrical Systems		Construction		
Restricted Funds	0	20,000,000	0	20,000,000
Total Improve Building Electrical Systems	**0**	**20,000,000**	**0**	**20,000,000**
46 460U16C577 Improve Building Mechanical Systems		Construction		
Restricted Funds	0	28,000,000	0	28,000,000
Total Improve Building Mechanical Systems	**0**	**28,000,000**	**0**	**28,000,000**
47 460U16C576 Improve Civil Site Infrastructure		Construction		
Restricted Funds	0	23,000,000	0	23,000,000
Total Improve Civil Site Infrastructure	**0**	**23,000,000**	**0**	**23,000,000**
48 460U16C574 Improve Electrical Infrastructure		Construction		
Restricted Funds	0	30,000,000	0	30,000,000
Total Improve Electrical Infrastructure	**0**	**30,000,000**	**0**	**30,000,000**
49 460U16C579 Improve Elevator Systems		Construction		
Restricted Funds	0	5,000,000	0	5,000,000
Total Improve Elevator Systems	**0**	**5,000,000**	**0**	**5,000,000**
50 460U16C588 Improve Housing Facilities		Construction		
Restricted Funds	0	8,000,000	0	8,000,000
Total Improve Housing Facilities	**0**	**8,000,000**	**0**	**8,000,000**
51 460U16C580 Improve Life Safety Projects		Construction		
Restricted Funds	0	15,000,000	0	15,000,000
Total Improve Life Safety Projects	**0**	**15,000,000**	**0**	**15,000,000**
52 460U16C575 Improve Mechanical Infrastructure		Construction		
Restricted Funds	0	30,000,000	0	30,000,000
Total Improve Mechanical Infrastructure	**0**	**30,000,000**	**0**	**30,000,000**
53 460U16C587 Improve/Expand Academic Space		Construction		
Restricted Funds	0	24,000,000	0	24,000,000
Total Improve/Expand Academic Space	**0**	**24,000,000**	**0**	**24,000,000**
54 460U16C585 Improve/Expand Administrative Space		Construction		
Restricted Funds	0	43,000,000	0	43,000,000
Total Improve/Expand Administrative Space	**0**	**43,000,000**	**0**	**43,000,000**
55 460U16C584 Improve/Expand Ambulatory Care Space		Construction		
Restricted Funds	0	34,000,000	0	34,000,000
Total Improve/Expand Ambulatory Care Space	**0**	**34,000,000**	**0**	**34,000,000**
56 460U16C573 Improve/Expand Central Plants		Construction		
Restricted Funds	0	41,000,000	0	41,000,000
Total Improve/Expand Central Plants	**0**	**41,000,000**	**0**	**41,000,000**
57 460U16C586 Improve/Expand Parking		Construction		
Restricted Funds	0	13,000,000	0	13,000,000
Total Improve/Expand Parking	**0**	**13,000,000**	**0**	**13,000,000**

2016-2018 Kentucky Branch Budget
Capital Budget Request: Project Summary Record
All dollar amounts rounded to next $1000

Capital Budget Record CBR-01

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education
Agency: Postsecondary Education Institutions
Appropriation: University of Louisville

SUMMARY BY FUND SOURCE			FY 2015-16 Requested	FY 2016-17 Requested	FY 2017-18 Requested	Total Requested
58	460U16C583	Improve/Expand Research Labs		Construction		
		Restricted Funds	0	46,000,000	0	46,000,000
Total Improve/Expand Research Labs			**0**	**46,000,000**	**0**	**46,000,000**
59	460U16C540	Lease - Digital Output System		Information Technology System		
		Restricted Funds	0	2,500,000	0	2,500,000
Total Lease - Digital Output System			**0**	**2,500,000**	**0**	**2,500,000**
60	460U16C541	Purchase - Computer Processing System		Information Technology System		
		Restricted Funds	0	8,000,000	0	8,000,000
Total Purchase - Computer Processing System			**0**	**8,000,000**	**0**	**8,000,000**
61	460U16C572	Purchase - Content Management System		Information Technology System		
		Restricted Funds	0	4,000,000	0	4,000,000
Total Purchase - Content Management System			**0**	**4,000,000**	**0**	**4,000,000**
62	460U16C559	Purchase - Fiber Infrastructure		Information Technology System		
		Restricted Funds	0	7,000,000	0	7,000,000
Total Purchase - Fiber Infrastructure			**0**	**7,000,000**	**0**	**7,000,000**
63	460U16C562	Purchase - IT Data Center Support Systems		Information Technology System		
		Restricted Funds	0	20,000,000	0	20,000,000
Total Purchase - IT Data Center Support Systems			**0**	**20,000,000**	**0**	**20,000,000**
64	460U16C543	Purchase - Networking System		Information Technology System		
		Restricted Funds	0	8,000,000	0	8,000,000
Total Purchase - Networking System			**0**	**8,000,000**	**0**	**8,000,000**
65	460U16C561	Purchase - Security and Firewall Infrastructure		Information Technology System		
		Restricted Funds	0	8,000,000	0	8,000,000
Total Purchase - Security and Firewall Infrastructure			**0**	**8,000,000**	**0**	**8,000,000**
66	460U16C538	Purchase - Storage System		Information Technology System		
		Restricted Funds	0	12,000,000	0	12,000,000
Total Purchase - Storage System			**0**	**12,000,000**	**0**	**12,000,000**
67	460U16C001	Lease - Master of Fine Arts Program		Lease		
		Restricted Funds	0	0	0	0
Total Lease - Master of Fine Arts Program			**0**	**0**	**0**	**0**
68	460U16C003	Lease - Office Space-Jefferson County-1		Lease		
		Restricted Funds	0	0	0	0
Total Lease - Office Space-Jefferson County-1			**0**	**0**	**0**	**0**
69	460U16C004	Lease - Office Space-Jefferson County-2		Lease		
		Restricted Funds	0	0	0	0
Total Lease - Office Space-Jefferson County-2			**0**	**0**	**0**	**0**
70	460U16C005	Lease - Office Space-Jefferson County-3		Lease		
		Restricted Funds	0	0	0	0
Total Lease - Office Space-Jefferson County-3			**0**	**0**	**0**	**0**
71	460U16C006	Lease - Office Space-Jefferson County-4		Lease		
		Restricted Funds	0	0	0	0
Total Lease - Office Space-Jefferson County-4			**0**	**0**	**0**	**0**
72	460U16C007	Lease - Office/Academic Space-1		Lease		
		Restricted Funds	0	0	0	0
Total Lease - Office/Academic Space-1			**0**	**0**	**0**	**0**

2016-2018 Kentucky Branch Budget
Capital Budget Request: Project Summary Record
All dollar amounts rounded to next $1000

Capital Budget Record CBR-01

Governmental Branch: Executive Branch
Cabinet: Postsecondary Education
Agency: Postsecondary Education Institutions
Appropriation: University of Louisville

SUMMARY BY FUND SOURCE	FY 2015-16 Requested	FY 2016-17 Requested	FY 2017-18 Requested	Total Requested
73 460U16C008 Lease - Office/Academic Space-2		Lease		
Restricted Funds	0	0	0	0
Total Lease - Office/Academic Space-2	**0**	**0**	**0**	**0**
74 460U16C009 Lease - Clinic/Office Space-Jefferson County-1		Lease		
Restricted Funds	0	0	0	0
Total Lease - Clinic/Office Space-Jefferson County-1	**0**	**0**	**0**	**0**
75 460U16C010 Lease - Clinic/Office Space-Jefferson County-2		Lease		
Restricted Funds	0	0	0	0
Total Lease - Clinic/Office Space-Jefferson County-2	**0**	**0**	**0**	**0**
76 460U16C011 Lease - Clinic/Office Space-Jefferson County-3		Lease		
Restricted Funds	0	0	0	0
Total Lease - Clinic/Office Space-Jefferson County-3	**0**	**0**	**0**	**0**
77 460U16C012 Lease - Clinic/Office Space-State of Kentucky		Lease		
Restricted Funds	0	0	0	0
Total Lease - Clinic/Office Space-State of Kentucky	**0**	**0**	**0**	**0**
78 460U16C013 Lease - Research Space-State of Kentucky		Lease		
Restricted Funds	0	0	0	0
Total Lease - Research Space-State of Kentucky	**0**	**0**	**0**	**0**
79 460U16C014 Lease - Med Center One		Lease		
Restricted Funds	0	0	0	0
Total Lease - Med Center One	**0**	**0**	**0**	**0**
80 460U16C016 Lease - Med Center One-Additional		Lease		
Restricted Funds	0	0	0	0
Total Lease - Med Center One-Additional	**0**	**0**	**0**	**0**
81 460U16C015 Lease - Nucleus 1 Building		Lease		
Restricted Funds	0	0	0	0
Total Lease - Nucleus 1 Building	**0**	**0**	**0**	**0**
82 460U16C017 Lease - Nucleus 1 Building-Additional		Lease		
Restricted Funds	0	0	0	0
Total Lease - Nucleus 1 Building-Additional	**0**	**0**	**0**	**0**
	0	0	0	0
	0	**0**	**0**	**0**
		Grand Total		**1,417,782,000**

Shumake,Connie Covington

From:	Cmoffice,Service Account
Sent:	Wednesday, January 11, 2017 2:38 PM
To:	Cmoffice,Service Account
Subject:	Message from Acting President Pinto regarding interim appointments

Colleagues,

I'm pleased to announce several interim appointments that will help lead the university during this period of transition.

David Adams, currently CEO of the Institute for Product Realization, will, effective immediately, also assume responsibilities as interim chief administrative officer for the university. This position has been created to effectively and stably manage administrative and financial functions through current and upcoming leadership transitions in the offices of the CFO/COO and the Office of the President. David will report to the university president. Upon completion of his service in this interim position, he will continue as CEO of the IPR.

In consultation with Board of Trustees Chair Larry Benz and senior leadership, I have decided to separate the CFO and COO roles.

Effective immediately, Susan Howarth, vice provost and chief university budget officer, will take on the additional role of interim chief financial officer. The Office of Finance/Controller and Lead Fiscal Officers will report to the CFO. The CFO for health affairs will report to both the interim CFO and the interim executive vice president for health affairs.

Susan has previously served as interim CFO. She brings the needed experience and knowledge to the position.

Also effective immediately, Lee Smith, assistant vice president for performance improvement/business analytics, will take on the additional role of interim chief operating officer, overseeing the offices of Business Services, Facilities Management, Information Technology and Public Safety.

Lee joined UofL in 2015. During his time here, he has spearheaded the creation of the Business Operations unit, among other accomplishments.

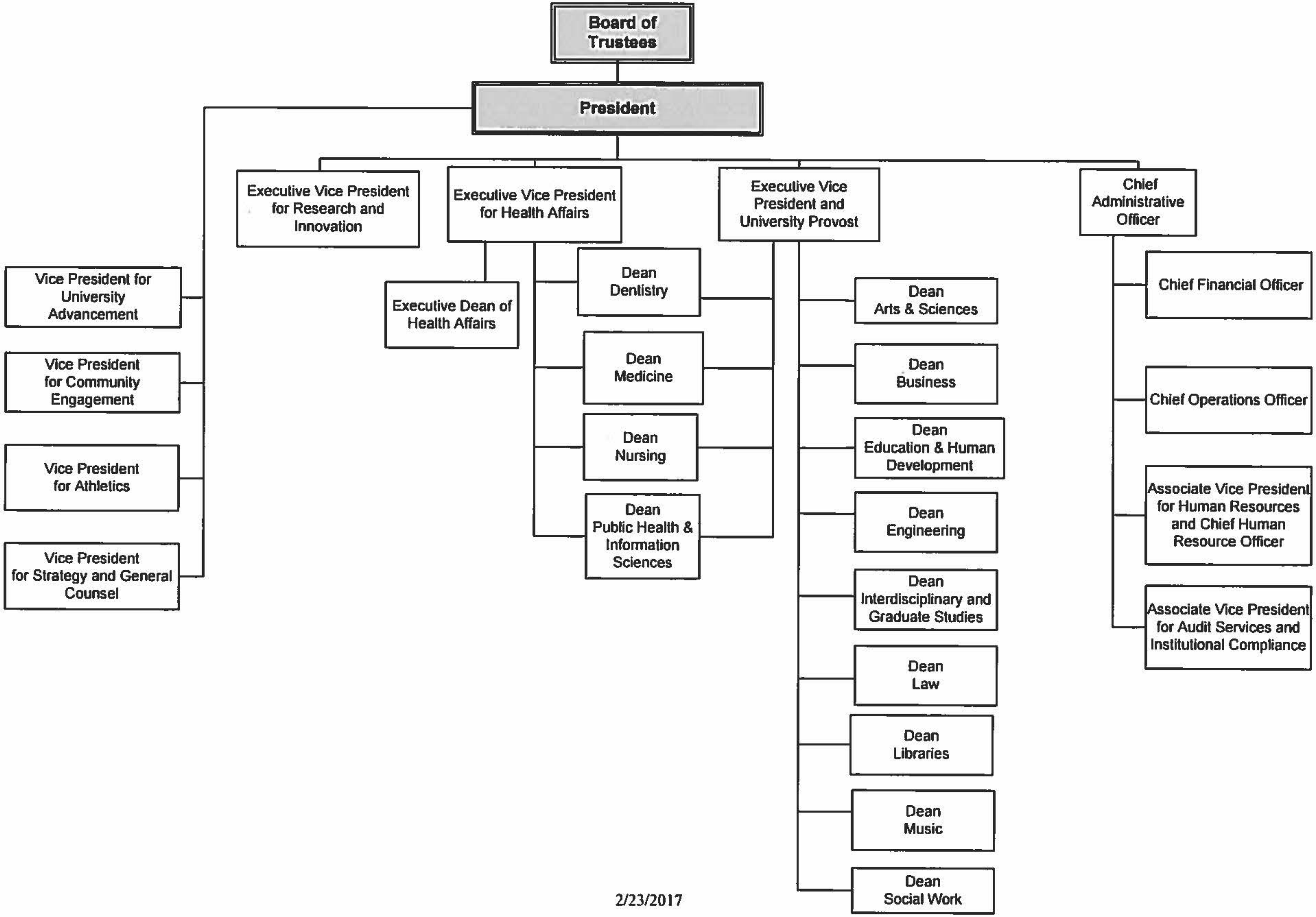
The Interim CFO and COO will report to David Adams during his time as interim CAO. Additionally, the AVP for human resources and the AVP for audit services and institutional compliance will report to David.

Finally, I want to let you know that Becky Simpson is taking a planned retirement as senior associate vice president for communications and marketing effective Jan. 27. Becky has made numerous contributions to the university during her tenure including great strides on the marketing front as well as thoughtful counsel to me during my tenures as interim provost and now acting president. She will be greatly missed and I wish her well in retirement. John Drees, associate vice president and director of campus communication, has accepted an appointment as interim senior AVP effective Jan. 30. He comes to the position with extensive experience and more than 30 years of university service.

My thanks to David, Susan, Lee and John for agreeing to these additional responsibilities. I am confident that their knowledge and experience will serve the university well in this period of transition.

Neville Pinto
Acting President

University of Louisville
Organizational Chart



2/23/2017

3.10.3 fn06

3.10.3 fn07

University of Louisville
FY 2017-18 Budget Development Timeline

Date	Activity
January 23, 2017	First meeting, working group on current status of all-funds university budgets
February 7	Working group report to leadership team Unit enrollment goals to CAO
February 15	Leadership retreat—President, VPs, Chief admin officer, deans and provost's senior staff, constituency heads
February 20-24	Unit dean and budget committee meetings w/ provost and budget staff
February 27 –March 10	Budget development committee meetings – move recommendation to Leadership for review and consideration
March 21	Leadership Meeting begin review of budget scenarios
April 11	Leadership Meeting - final decisions are made
April 12 – April 28	Decisions are communicated across campus and implementation of decisions are made by units coordinating with budget staff
April 28 – May 10	Budget Staff completes final work on detailed budget and document publication
May 11	Budget Materials and Document are published and posted to Board of Trustees (BOT) Vantage
May 16 or May 17	Pre Budget Workshop with BOT members
May 18	BOT budget workshop
June 15	BOT action to finalize the FY 2017-18 Operating Budget

164A.560 Election by institution to perform in accordance with KRS 164A.555 to 164A.630.

(1) The governing boards of the postsecondary educational institutions electing to perform in accordance with KRS 164A.555 to 164A.630 regarding the acquisition of funds, accounting, purchasing, capital construction, and affiliated corporations shall do so by regulation. The responsibility for this election is vested with the governing boards, any other statute to the contrary notwithstanding. The governing board may delegate these responsibilities by regulation to appropriate officials of the institution. The anticipated investment earnings which have been credited to the general fund and the anticipated investment earnings on funds in the capital construction account, excluding revenue bonds, for fiscal years 1982-83 and 1983-84 may be deducted from the respective institution's trust and agency funds on deposit prior to the issuance of a check or transfer to the governing board.

(2) The governing boards of institutions may elect to receive, deposit, collect, retain, invest, disburse, and account for all funds received or due from any source including, but not limited to, state and federal appropriations for the support or maintenance of the general operations or special purpose activities of such institutions. In the event of such election by the governing board:

   (a) The treasurer of the institution shall deposit on a timely basis all tuition fees, fees for room and board, incidental fees, contributions, gifts, donations, devises, state and federal appropriations, moneys received from sales and services, admittance fees, and all other moneys received from any source, in a depository bank or banks designated by the governing board.

   (b) The governing board shall promulgate rules and regulations limiting disbursements to the amounts and for the purposes for which state appropriations have been made, or for which other moneys have been received. All disbursements shall be recorded in a system of accounts as set forth in KRS 164A.555 to 164A.630. The treasurer of each institution shall prescribe forms to be used with the system of accounts, and no treasurer shall approve any disbursement document unless he determines that the disbursement is to satisfy a liability of the institution incurred for authorized purposes and that the disbursement is to be made from the unexpended balance of a proper allotment.

Effective: May 30, 1997

History: Amended 1997 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 137, effective May 30, 1997. -- Created 1982 Ky. Acts ch. 391, sec. 3, effective July 15, 1982.

164A.570 Annual audit.

The governing board of any postsecondary educational institution making the election prescribed in KRS 164A.560 shall engage a qualified firm of certified public accountants experienced in the auditing of institutions to conduct an annual examination of the institution's financial statements in accordance with generally accepted auditing standards for the purpose of submitting an independent opinion, and preparing a report of findings and recommendations concerning internal accounting controls and procedures, and compliance with KRS 164A.555 to 164A.630. The secretary of the Finance and Administration Cabinet may prescribe the minimum scope of any such audit. The opinion, with the findings and recommendations, shall be forwarded to the Governor, the secretary of the Finance and Administration Cabinet, the Auditor of Public Accounts, the director of the Legislative Research Commission, the president of the Council on Postsecondary Education, and members of the governing board.

Effective: May 30, 1997

History: Amended 1997 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 139, effective May 30, 1997. -- Created 1982 Ky. Acts ch. 391, sec. 5, effective July 15, 1982.

3.10.3 fn10

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS

A Component Unit of the Commonwealth of Kentucky

Auditor's Report and Financial Statements
June 30, 2016 and 2015

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS

A Component Unit of the Commonwealth of Kentucky

Table of Contents:

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
University of Louisville and Affiliated Corporations
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Louisville and Affiliated Corporations (the University), a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the University of Louisville Physicians, Inc. (ULP), the University of Louisville Real Estate Foundation, Inc., (ULREF) and University of Louisville Foundation, Inc. and Affiliates (the Foundation), which make up the entire aggregate discretely presented component units of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for ULP, the Foundation and ULREF is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of ULP, the Foundation and ULREF were not audited in accordance with *Government Auditing Standards*.

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

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

(Continued)

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the University, as of June 30, 2016 and 2015, and the respective changes in financial position and where applicable, the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As disclosed in Note 1, during 2016 the University elected to change its reporting to include the University of Louisville Real Estate Foundation, Inc. as a discretely presented component unit. This change was made retroactively to July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis on pages 3 through 14 and the Post-employment Benefit Information on page 84 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 on our consideration of the University of Louisville'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 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 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 of Louisville's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
November 18, 2016

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the University of Louisville and Affiliated Corporations (the University) for the years ended June 30, 2016, and 2015. The affiliated corporations include the University of Louisville Research Foundation, Inc. (Research Foundation) and the University of Louisville Athletic Association, Inc. (Association). This discussion contains highly summarized data and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Using the Financial Statements

The University's financial report includes three financial statements: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. These financial statements have been prepared by University management in accordance with the Governmental Accounting Standards Board (GASB) principles.

The Statements of Net Position present the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University at a point in time (June 30, 2016, 2015 and 2014). Net position (the difference between total assets, total liabilities, total deferred outflows of resources and total deferred inflows of resources) provides a snapshot of the current financial condition of the University at the end of a fiscal year. The change in net position indicates whether the overall financial condition has improved or worsened during the year. Assets, liabilities, deferred outflows of resources and deferred inflows of resources are generally measured using current values. Pledges receivable with payment terms greater than one year are discounted. Capital assets are stated at historical cost less accumulated depreciation.

The Statements of Revenues, Expenses, and Changes in Net Position present the total revenues earned and expenses incurred by the University during the fiscal year(s). The statements depict the major revenue streams of the University and expense categories supported by that revenue. Changes in net position indicate an improvement or decline of the University's financial condition for the period of time illustrated.

The Statements of Cash Flows present cash inflows and outflows for each fiscal year. The statement reports major sources and uses of cash and assists with the assessment of the ability of the University to meet its obligations when due.

See footnote 1 for a summary of significant accounting policies.

Statements of Net Position

The statements of net position present the financial position of the University at the end of the fiscal year and include all assets, liabilities, deferred outflows of resources and deferred inflows of resources of the University. The University's assets, liabilities, deferred outflows of resources, deferred inflows of resources and net position at June 30, 2016, 2015 and 2014 are summarized on the following page:

Condensed Statements of Net Position
June 30, 2016, 2015, and 2014
(In Thousands)

	2016	2015	2014	2016 - 2015 Change	2015 - 2014 Change
ASSETS					
Current assets	$ 232,242	$ 239,699	$ 194,306	$ (7,457)	$ 45,393
Long-term investments	27,940	37,912	54,718	(9,972)	(16,806)
Capital assets, net	868,398	864,686	876,058	3,712	(11,372)
Other	97,248	72,122	74,340	25,126	(2,218)
Total assets	1,225,828	1,214,419	1,199,422	11,409	14,997
DEFERRED OUTFLOWS OF RESOURCES	6,967	851	957	6,116	(106)
LIABILITIES					
Current liabilities	187,106	174,602	179,620	12,504	(5,018)
Noncurrent liabilities	326,023	330,417	322,071	(4,394)	8,346
Total liabilities	513,129	505,019	501,691	8,110	3,328
DEFERRED INFLOWS OF RESOURCES	175	3,671	4,881	(3,496)	(1,210)
NET POSITION					
Net investment in capital assets	632,789	612,364	611,785	20,425	579
Restricted-nonexpendable	1,633	1,791	1,656	(158)	135
Restricted-expendable	92,008	80,099	75,927	11,909	4,172
Unrestricted	(6,939)	12,326	4,439	(19,265)	7,887
Total net position	$ 719,491	$ 706,580	$ 693,807	$ 12,911	$ 12,773

Assets

Current assets consist primarily of cash; loans, accounts and contributions receivable; and short-term investments.

In fiscal year 2016, current assets decreased $7.5 million, reflecting the decrease in short-term investments of $9.8 million, and cash and cash equivalents of $8.2 million partially offset by the increase of $9.8 million in loans, accounts and contributions receivable, net. The decrease in cash and short term investments is the result of normal operations that saw an increase in almost all expense categories (see discussion below on operating expenses). The increase in loans, accounts and contributions receivable, net relates to an increase of $4.4 million in the amount receivable from insurance carriers for Medicaid patients treated in University clinics and $2.8 million representing the restoration of a 2 percent cut in state appropriation.

In fiscal year 2015 current assets increased $45.4 million, reflecting the increase in cash and cash equivalents of $56.1 million offset by decreases in loans, accounts and contributions receivable (net) of $6.6 million and due from the Foundation of $5.9 million. Cash increased due to the receipt of $33.8 million of strategic funding from KentuckyOne Health, the net sale of investments totaling $13.2 million, and cash realized from $7.0 million in proceeds from the issuance of long-term liabilities.

As of June 30, 2016, the $12.3 million in current assets owed to the University by the Foundation includes $10.4 million committed from a tax increment financing arrangement and $1.9 million to reimburse June 2016 endowment and gift disbursements made by the University. The amount owed by the Foundation as of June 30, 2015 includes $5.5 million for disbursements made by the University on behalf of the Foundation and $4.1 million committed from a tax increment financing arrangement.

Capital assets, net of accumulated depreciation, represent 71% of total assets. Other noncurrent long-term investments, noncurrent loans, accounts and contributions receivable and restricted cash and cash equivalents comprise the remainder of assets.

Noncurrent assets increased $18.9 million: this includes, increases in restricted cash and cash equivalents of $11.0 million for construction projects and the balance owed by the University of Louisville Real Estate Foundation (ULREF) of $9.8 million on an outstanding loan. Restricted cash and cash equivalents increased $11.0 million due to funds transferred to fund construction projects and the receipt of $7.8 million of capital appropriation to fund the Belknap Research & Technology Park capital project, partially offset by progress payments to contractors. The amount due from the ULREF of $9.8 million is the balance owed on the June 2015 loan of $38.0 million to the ULREF. Decreases in noncurrent assets are attributable to a decrease of $5.3 million in other long-term investments of working capital in U.S. agencies obligations or other government obligations that matured and were not reinvested, and $4.6 million in investments held with the Foundation by the Athletic Association. The decrease in investments held with the Foundation by the Athletic Association is the result of a decline in market value.

In fiscal year 2015, noncurrent assets decreased $30.4 million, including decreases in other noncurrent long-term investments of $16.8 million and capital assets (net) of $11.4 million. The decrease in capital assets (net) relates to depreciation additions which exceeded asset additions by $9.6 million and a net loss on disposal of retired assets of $1.8 million, primarily due to the demolition of certain residence halls for new construction.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets applicable to a future period. The University reports as deferred outflows of resources the loss on refunding of the Consolidated Educational Building Revenue Bonds (CEBRB) Series N and Series O by the issuance of General Receipts Bonds 2012 Series A and the loss on refunding the County of Jefferson Kentucky Governmental Lease Revenue Bonds, Series 1997 by the issuance of Metro Government Revenue Refunding and Improvement Bonds, Series 2008A. These deferred outflows decreased $0.2 million relating to its recognition as expense. During the fiscal year 2016 the University refunded CEBRB Series P, and General Receipts Bonds Series 2007A, 2008A and 2010A by the issuance of General Receipts Bonds Series 2016 Series A, Series B and Series C resulting in a loss on refunding totaling $5.9 million, an addition to deferred outflows. The University also reports the value of an interest rate swap entered into as a part of a term loan received in June 2013. A decrease in the value of the swap resulted in an addition to deferred outflows of $0.3 million. In fiscal year 2015, the decrease of $0.1 million relates to the recognition of $0.2 million of deferred loss on refunding as expense partially offset by the increased deferred outflow from the reduced value of the interest rate swap.

Liabilities

Accounts payable and accrued liabilities, and advances for payment received but unearned, comprise 87% of total current liabilities. In fiscal year 2016, the $12.5 million increase in current liabilities relates primarily to an $8.6 million increase in advances from KentuckyOne Health expected to be invested over the next year as per the University-KentuckyOne Health Academic Affiliation Agreement (Academic Affiliation Agreement). In fiscal year 2015 a $5.0 million decrease in current liabilities related primarily to the $7.7 million decrease in accounts payable and accrued liabilities. Accounts payable and accrued liabilities decreased as a result of payment of benefits related to a voluntary separation incentive program and completion of construction projects of the Athletic Association.

Noncurrent liabilities consist primarily of the portion of bonds, notes, and leases payable in excess of one year. In fiscal year 2016 the $4.4 million decrease in noncurrent liabilities is due to the decrease in bonds and notes payable. Bonds, notes and leases payable decreased for maturities totaling $103.5 million partially offset by additions during the year of $99.6 million. In fiscal year 2015 the $8.3 million increase in noncurrent liabilities relates primarily to the $20.2 million increase in advances offset by the $15.2 million decrease in bonds and notes payable. Advances increased for unspent funding received from KentuckyOne Health under the Academic Affiliation Agreement. Bonds and notes payable decreased for principal maturities during the year.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods. This includes the fair value of a forward delivery agreement for the investment of debt service reserves related to the Athletic Association. As the derivative is considered to be effective in the reduction of risk, the change in fair value is shown as a deferred inflow of resources. In fiscal year 2016, the fair value of the forward delivery agreement decreased $63,000. In fiscal year 2015, the fair value of the forward delivery agreement decreased $66,000.

Service concession arrangements that are reflected as deferred inflows of resources represent the net of investments and contributions provided by agreement with the University's food service provider. In fiscal 2016 the University re-bid its food service contract and selected a new provider. Due to the termination of the existing food service provider's contract, the remaining $3.4 million previously reflected as a deferred inflow of resources was reflected as revenue.

Net Position

The University's net position is summarized into four major categories in accordance with GASB Statement No. 35 *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* reporting requirements as amended by GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* as follows:

- *Net Investment in Capital Assets* represents the University's investment in capital assets such as land, buildings, equipment and depreciable library materials, net of accumulated depreciation, related deferred outflows of resources reduced by related deferred inflows of resources and debt attributable to the acquisition, construction, or improvement of those assets.

- *Restricted-nonexpendable* funds include amounts that are subject to externally imposed restrictions that require the University to maintain the assets in perpetuity. These balances are the permanent endowment for scholarships and other purposes.

- *Restricted-expendable* funds are those that are subject to externally imposed restrictions governing their use for a particular purpose or period of time. The University's most significant components in this category consist of amounts restricted for capital projects debt service, research, and public service.

- *Unrestricted* net position results primarily from net operating income in excess of expenses. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for various academic programs, research initiatives, and capital projects.

For fiscal year 2016 net position increased $12.9 million as compared to June 30, 2015. Operating revenues increased $41.2 million from the following sources: Clinical services and practice plan revenue increased by $16.9 million or 7%, including a $9.0 million increase in Medicaid related patient revenue and intergovernmental transfers and an increase of $8.2 million in revenue from the Academic Affiliation Agreement with KentuckyOne Health strategic investments. Nongovernmental and Federal grants and contracts revenue increased $10.5 million and $5.5 million, respectively, reflecting increases in awards. Offsetting these increases in operating revenue, operating expenses for fiscal year 2016 increased by

$46.3 million (5%) including $18.3 million in institutional support and $14.6 million in public service. These increases are mainly the result of increases of $13.1 million of administrative expenses formerly accounted for by the Foundation and $9.5 million of expense funded from the Academic Affiliation Agreement with KentuckyOne Health. Administration costs funded by the Foundation were reported on separate Foundation financial statements for fiscal year 2015. Net non-operating revenues and other revenue increased $5.2 million. Net assets contributed by the Foundation increased $28.8 million for transfer of gift revenue and funding supporting University administrative programs. This increase was partially offset by decreases in the categories "other non-operating revenue" of $10.0 million and "gifts" of $7.7 million. Gift revenue decreased primarily from receipt of a gift of $8.6 million from University Physicians Group, Inc. in fiscal year 2015. The "Other non-operating revenue" category decreased due to receipt of an $8.7 million grant from the Pediatric Foundation in fiscal year 2015.

In fiscal year 2015, net position increased $12.8 million. Gross tuition increased $11.7 million, offset by scholarship discounts from the Foundation. Clinical services and practice plan revenue increased by $24.5 million as a result of a $10.0 million increase in Medicaid related patient revenue and intergovernmental transfers and $12.5 million in additional revenue from the Academic Affiliation Agreement with KentuckyOne Health. Net non-operating revenues and other revenue increased $69.4 million: this includes $53.7 million in contributions from the Foundation related to gifts and endowments included in the University's consolidated statements. Operating expenses increased by $90.6 million mainly the result of $58.7 million of expense charged to gifts and endowments included in the University's consolidated financial statement and for expense under the Academic Affiliation Agreement with KentuckyOne Health totaling $12.5 million.

Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position present the University's results of operations. Condensed statements of the University's revenues, expenses and changes in net position for the years ended June 30, 2016, 2015 and 2014, are summarized on the following page:

Condensed Statements of Revenues, Expenses and Changes in Net Position
Years ended June 30, 2016, 2015, and 2014
(In Thousands)

	2016	2015	2014	2016 - 2015 Change	2015 - 2014 Change
OPERATING REVENUES					
Student tuition and fees, net	$ 209,503	$ 209,834	$ 209,442	$ (331)	$ 392
Clinical services and practice plan	269,305	252,446	227,858	16,859	24,588
Grants and contracts	103,416	90,135	91,886	13,281	(1,751)
Facilities and administrative cost recoveries	24,611	22,596	21,965	2,015	631
Other	102,734	93,329	81,262	9,405	12,067
Total operating revenues	709,569	668,340	632,413	41,229	35,927
OPERATING EXPENSES					
Depreciation	51,295	53,339	56,333	(2,044)	(2,994)
Other	959,370	911,024	817,350	48,346	93,674
Total operating expenses	1,010,665	964,363	873,683	46,302	90,680
NONOPERATING REVENUES (EXPENSES)					
State appropriations	142,213	140,744	147,256	1,469	(6,512)
Other nonoperating revenues	171,794	168,052	92,164	3,742	75,888
Total nonoperating revenues	314,007	308,796	239,420	5,211	69,376
Increase/(decrease) in net position	12,911	12,773	(1,850)	138	14,623
Net position - beginning of year	706,580	693,807	695,657	12,773	(1,850)
Net position - end of year	$ 719,491	$ 706,580	$ 693,807	$ 12,911	$ 12,773

Operating Revenues

Tuition and state appropriations provide the chief sources of support for the University's academic programs. Revenues from tuition, clinical services, and certain grants and contracts are classified as operating revenues as defined by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Other revenue sources, such as state appropriations and investment income are considered non-operating revenues.

Student tuition and fees, net of allowances for scholarships and fellowships of $91.2 million and $83.7 million, were $209.5 million and $209.8 million, or 30% and 31% of total operating revenues, for the years ended June 30, 2016 and 2015, respectively. Gross tuition and fees revenues increased $7.2 million, or 2% compared to the previous year. The increase resulted from a 5% increase in tuition and fees offset by an increase in tuition discount of $7.5 million representing increased funding for scholarships and fellowships.

In fiscal year 2015, gross tuition and fees revenues increased $11.7 million, or 4% compared to the previous year. This additional revenue resulted from budgeted tuition rate increases providing $10.4 million and increased enrollment and other fee increases providing $1.3 million. The increase was offset by an increase in tuition discount of $11.3 million, directly related to a change during 2015 in the reporting of Foundation scholarships. Scholarship expense funded by gift and endowment earnings is now reported in the University's consolidated financial statement.

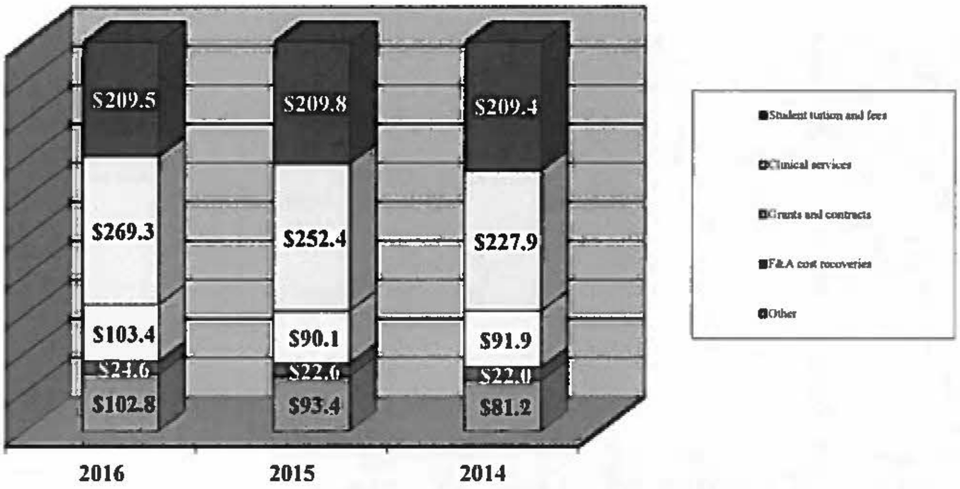
Clinical services and practice plan revenue amounted to $269.3 million and $252.4 million, or about 38% of total operating revenues for each of the years ended June 30, 2016 and 2015. These revenues relate to patient care performed in clinics under contractual arrangements with governmental and private insurers, laboratory services and clinical support provided by affiliated hospitals and the University's professional practice plan. Clinical services and practice plan revenue increased by $16.9 million or 7%, including a $9.0 million increase in Medicaid related patient revenue and intergovernmental transfers. Revenue from the Academic Affiliation Agreement with KentuckyOne Health increased $8.2 million for strategic investments, partially offset by a decrease of $1.7 million in research infrastructure investments. In fiscal year 2015, clinical services and practice plan revenue increased by $24.6 million or 11%, including $10.0 million increase in Medicaid related patient revenue and intergovernmental transfers. Revenue from the academic affiliation agreement with KentuckyOne Health increased $10.6 million for academic program support, $8.1 million for strategic investments, and $4.4 million for research infrastructure investments. These increases were offset by a reduction of $7.5 million in discretionary funding from the prior year.

Revenue from grants and contracts was $103.4 million and $90.1 million for the years ended June 30, 2016 and 2015, respectively. This increase reflects increases in grants and contracts available from Federal and Nongovernmental sources.

The University receives revenues for research and contracts from government and private sources, which normally provide for the recovery of direct and indirect costs. Facilities and administrative (F&A) cost recoveries were $24.6 million and $22.6 million for the years ended June 30, 2016 and 2015. F&A cost recovery generally follows the trend in direct cost revenues and expenditures.

The following is a graphic illustration of revenues by source that are used to fund the University's operating activities for the years ended June 30, 2016, 2015 and 2014 (in millions):

Operating Revenues
Years ended June 30, 2016, 2015, and 2014

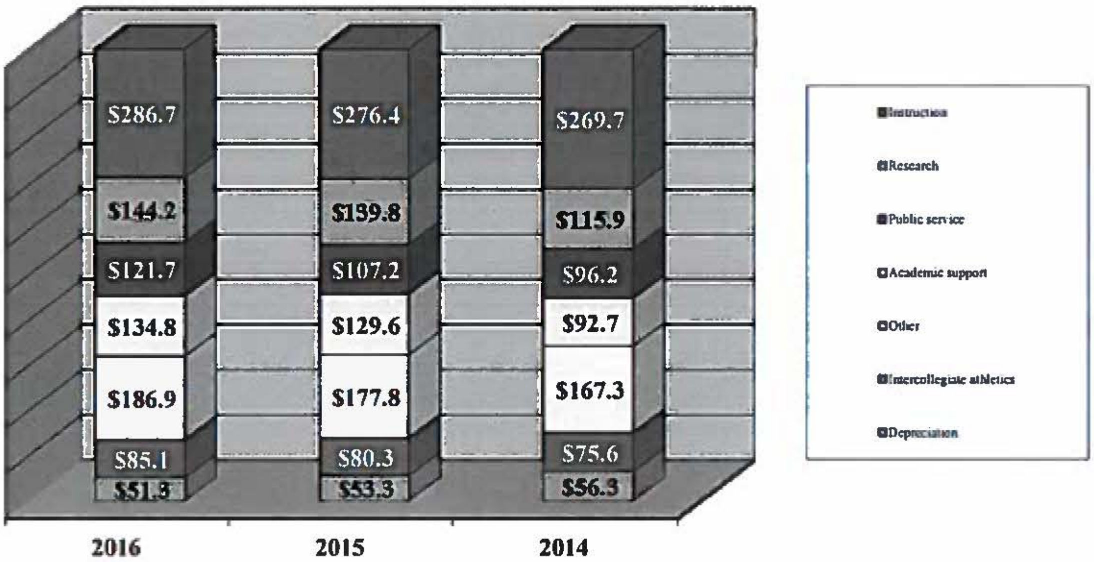


Operating Expenses

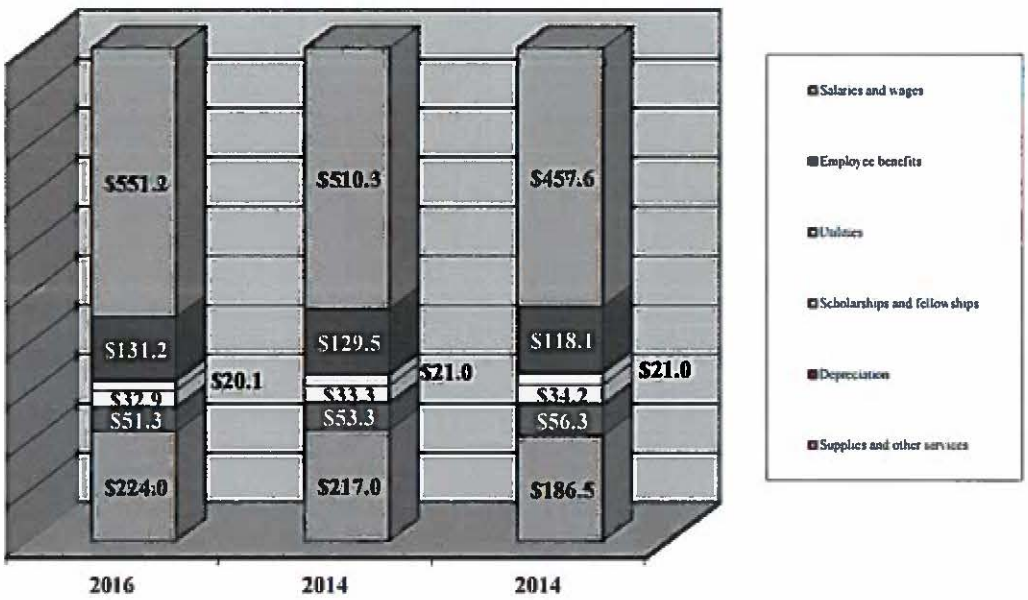
Operating expenses were $1.0 billion and $964.4 million and exceeded operating revenues by $301.1 million and $296.0 million for the years ended June 30, 2016 and 2015, respectively. When offset by total non-operating revenues of $314.0 million and $308.8 million, total net position for the year increased by $12.9 million and $12.8 million for the years ended June 30, 2016 and 2015, respectively, and decreased $1.9 million for the year ended June 30, 2014. Operating expenses for fiscal year 2016 increased by $46.3 million or 5% over the amount reported in the previous year. Salaries, wages and benefits increased $42.6 million and supplies and services increased $7.1 million. These increases were somewhat mitigated by declines in depreciation, utilities, and the amount recorded as scholarship expense. During fiscal year 2015, operating expenses increased by $90.6 million or 10% over the amount reported in the previous year. The increase is mainly the result $58.7 million of expense charged to gift and endowments reported in the University's consolidated financial statements. These amounts were reported in the Foundation financial statement for years prior to fiscal year 2015.

Graphic illustrations of total expenses by functional and natural classifications for the years ended June 30, 2016, 2015 and 2014 (in millions) are summarized as follows and on the following page:

Operating Expenses by Functional Classification
Years ended June 30, 2016, 2015, and 2014



Operating Expenses by Natural Classification
Years ended June 30, 2016, 2015, and 2014



Nonoperating Revenues (Expenses)

General state appropriations of $142.2 million and $140.7 million were the most significant non-operating revenues for the years ended June 30, 2016 and 2015, respectively.

Net non-operating revenues and other revenues increased $5.2 million from the prior year including the increase in net assets contributed by the Foundation of $28.8 million, partially offset by decreases in other non-operating revenues of $10.0 million, gifts of $7.7 million and capital appropriation of $4.2 million. Contributions from the Foundation increased primarily as result of timing of the transfer of gift revenue and for funding transferred to Foundation administrative programs that were reported by the University during fiscal year 2016. During the prior year gifts were only transferred to the University as necessary to cover cash deficits and the administrative programs were reported by the Foundation. Gifts revenue decreased mainly from the receipt of a gift during fiscal year 2015 totaling $8.6 million from University Physicians Group, Inc. Other non-operating revenue decreased due to the receipt during fiscal year 2015 of a grant totaling $8.7 million from the Pediatric Foundation. Capital appropriation revenue reimburses expenses of the development of a new research park on the Belknap Campus.

In 2015 net non-operating revenues and other revenues increased $69.4 million from the prior year including the increase in net assets contributed by the Foundation of $53.7 million, a decrease in capital gifts of $4.8 million and an increase in capital appropriation of $11.4 million. The increase in contributions by the Foundation represents the funding of a conversion from the Foundation during 2015 of gift and endowment expense budgets.

Statements of Cash Flows

The statements of cash flows provide additional information about the University's financial results by reporting the major sources and uses of cash. The condensed statements of cash flows for the years ended June 30, 2016, 2015 and 2014 are summarized below:

Condensed Statements of Cash Flows
Years ended June 30, 2016, 2015, and 2014
(In Thousands)

	2016	2015	2014	2016 - 2015 Change	2015 - 2014 Change
Cash (used)/provided by:					
Operating activities	$ (252,771)	$ (202,404)	$ (210,628)	$ (50,367)	$ 8,224
Noncapital financing activities	275,621	293,610	231,699	(17,989)	61,911
Capital and related financing activities	(36,566)	(52,389)	(81,910)	15,823	29,521
Investing activities	16,523	14,545	8,466	1,978	6,079
Net (decrease)/increase in cash and cash equivalents	2,807	53,362	(52,373)	(50,555)	105,735
Cash and cash equivalents, beginning of year	149,042	95,680	148,053	53,362	(52,373)
Cash and cash equivalents, end of year	$ 151,849	$ 149,042	$ 95,680	$ 2,807	$ 53,362

Cash used by operating activities for fiscal year 2016 increased $50.4 million due to an increase in cash used for payments to employees of $42.6 million, payments to suppliers of $16.8 million and decreased cash provided by clinical services and practice plan of $12.4 million. Partially offsetting these decreases is increased cash provided by grants and contracts of $6.8 million and increased cash provided by intercollegiate athletics of $5.8 million.

Net cash provided by noncapital financing activities decreased $18.0 million due to the receipt of a grant in 2015 from the Pediatric Foundation of $8.7 million that was not given in 2016 and decreased cash provided by gifts and grants totaling $5.6 million.

Cash used for capital and related financing activities decreased $15.8 million. The decrease is the result of cash provided from proceeds from issuance of long-term liabilities of $107.6 million partially offset by cash used for principal payments of $79.3 million, cash used for payment of issuance costs of $7.8 million and decreased cash provided from capital appropriations of $4.2 million.

Cash from investing activities increased $2.0 million due mainly to the reduction in the purchase of investments from working capital.

For fiscal year 2015, cash used by operating activities decreased $8.2 million due to an increase in cash provided by clinical services and practice plan of $48.7 million and increased cash provided by intercollegiate athletic activities of $14.7 million partially offset by increased cash used for payments to employees of $47.3 million. Net cash provided by noncapital financing activities increased $61.9 million primarily due to increased cash provided by contributions from related entities of $49.6 million, increased cash provided by gifts and grants of $9.2 million and increased cash provided by other noncapital financing activities of $9.0 million. Cash provided by state appropriation decreased $6.5 million offsetting these increases. Cash used for capital and related financing activities decreased $29.5 million due mainly to an increase in cash provided from capital appropriations of $11.4 million and cash provided from the proceeds from issuance of long-term liabilities of $7.0 million. Capital and financing activities included renovation projects, a master lease agreement entered into by the University to fund certain investments in energy efficiency and completion of various projects of the Association. Cash from investing activities increased $6.1 million due mainly to an increase in the net amount of investments sold.

Capital Asset and Debt Administration

The University continues to invest in new and renovated facilities to meet the needs of students, faculty and staff. Significant projects completed, in process and approved but not started are listed below.

COMPLETED IN 2016		
Ekstrom Library 1st Floor Renovation	$	2,200,000
MDR 4th Floor Renovation - Phase 5		705,000
K-Wing 2nd Floor Classroom Renovation		1,075,000
Resurface Running Track at Cardinal Park		910,000
COMPLETED IN 2015		
Donald Baxter Cleanroom Expansion	$	960,000
Soccer Stadium		19,800,000
HSC Instructional Building Classroom Renovation		8,600,000
Center for Predictive Medicine Expansion		9,500,000

IN PROGRESS FOR 2016

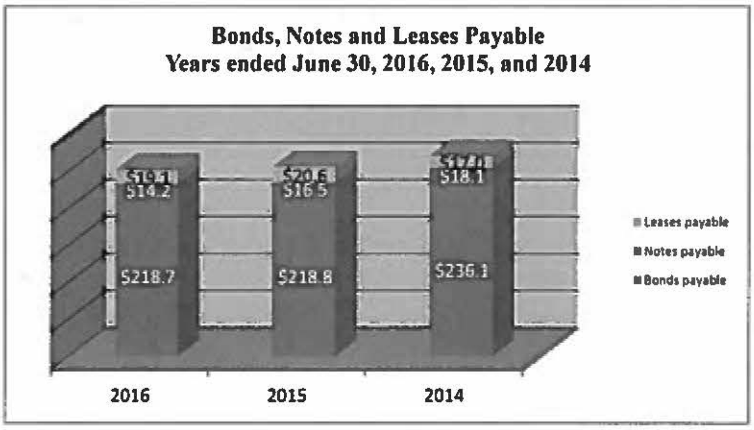
Belknap Classroom Building	$ 80,500,000
Athletic Academic Center	19,300,000
Student Activity Center Renovation	40,000,000
Ekstrom Library 3rd Floor Renovation	2,750,000
MDR Building Masonry Restoration	2,080,000
Donald Baxter Building Cardiology GMP Facility	2,200,000

Note:
Capital Projects are projects where the costs are greater than $600,000.

Debt and Financing Activities

At the end of fiscal year 2016, the University had outstanding $252.0 million of bonds, leases and notes payable (inclusive of discounts/premiums) as compared to $255.9 million and $271.2 million in 2015 and 2014, respectively. The decreases represent normal pay down of long term bonds, and in the current fiscal year, the refunding of certain bonds by the issuance of General Receipts Bonds 2016 Series A, Series B and Series C. General Receipts Bonds, 2016 Series A included $9.6 million to expand and renovate the student activity center.

Graphic illustrations of bonds, notes and leases payable for the years ended June 30, 2016, 2015 and 2014 (in millions) are summarized below:



A complete discussion of bonds, notes and leases payable is included in Note 9.

Component Units

The University of Louisville Foundation, Inc. (Foundation), University of Louisville Real Estate Foundation, Inc. (ULREF), and University of Louisville Physicians, Inc. (ULP) are included as discretely presented component units of the University. The Foundation acts primarily as a fundraising organization to supplement the resources available to the University in support of its programs. The majority of the Foundation's assets relate to investments held for the benefit of the University. Investments at June 30, 2016, were $640.0 million, a decrease of $87.7 million from the June 30, 2015 balance of $727.7 million.

The ULREF is a nonprofit corporation with the purpose to acquire, maintain, improve, leverage, manage, lease and convey real and personal property for the benefit of the University.

ULP is a private, nonprofit corporation that functions as the corporate structure for the clinical practices of the faculty of the University's School of Medicine and maintains close financial and operational relationships with the University.

All discretely presented component units have separate and independent governing boards. The University's Board of Trustees does not provide governance or administrative oversight for the discretely presented component units.

Economic Factors That May Affect the Future

The 2016-18 biennial budget passed by the General Assembly in April 2016 included a 5.4% reduction in net state appropriations to the University in fiscal year 2017, a decrease of $7.6 million. The University could face an additional 5% cut in fiscal year 2018 if it does not meet certain performance metrics. A committee of University Presidents, appointed by the Governor, is charged with designing and recommending a performance funding model by December 2016.

In light of the changing landscape in higher education both nationwide and in Kentucky, the University has embarked on a consultative process aimed at re-shaping and re-engineering the financial, academic and research "arcs" of the University. The "University of the 21st Century Initiative: Powering the 2020 Plan" is a broad-based, campus-wide initiative to advance the 2020 Plan goals while also addressing emerging needs of students, faculty, staff, and campus community. This initiative focuses efforts on empowering undergraduate learning, creating an environment for student success, enhancing excellence in graduate and professional education, creating additional revenue lines and cost efficiencies, and investing in multidisciplinary areas of strength and emerging areas of research.

Despite continued funding challenges at both state and federal levels, the University has made tremendous progress in meeting its 2020 goals and, as this report reflects, is well-positioned financially to meet the upcoming fiscal challenges.

This financial report is designed to provide a general overview of the University's finances and to show the University's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Controller, University of Louisville, Louisville, KY 40292.

University of Louisville and Affiliated Corporations
A Component Unit of the Commonwealth of Kentucky
Statements of Net Position
June 30, 2016 and 2015
(In Thousands)

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 123,803	$ 132,014
Deposit with bond trustee and escrow agent	5,754	7,848
Short-term investments	918	10,738
Loans, accounts and contributions receivable, net	78,821	68,984
Due from University of Louisville Foundation, Inc.	12,340	9,574
Inventories	883	948
Other assets	9,723	9,593
Total current assets	232,242	239,699
Noncurrent Assets		
Restricted cash and cash equivalents	28,046	17,028
Deposit with bond trustee and escrow agent	5,242	3,978
Loans, accounts and contributions receivable, net	43,455	40,026
Due from University of Louisville Foundation, Inc.	9,962	9,962
Due from University of Louisville Real Estate Foundation, Inc.	9,800	-
Investments held with University of Louisville Foundation, Inc.	25,952	30,583
Other long-term investments	1,988	7,329
Other long-term assets	743	1,128
Capital assets, net	868,398	864,686
Total noncurrent assets	993,586	974,720
Total assets	1,225,828	1,214,419
DEFERRED OUTFLOWS OF RESOURCES	6,967	851
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	86,275	84,032
Unearned compensation and wages payable	1,686	522
Advances	75,962	67,334
Bonds and notes payable	23,183	22,714
Total current liabilities	187,106	174,602
Noncurrent Liabilities		
Due to University of Louisville Foundation, Inc.	316	316
Note payable to University of Louisville Foundation, Inc.	1,000	1,000
Unearned compensation and wages payable	7,895	7,599
Deposits	918	902
Advances	32,591	35,251
Amounts due to federal government for student loan programs	16,199	16,149
Other long-term liabilities	38,283	35,996
Bonds and notes payable	228,821	233,204
Total noncurrent liabilities	326,023	330,417
Total liabilities	513,129	505,019
DEFERRED INFLOWS OF RESOURCES	175	3,671
NET POSITION		
Net investment in capital assets	632,789	612,364
Restricted for:		
Nonexpendable		
Scholarships and fellowships	1,633	1,791
Expendable		
Scholarships and fellowships	2,587	882
Research	18,682	5,299
Instruction	5,158	3,211
Public service	13,333	9,305
Academic support	1,303	490
Institutional support	8,668	11,039
Loans	2,848	2,835
Capital projects	20,146	30,603
Debt service	19,283	16,435
Unrestricted	(6,939)	12,326
Total net position	$ 719,491	$ 706,580

See notes to the financial statements.

University of Louisville Foundation, Inc. and Affiliates
Consolidated Statements of Financial Position
June 30, 2016 and 2015
(In Thousands)

	2016	2015
ASSETS:		
Cash and cash equivalents	$ 8,595	$ 17,382
Accounts, notes and accrued interest receivable, net	4,038	4,385
Loans receivable, net	16,320	16,553
Contributions receivable, net	39,204	33,913
Due from University of Louisville Real Estate Foundation, Inc.	28,906	-
Investments	640,478	727,728
Funds held in trust by others	50,798	51,945
Restricted investments	4,619	5,899
Prepaid expenses and other assets	8,619	10,447
Capital assets, net	97,241	178,527
Total assets	$ 898,818	$ 1,046,779
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	$ 2,098	$ 4,466
Funds held in trust for others	34,187	40,615
Other liabilities	22,118	21,642
Bonds and notes payable	88,419	123,905
Due to the University of Louisville	21,769	19,536
Total liabilities	168,591	210,164
Net Assets:		
Unrestricted	3,298	103,324
Temporarily restricted	277,411	296,776
Permanently restricted	449,518	436,515
Total net assets	730,227	836,615
Total liabilities and net assets	$ 898,818	$ 1,046,779

See notes to the financial statements.

University of Louisville Real Estate Foundation, Inc.
Consolidated Statements of Financial Position
June 30, 2016 and 2015
(In Thousands)

		2016		2015
ASSETS:				
Cash	$	3,467	$	2,504
Accounts receivable, net		343		-
Prepaids and other assets		244		-
Investments		264		-
Due from UL AMCC		1,500		-
Investments in joint ventures		7,214		980
Tax incremental financing intangibles, net		112,998		-
In-place lease intangibles, net		1,024		-
Above market lease intangibles, net		2,876		-
Capital assets, net		100,505		8,008
Total assets	$	230,435	$	11,492
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable	$	1,194	$	1,446
Unearned ground lease revenue		4,401		-
Unearned grant revenue		1,937		-
Other liabilities		463		5
Below market lease intangibles, net		1,247		-
Notes payable		27,804		2,753
Due to the University of Louisville		9,803		-
Due to the University of Louisville Foundation, Inc.		28,906		-
Total liabilities		75,755		4,204
Net Assets:				
Unrestricted		153,703		6,956
Noncontrolling interests		977		332
Total net assets		154,680		7,288
Total liabilities and net assets	$	230,435	$	11,492

See notes to the financial statements.

University of Louisville Physicians, Inc.
Statements of Financial Position
June 30, 2016 and 2015
(In Thousands)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 196	$ 2,472
Assets limited as to use	-	100
Patient accounts receivable, less allowance for uncollectible accounts of $27,941 and $18,303 for 2016 and 2015, respectively	11,649	10,683
Receivables, related parties	3,742	4,527
Other receivables	1,680	960
Prepaid expenses and other current assets	1,636	1,654
Total current assets	18,903	20,396
Investment in Kentuckiana Medical Reciprocal Risk Retention Group (KMRRRG)	16,482	12,345
Property and equipment:		
Furniture, fixtures, and equipment	2,062	1,856
Leasehold improvements	1,435	1,423
Information technology	12,239	10,598
	15,736	13,877
Accumulated depreciation and amortization	(7,053)	(4,566)
Total property and equipment, net	8,683	9,311
Total assets	$ 44,068	$ 42,052
LIABILITIES AND NET DEFICIT		
Current liabilities		
Accounts payable	$ 13,893	$ 12,109
Accrued payroll and related expenses	7,152	6,723
Line of credit	16,368	12,460
Current portion of capital lease obligations	1,769	3,222
Current portion of Passport settlement	-	1,773
Current portion of long-term debt	-	261
Total current liabilities	39,182	36,548
Long-term liabilities:		
Deferred gain on sale-leaseback of equipment	269	351
Capital lease obligations, net of current portion	615	2,385
Passport settlement, net of current portion	-	-
Long-term debt, net of current portion	280	280
Total long-term liabilities	1,164	3,016
Total liabilities	40,346	39,564
Net assets (deficit):		
Unrestricted:		
Net deficit	(2,308)	(965)
Invested in property and equipment, net of related debt	6,030	3,453
Total net assets (deficit)	3,722	2,488
Total liabilities and net assets (deficit)	$ 44,068	$ 42,052

See notes to the financial statements.

University of Louisville and Affiliated Corporations
A Component Unit of the Commonwealth of Kentucky
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015
(In Thousands)

	2016	2015
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowance of $91,190 in 2016 and $83,710 in 2015	$ 209,503	$ 209,834
Clinical services and practice plan	269,305	252,446
Federal grants and contracts	70,049	64,599
State and local grants and contracts	8,660	11,345
Nongovernmental grants and contracts	24,707	14,191
Sales and services of educational departments	8,431	6,292
Facilities and administrative cost recoveries	24,611	22,596
Auxiliary enterprises, net of discount of $2,045 in 2016 and $1,877 in 2015	10,946	12,618
Intercollegiate athletics	71,335	66,072
Other operating revenues	12,022	8,347
Total operating revenues	709,569	668,340
OPERATING EXPENSES		
Instruction	286,693	276,422
Research	144,197	139,830
Public service	121,720	107,165
Academic support	134,842	129,552
Student services	30,625	29,653
Institutional support	69,720	51,431
Operation and maintenance of plant	47,746	56,308
Scholarships and fellowships	30,842	31,774
Auxiliary enterprises	7,912	8,588
Intercollegiate athletics	85,073	80,301
Depreciation and amortization	51,295	53,339
Total operating expenses	1,010,665	964,363
Operating loss	(301,096)	(296,023)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	142,213	140,744
Gifts	30,551	38,261
Nonexchange grants and contracts	43,417	43,314
Investment income	1,938	1,508
Realized and unrealized loss on investments	(4,657)	(1,657)
Interest on capital asset-related debt	(9,961)	(11,136)
Other nonoperating revenues	708	10,702
Net nonoperating revenues	204,209	221,736
Loss before other revenues, expenses, gains and losses	(96,887)	(74,287)
Capital appropriations	9,741	13,973
Capital gifts	9,623	8,331
Contributions to University of Louisville Real Estate Foundation, Inc.	(3,088)	-
Contributions from University of Louisville Foundation, Inc.	93,522	64,756
Total other revenues	109,798	87,060
Increase in net position	12,911	12,773
NET POSITION		
Net position - beginning of year	706,580	693,807
Net position - end of year	$ 719,491	$ 706,580

See notes to the financial statements.

University of Louisville Foundation, Inc. and Affiliates
Consolidated Statements of Activities
Years Ended June 30, 2016 and 2015
(In Thousands)

	Unrestricted		Temporarily Restricted		Permanently Restricted		Totals	
	2016	2015	2016	2015	2016	2015	2016	2015
REVENUES, GAINS AND OTHER SUPPORT:								
Gifts	$ 24,334	$ 27,779	$ 24,619	$ 10,765	$ 5,483	$ 10,392	$ 54,436	$ 48,936
Net investment return	(18,568)	47	13,473	5,443	-	-	(5,095)	5,490
Changes in funds held in trust	-	-	-	-	(1,240)	545	(1,240)	545
Net rental revenues	11,653	12,472	-	-	-	-	11,653	12,472
Actuarial loss on annuity and trust obligations	-	-	171	(155)	-	-	171	(155)
Other revenues	4,976	5,480	-	-	-	-	4,976	5,480
Tax incremental financing revenues	17	4,885	-	-	-	-	17	4,885
Net assets released from restrictions								
Reclassifications	-	(42)	(9,000)	151	9,000	(109)	-	-
Satisfaction of program restrictions	48,868	28,249	(48,628)	(28,249)	(240)	-	-	-
Total revenues, gains and other support	71,280	78,870	(19,365)	(12,045)	13,003	10,828	64,918	77,653
EXPENSES:								
Contributions and allocations to University of Louisville departments	97,494	91,574	-	-	-	-	97,494	91,574
Contributions to ULREF and related organizations								
Contribution expense	37,237	7,046	-	-	-	-	37,237	7,046
Loss on disposal of capital assets	2,784	-	-	-	-	-	2,784	-
Loss on deconsolidation	99	-	-	-	-	-	99	-
General and administrative	13,364	7,653	-	-	-	-	13,364	7,653
Professional services	4,180	3,349	-	-	-	-	4,180	3,349
Repairs and maintenance	2,933	2,031	-	-	-	-	2,933	2,031
Depreciation and amortization	6,834	7,401	-	-	-	-	6,834	7,401
Interest expense	4,312	5,169	-	-	-	-	4,312	5,169
Other expenses	2,069	5	-	-	-	-	2,069	5
Total expenses	171,306	124,228	-	-	-	-	171,306	124,228
Net change in assets	(100,026)	(45,358)	(19,365)	(12,045)	13,003	10,828	(106,388)	(46,575)
Net assets, beginning of year	103,324	148,682	296,776	308,821	436,515	425,687	836,615	883,190
Net assets, end of year	$ 3,298	$ 103,324	$ 277,411	$ 296,776	$ 449,518	$ 436,515	$ 730,227	$ 836,615

See notes to the financial statements.

University of Louisville Real Estate Foundation, Inc.
Consolidated Statements of Activities
For the Year Ended June 30, 2016 and for the Period from
Inception (November 19, 2014) through June 30, 2015
(In Thousands)

	2016	2015
REVENUES, GAINS, AND OTHER SUPPORT:		
Rental revenue	$ 2,928	$ -
Contributions	175,717	7,046
Net investment return	(203)	-
Tax incremental financing revenues	1,722	-
Other revenue	969	-
Total revenues, gains, and other support	181,133	7,046
EXPENSES:		
Contribution expense	840	-
Salaries	848	-
General and administrative	623	-
Professional services	616	90
Utilities	605	-
Repairs and maintenance	704	-
Depreciation and amortization	5,409	-
Goodwill impairment	24,201	-
Interest expense	417	-
Property taxes	123	-
Total expenses	34,386	90
Change in net assets attributable to the University of Louisville Real Estate Foundation, Inc.	146,747	6,956
University of Louisville Real Estate Foundation, Inc. net assets, beginning of period	6,956	-
University of Louisville Real Estate Foundation, Inc. net assets, end of period	$ 153,703	$ 6,956

See notes to the financial statements.

UNIVERSITY OF LOUISVILLE PHYSICIANS, INC.
Statements of Activities
Years Ended June 30, 2016 and 2015

	2016	2015
Unrestricted revenues, gains and other support:		
Net patient service revenue	$ 148,423	$ 149,654
Provision for bad debts	(46,403)	(54,592)
Net patient service revenue less provision for bad debts	102,020	95,062
University of Louisville	31,277	30,746
University Physicians Associates, Inc. (UPA)	184	257
Academic programmatic support - related parties	16,640	14,716
Academic programmatic support	3,682	1,676
Meaningful use income	3,117	2,382
Medical directorship	407	549
Other revenue	2,722	3,214
Gain on investment in KMRRRG	4,137	722
Interest income	87	22
Total unrestricted revenues, gains and other support	164,273	149,346
Expenses:		
Program services	138,820	122,813
Management and general	24,219	21,050
Total expenses	163,039	143,863
Change in net deficit	1,234	5,483
Net deficit, beginning of year	2,488	(2,995)
Net assets (deficit), end of year	$ 3,722	$ 2,488

See notes to the financial statements.

University of Louisville and Affiliated Corporations
A Component Unit of the Commonwealth of Kentucky
Statements of Cash Flows
Years Ended June 30, 2016 and 2015
(In Thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 214,472	$ 209,082
Clinical services and practice plan	269,000	281,436
Grants and contracts	94,255	87,482
Sales and services of educational departments	5,900	6,092
Payments to suppliers	(223,799)	(205,340)
Payments for utilities	(20,297)	(21,187)
Payments to employees	(548,552)	(505,987)
Payments for benefits	(129,031)	(128,233)
Payments for scholarships and fellowships	(32,410)	(32,989)
Loans issued to students and employees	618	(136)
Auxiliary enterprises	10,364	13,175
Facilities and administrative cost recoveries	24,611	22,596
Intercollegiate athletics	71,024	63,554
Other receipts	11,074	8,051
Net cash used by operating activities	(252,771)	(202,404)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	139,443	140,736
Gifts	32,994	38,643
Nonexchange grants and contracts	43,417	43,314
Contributions from related entities	78,003	60,656
Contributions to related entities	(5,088)	-
Other noncapital financing activities	1,852	10,261
Net cash provided by noncapital financing activities	290,621	293,610
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	9,741	13,973
Capital gifts received	9,269	9,045
Purchases of capital assets	(49,283)	(48,859)
Proceeds from issuance of bonds and notes payables	99,536	6,965
Payments of issuance costs	(7,798)	-
Principal paid on bonds and notes payable	(101,453)	(22,109)
Interest paid on bonds and notes payable	(12,408)	(10,982)
Deposits with bond trustee and escrow agent	830	(422)
Net cash used by capital and related financing activities	(51,566)	(52,389)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	18,463	19,881
Purchase of investments	(3,555)	(6,629)
Interest on investments	1,615	1,293
Net cash provided by investing activities	16,523	14,545
Net increase/(decrease) in cash and cash equivalents	2,807	53,362
Cash and cash equivalents - beginning of year	149,042	95,680
Cash and cash equivalents - end of year	$ 151,849	$ 149,042

See notes to the financial statements.

University of Louisville and Affiliated Corporations
A Component Unit of the Commonwealth of Kentucky
Statements of Cash Flows
Years Ended June 30, 2016 and 2015
(In Thousands)

		2016		2015
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating loss	$	(301,096)	$	(296,023)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation and amortization		51,295		53,339
Loss on equipment disposals		121		1,806
Change in assets and liabilities:				
Loans, accounts and contributions receivable, net		(9,593)		5,193
Inventories		65		(86)
Other assets		(134)		(1,597)
Other long-term assets		250		-
Accounts payable and accrued liabilities		(2,419)		275
Advances		3,289		22,410
Deposits		16		(17)
Due from University of Louisville Foundation, Inc.		5,474		9,910
Unearned compensation and wages payable		1,444		1,164
Other long-term liabilities		1,950		2,366
Deferred inflows of resources		(3,433)		(1,144)
Net cash used by operating activities	$	(252,771)	$	(202,404)
Non cash transactions:				
Capital lease additions	$	33	$	525
Capital asset additions in accounts payable	$	6,100	$	653
Gifts of capital assets	$	364	$	-

See notes to the financial statements.

1. Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies

The University of Louisville (University) is a state supported metropolitan research university located in Kentucky's largest city and is a component unit of the Commonwealth of Kentucky.

The University has three campuses. The Belknap Campus is three miles from downtown Louisville and houses eight of the University's twelve colleges and schools. The Health Sciences Center is situated in downtown Louisville's medical complex and houses the University's health related programs and the University of Louisville Hospital (Hospital). On the Shelby Campus, located in eastern Jefferson County, are the National Crime Prevention Institute, the Center for Predictive Medicine regional biosafety lab and the Division of Distance and Continuing Education. In recent years, the University has also offered expanded campus courses at both off-site and international locations.

a. Basis of Presentation

The financial statements include the combined financial position and operations of the University, the University of Louisville Athletic Association, and the University of Louisville Research Foundation. The following affiliated corporations are included as blended component units since they are separate legal entities but are related through certain common management and trustees and exist exclusively for the benefit of the University:

University of Louisville Athletic Association, Inc. (Association). The Association is a Kentucky not-for-profit corporation organized in 1984 for the purpose of promoting the intercollegiate athletic activities of the University of Louisville. The Association's mission to provide quality intercollegiate athletic programs through a comprehensive sports program requires a major financial commitment of both operating and capital resources. In addition, the Association is committed to achieving athletic excellence for its student athletes, maintaining National Collegiate Athletic Association (NCAA) compliance, ensuring full implementation of gender equity plans and offering a wide variety of sports and recreational outlets for the University community, alumni, and visitors.

University of Louisville Research Foundation, Inc. (Research Foundation). The Research Foundation was established in 1989 for the purpose of promoting and supporting research projects, investigations, and other activities relating to the educational, scientific, literary, artistic, health care and public service missions of the University.

Under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the University reports the University of Louisville Foundation, Inc. (Foundation), the University of Louisville Real Estate Foundation, Inc. (ULREF) and the University of Louisville Physicians, Inc. (ULP) as discretely presented component units. During 2016, the University changed its reporting entity to include the ULREF as a discretely presented component unit. ULREF formed in fiscal period 2016 with significant operations in fiscal year 2016 that met the criteria of a discretely presented component unit. The inclusion of ULREF was retroactive to fiscal period

2015 and had no material effect on beginning net position. Further descriptions of the Foundation, the ULREF and ULP may be found in footnote 20 Component Units.

All discretely presented component units have separate and independent governing boards. The University's Board of Trustees does not provide governance or administrative oversight for the discretely presented component units.

The financial statement presentation required by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is intended to provide a comprehensive, entity-wide perspective of the University's assets, deferred outflow of resources, liabilities, deferred inflow of resources, net position, revenues, expenses, changes in net position and cash flows.

The separate financial statements of the Association, the Research Foundation and the financial statements of the University can be found at the following:

http://louisville.edu/finance/controller/univacct/finst-1

b. Cash and Cash Equivalents

The University considers all investments (not held for long-term purposes) with original maturities of three months or less to be cash equivalents.

c. Deposits With Bond Trustee and Escrow Agent

As of June 30, 2016 and 2015, deposits with bond trustee consist of cash and investments in governmental securities and repurchase agreements of $5.8 million and $5.7 million, respectively, for the Stadium Project Revenue Bonds, and $5.2 million and $6.1 million for the Educational Building Bonds.

Investments in governmental securities are stated at market value. Repurchase agreements are stated at cost.

d. Contributions Receivable

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, the University records operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are received.

e. Investments and Investment Income

Investments in marketable debt and equity securities are stated at current fair value. Fair value is determined using quoted market prices. Real estate is stated at fair value if acquired for resale or otherwise used as an investment as determined on the date of acquisition. Certificates of deposit are stated at cost plus accrued interest, which approximates fair value. Investment income consists of interest and dividend income, realized gains and losses and the net change for the year in the fair value of investments carried at fair value.

Investments held with the Foundation are invested under the policies and objectives established for the Foundation's general endowment pool. In an effort to mitigate market risk, the

Foundation has adopted a policy of maintaining a diverse investment pool through the use of target asset allocation guidelines. These guidelines require the Foundation's investment pool be made up of a mix of publicly traded fixed income and equity securities, private equities and other nonmarketable securities and real estate investments.

The market risk inherent in certain of the Foundation's investments is primarily the potential loss arising from adverse changes in quoted market prices on equity securities and in interest rates on fixed income securities.

The Association's permanent endowment funds, held by the Foundation and invested in the Foundation's general endowment pool, are administered under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Commonwealth of Kentucky. The Foundation's board of directors has interpreted UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The investment objectives of the Foundation are to preserve the principal of the endowment funds in both absolute and real terms while maximizing, over the long-term, the total rate of return (yield and appreciation) within reasonable risk parameters.

The Foundation invests in various corporate debt, equity, partnerships, marketable alternatives, mutual fund securities, U.S. Government securities, certificates of deposit, land and buildings. Investment securities, in general, are exposed to various risks, such as interest rates, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's consolidated statements of financial position.

f. 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. The allowance for uncollectible loans netted against loans to students was approximately $0.8 million at June 30, 2016 and 2015, respectively.

g. Inventories

Inventories are valued at the lower of cost or market, under the first-in, first-out method.

h. Capital Assets

Capital assets are stated principally at cost, or estimated acquisition value at date of receipt from donors. Capital assets are depreciated using the straight-line basis over the estimated useful lives of the assets as follows: buildings – 40 years or componentized using 15-50 years, infrastructure – 60 years, land improvements – 40 years, equipment – 3-15 years, leasehold improvements – 20 years and library materials – 10 years. Assets under capital leases are amortized on the straight-line basis over the estimated useful life of the asset, or the lease term, whichever is shorter.

The University has elected to capitalize collections which include art, rare books, photographs, letters, journals, manuscripts and musical instruments. These items are capitalized at cost, or if a gift, at the acquisition value on the date of the gift.

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing, net of interest earned on investments acquired with the proceeds of the borrowing.

Total interest incurred was (in thousands):

	2016	2015
Total interest expense incurred on borrowings for project	$ 945	$ 435
Interest income from investment of proceeds of borrowings for project	(35)	-
Net interest cost on borrowings for project	$ 910	$ 435
Interest capitalized	$ 223	$ 105
Interest charged to expense	9,961	11,136
Total interest incurred	$ 10,184	$ 11,241

i. Deferred Outflows and Inflows of Resources

In accordance with GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, the University reports deferred outflows of resources, deferred inflows of resources and net position in its statements of net position and related disclosures.

Deferred outflows of resources of $7.0 million and $0.9 million for the years ended June 30, 2016 and 2015, respectively, consist primarily of loss on bond refinancing of $6.5 million and $0.8 million and fair value of derivatives of $0.5 million and $0.1 million as of June 30, 2016 and 2015, respectively. As the derivatives are considered effective hedging instruments, changes in the fair value of derivatives are recognized as deferred outflows of resources. Deferred outflows of resources related to the loss on bond refinancing will be amortized to interest expense using the effective interest method over the remaining life of the refinanced debt.

Deferred inflows of resources consist of $0.2 million of fair value of derivatives for each of the years ended June 30, 2016 and 2015 and $3.4 million of service concession arrangements as of June 30, 2015. As the derivatives are considered effective hedging instruments, changes in the fair value of derivatives are recognized as deferred inflows of resources. Deferred inflows of resources related to the service concession arrangements were recognized during 2016 related to the buyout of the contract with the food service provider.

j. Unearned Compensation Expenses

Unearned compensation expenses are recognized as expense over the term of the related employment agreements.

k. Advances

Revenues of summer school academic terms are recognized in the fiscal year earned.

Advances related to amounts received from individual and season ticket holders for subsequent year intercollegiate athletic activities, suite rentals, parking and sponsorship revenue are recognized over the term of the related athletic activities.

The University receives revenues related to sponsored agreements via grants, contracts, cooperative agreements, or other agreements. The flow of funds relative to these sponsored agreements is in the form of cost reimbursement or advanced funding.

In the case of cost reimbursement, the University incurs costs on behalf of the granting authority and is then reimbursed for such costs pursuant to the terms of the sponsored agreement. Grant revenues are recognized as reimbursable costs are incurred.

In the case of advanced funding, the University receives funds prior to incurring costs pursuant to the sponsored agreement, with the stipulation that these funds may have to be returned to the sponsor. Grant revenues are recognized as the related grant costs are incurred.

l. Compensated Absences

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation or sick benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

m. Net Bond Premium

The University amortizes the net bond premium using the effective interest method over the life of the bond.

n. Net Position

The net position of the University is classified in four components. Net investment in capital assets consists of the net amount of capital assets, accumulated depreciation, related deferred outflows and deferred inflows of resources, reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted-nonexpendable net position is subject to externally imposed restrictions that require the University to maintain the assets in perpetuity. Restricted-expendable net position consists of the amount of assets and deferred outflows that must be used for a particular purpose as specified by creditors, grantors or donors external to the University, reduced by the outstanding balances of any related liabilities or deferred inflows of resources. Unrestricted net position is the remaining net amount of assets, related deferred outflows and deferred inflows of resources less liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted.

o. Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as tuition, clinical operations, grants and contracts and intercollegiate activities.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state appropriations, capital appropriations, Pell and other grants and contracts, gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, such as investment income.

p. Student Tuition and Fees

Student tuition and fees are presented 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 third parties making payments on the behalf of students. To the extent that revenues from such programs are used to satisfy tuition and fees, the University has recorded a scholarship allowance. Stipends and other payments made directly to students are presented as scholarships and fellowships expense.

q. Clinical Services and Practice Plan Revenue

The University has agreements with third-party payers that provide for payments to the University at amounts different from its established rates. Net clinical services and practice plan revenues are reported at the estimated net realizable amounts from patients, third-party payers and others for the services rendered and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

r. Government and Nongovernment Grants

Support funded by grants is recognized as the University performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be made.

s. Tax Status

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.

t. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources 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.

u. Reclassification of Prior Years' Financial Statements

In the statements of net position and revenues expenses and changes in net position certain prior year balances have been reclassified to conform to current year presentation. These reclassifications had no effect on the change in net position.

2. Cash on Deposit and Investments

The University invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment amounts reported in the statements of net position. The risks related to deposits and investments held by the University are described within this disclosure.

a. Summary of Carrying Values

The value of deposits and investments as of June 30, 2016 and 2015 are as follows (in thousands):

	2016	2015
Deposits	$ 151,849	$ 149,042
Investments		
U.S. Treasury obligations	3,290	4,824
U.S. agencies obligations	-	5,081
Other government obligations	421	12,487
Repurchase agreements	7,706	7,002
Investments held with the Foundation	25,952	30,583
Certificates of deposit	497	499
Annuities	1,986	-
Other long-term investments	2	-
	$ 191,703	$ 209,518

The deposits and investments shown are included in the statements of net position as follows (in thousands):

	2016	2015
Cash and cash equivalents	$ 123,803	$ 132,014
Deposit with bond trustee-current	5,754	7,848
Short-term investments	918	10,738
Restricted cash and cash equivalents	28,046	17,028
Deposit with bond trustee-noncurrent	5,242	3,978
Investments held with the Foundation	25,952	30,583
Other long-term investments	1,988	7,329
	$ 191,703	$ 209,518

b. Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, a government's deposits or collateral securities may not be returned to it. The University currently uses commercial banks and the Commonwealth of Kentucky (Commonwealth) as its depositories. Deposits with commercial banks are substantially covered by federal depository insurance or collateral held by the bank in the University's name. At the Commonwealth, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth-pooled deposits are substantially covered by federal depository insurance or by collateral held by the Commonwealth in the Commonwealth's name. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments in variable rate demand notes are substantially covered by collateral held by the financial agent. The University does not have a formal policy addressing custodial credit risk.

At June 30, 2016 and 2015, the University had deposits subject to custodial credit risk as follows (in thousands):

June 30, 2016	State Deposits	Overnight Investments	Total
Collateralized with securities held by pledging financial institution	$ -	$ 7,429	$ 7,429
Collateralized with securities held by the Commonwealth in the Commonwealth's name	$ 58,398	-	58,398
Total	$ 58,398	$ 7,429	$ 65,827

June 30, 2015	State Deposits	Overnight Investments	Total
Collateralized with securities held by pledging financial institution	$ -	$ 7,543	$ 7,543
Collateralized with securities held by the Commonwealth in the Commonwealth's name	$ 48,281	-	48,281
Total	$ 48,281	$ 7,543	$ 55,824

c. Interest Rate Risk

Interest rate risk is the risk a government may face should interest rate variances affect the fair value of investments. The University's policy is to invest in U.S. government and U.S. government agency securities, commercial paper, banker's acceptances, and variable rate demand notes with a maturity not greater than three years.

The University has entered into repurchase agreements for the investment of bond fund reserves. The provider financial institution agrees to deliver U.S. Treasury obligations yielding a guaranteed rate at an amount equal to the scheduled bond fund reserve in exchange for payment from the available reserve. The final maturities under these agreements are March 1, 2027 and March 1, 2028.

As of June 30, 2016 and 2015, the University had investments subject to interest rate risk as reflected in schedules presented on the following page (in thousands):

June 30, 2016	Total	Maturities in years: Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	$ 3,290	$ 1,860	$ 1,430	$ -	$ -
Other government obligations	421	421	-	-	-
Repurchase agreements	7,706	628	203	1,350	5,525
Certificates of deposit	497	497	-	-	-
	$ 11,914	$ 3,406	$ 1,633	$ 1,350	$ 5,525

June 30, 2015	Total	Maturities in years: Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	$ 4,824	$ 4,824	$ -	$ -	$ -
U.S. agencies obligations	5,081	-	5,081	-	-
Other government obligations	12,487	10,738	1,749	-	-
Repurchase agreement	7,002	681	628	978	4,715
Certificates of deposit	499	-	499	-	-
	$ 29,893	$ 16,243	$ 7,957	$ 978	$ 4,715

d. Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. By University policy, commercial paper must be rated the highest (A-1/P-1) by at least one Nationally Recognized Statistical Rating Organization (NRSRO). Banker's acceptances must be issued by a bank having a short-term rating of the underlying bank rated the highest (A-1/P-1). Variable rate demand notes must be backed by an unconditional letter of credit issued by a domestic bank having outstanding commercial paper rated the highest (A-1/P-2) by at least one rating service and by each rating service rating said credit. All commercial paper and banker's acceptances must be issued by domestic entities. The Commonwealth investment pool can invest in U.S. treasuries and agencies; commercial paper or asset backed securities rated in the highest category by a nationally recognized rating agency; certificates of deposit, banker's acceptances, state or local government securities and corporate, Yankee and Eurodollar securities rated in one of the three highest categories by a nationally recognized rating agency; shares of mutual funds (up to 10%) and state and local property tax certificates of delinquency secured by interests in real estate.

As of June 30, 2016 and 2015, the University had the following investments exposed to credit risk as reflected in schedules presented on the following page (in thousands):

June 30, 2016	Aaa	Not Rated	Total
Annuities	$ 1,986	$ -	$ 1,986
Investments held with the Foundation	-	25,952	25,952
	$ 1,986	$ 25,952	$ 27,938

June 30, 2015	Aaa	A1/P1	Total
Investments held with the Foundation	$ -	$ 30,583	$ 30,583
	$ -	$ 30,583	$ 30,583

e. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments. At June 30, 2016 and 2015, the University has no investments in any one issuer as defined above that represent 5% or more of total investments.

The asset allocation for investments held with the Foundation as of June 30, 2016 and 2015 is as follows:

	2016	2015
Investment in partnerships	60%	62%
Marketable alternatives	14%	19%
Preferred and common stock	13%	5%
Mutual funds	10%	12%
Fixed income	2%	-
Equity method investments	1%	1%
Certificates of deposit	-	1%
	100%	100%

The Foundation's investments do not have a significant concentration of credit risk within any industry or specific institution.

f. Foreign Currency Risk

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The University had no investments denominated in foreign currency at June 30, 2016 and 2015.

3. Fair Value Measurements

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. The table on the following page presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements as prescribed by *GASB 72, Fair Value Measurement and Application*, as of June 30, 2016 and 2015 (in thousands):

	Balance as of 6/30/2016	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV
Investments					
Certificates of deposit	$ 497	$ 497	$ -	$ -	$ -
US Treasury obligations	3,290	3,290	-	-	-
Other governmental obligations	421	-	421	-	-
University of Louisville Foundation, Inc. investment fund	25,952	-	-	-	25,952
Investment derivative instruments					
Interest rate swap	434	-	434	-	-
Forward delivery agreement	(175)	-	-	(175)	-
Total investments measured at fair value	$ 30,419	$ 3,787	$ 855	$ (175)	$ 25,952

	Balance as of 6/30/2015	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV
Investments					
Certificates of deposit	$ 499	$ 499	$ -	$ -	$ -
US Treasury obligations	4,824	4,824	-	-	-
US Agencies Obligations	5,081	-	5,081	-	-
Other governmental obligations	12,487	-	12,487	-	-
University of Louisville Foundation, Inc. investment fund	30,583	-	-	-	30,583
Investment derivative instruments					
Interest rate swap	95	-	95	-	-
Forward delivery agreement	(238)	-	-	(238)	-
Total investments measured at fair value	$ 53,331	$ 5,323	$ 17,663	$ (238)	$ 30,583

a. Investments

Certificates of deposit securities and US Treasury obligations classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Other governmental obligations and U.S. agency obligations classified in Level 2 of the fair value hierarchy are valued using a pricing matrix technique.

b. Investment Derivative Instruments

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using standard pricing models using current forward rate assumptions and/or volatilities to predict cash flows. Derivative instruments classified in Level 3 of the fair value hierarchy are valued using a market approach to assess future cash flows.

Investments measured at net asset value (NAV) (in thousands):

	Fair Value as of 6/30/16	Redemption Frequency	Redemption Notice Period
University of Louisville Foundation, Inc. investment fund	$ 25,925	Various from any valuation day to quarterly	Various from 5 to 90 days

	Fair Value as of 6/30/15	Redemption Frequency	Redemption Notice Period
University of Louisville Foundation, Inc. investment fund	$ 30,583	Various from any valuation day to quarterly	Various from 5 to 90 days

Investments within the University of Louisville Foundation, Inc. investment fund consist of money market mutual funds, common and preferred stock, corporate bonds, mutual funds, investments in partnerships and funds of funds, U.S. Government securities, U.S. Treasuries and U.S. agency obligations. The Foundation has adopted a policy of maintaining a diverse investment pool through the use of targeted asset allocation guidelines. The fair value of the investments in the fund have been determined using the NAV per share (or its equivalent) of the investments.

4. Loans, Accounts and Contributions Receivable, Net

Loans, accounts and contributions receivable, net as of June 30, 2016 and 2015 are as follows and on the following page (in thousands):

2016	Gross Receivable	Allowance	Net Receivable
Student tuition and fees	$ 34,825	$ (9,739)	$ 25,086
Patient care	72,043	(42,071)	29,972
Contributions receivable	33,405	(2,071)	31,334
KOH affiliation agreement	1,406	-	1,406
Sponsored agreements	22,618	(2,740)	19,878
Rent from University Medical Center, Inc.	4,905	-	4,905
Trade receivables	2,432	-	2,432
Other	8,586	(513)	8,073
Total	$ 180,220	$ (57,134)	123,086
Less discount			(810)
Current portion			78,821
Noncurrent portion			$ 43,455

2015	Gross Receivable	Allowance	Net Receivable
Student tuition and fees	$ 36,987	$ (7,803)	$ 29,184
Patient care	63,310	(37,662)	25,648
Contributions receivable	30,565	(3,154)	27,411
Sponsored agreements	18,705	(2,740)	15,965
Rent from University Medical Center, Inc.	4,253	-	4,253
Trade receivables	2,682	-	2,682
Other	5,085	(724)	4,361
Total	$ 161,587	$ (52,083)	109,504
Less discount			(494)
Current portion			68,984
Noncurrent portion			$ 40,026

Contributions receivable consist primarily of charitable gifts totaling $32.1 million pledged from individual and corporate donors that are associated with the construction projects of the Association. Receivables with payment schedules in excess of one year are stated at their discounted present value, using discount rates ranging from 0.2% to 5.2% as of June 30, 2016.

Contributions receivable as of June 30, 2016 and 2015 are due to be received as follows (in thousands):

	2016	2015
Less than one year	$ 5,463	$ 7,472
One to three years	16,998	10,676
Greater than three years	10,944	12,417
Subtotal	33,405	30,565
Less discount	(810)	(494)
Less allowance	(2,071)	(3,154)
Net contributions receivable	$ 30,524	$ 26,917

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36 *Recipient Reporting for Certain Shared Nonexchange Revenues*, the University records operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are received.

5. Due From the Foundation

In accordance with the University's agency agreement with the Foundation, the University receives and disburses monies on behalf of the Foundation. The net amount of these receipts and disbursements is recorded as a due to or from the Foundation in the statements of net position. Generally, the receivable or payable is cleared within the subsequent month; however, no formal agreement governs the time period in which payments are to be made.

By memorandum of agreement dated July 1, 2015, the University agreed to loan a total of $38.0 million to the ULREF. The receivable shall be repaid in full or satisfied through other financial instruments within 3 years of the effective date of the agreement, with effective date defined as the date on which the University transfers funds to the ULREF. The unpaid balance on the receivable bears simple interest equal to 75 basis points greater than the University's cash sweep rate. The repayment schedule calls for interest only payments semi-annually and a balloon repayment of any unpaid receivable and interest at the end of the term. The transfer of funding was completed August 7, 2015. The ULREF repaid $28.2 million of the loan during fiscal 2016 leaving a balance of $9.8 million as of June 30, 2016 that is recorded as noncurrent Due from the University of Louisville Real Estate Foundation, Inc. on the statement of net position.

6. Capital Assets, Net

Capital assets as of June 30, 2016 and 2015 are as follows and on the following page (in thousands):

	2016				
	Beginning Balance	**Additions**	**Retire-ments**	**Transfers**	**Ending Balance**
Cost - Nondepreciable					
Land	$ 44,204	$ -	$ -	$ -	$ 44,204
Rare books	43,618	884	-	-	44,502
Construction in progress	32,035	41,706	-	(6,725)	67,016
Subtotal	119,857	42,590	-	(6,725)	155,722
Cost - Depreciable					
Buildings	1,124,951	906	-	5,986	1,131,843
Infrastructure	11,238	-	-	-	11,238
Land improvements	18,531	358	-	739	19,628
Equipment	197,399	8,826	(6,941)	-	199,284
Leasehold improvements	2,117	-	-	-	2,117
Library materials	167,598	2,447	-	-	170,045
Subtotal	1,521,834	12,537	(6,941)	6,725	1,534,155
Total capital assets-cost	1,641,691	55,127	(6,941)	-	1,689,877
Accumulated depreciation					
Buildings	454,835	34,439	-	-	489,274
Infrastructure	3,196	187	-	-	3,383
Land improvements	3,021	536	-	-	3,557
Equipment	171,123	10,654	(6,821)	-	174,956
Leasehold improvements	1,435	64	-	-	1,499
Library materials	143,395	5,415	-	-	148,810
Total accumulated depr.	777,005	51,295	(6,821)	-	821,479
Capital assets, net	$ 864,686	$ 3,832	$ (120)	$ -	$ 868,398

	2015				
	Beginning Balance	Additions	Retire-ments	Transfers	Ending Balance
Cost - Nondepreciable					
Land	$ 44,204	$ -	$ -	$ -	$ 44,204
Rare books	41,479	2,139	-	-	43,618
Construction in progress	42,466	24,520	(553)	(34,398)	32,035
Subtotal	128,149	26,659	(553)	(34,398)	119,857
Cost - Depreciable					
Buildings	1,089,013	4,048	(2,319)	34,209	1,124,951
Infrastructure	11,238	-	-	-	11,238
Land improvements	17,865	477	-	189	18,531
Equipment	194,505	8,865	(5,971)	-	197,399
Leasehold improvements	2,001	116	-	-	2,117
Library materials	163,991	3,607	-	-	167,598
Subtotal	1,478,613	17,113	(8,290)	34,398	1,521,834
Total capital assets-cost	1,606,762	43,772	(8,843)	-	1,641,691
Accumulated depreciation					
Buildings	421,579	34,349	(1,093)	-	454,835
Infrastructure	3,009	187	-	-	3,196
Land improvements	2,522	499	-	-	3,021
Equipment	164,756	12,312	(5,945)	-	171,123
Leasehold improvements	1,371	64	-	-	1,435
Library materials	137,467	5,928	-	-	143,395
Total accumulated depr.	730,704	53,339	(7,038)	-	777,005
Capital assets, net	$ 876,058	$ (9,567)	$ (1,805)	$ -	$ 864,686

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following at June 30, 2016 and 2015 (in thousands):

	2016	2015
Salaries and benefits	$ 43,299	$ 43,255
Payroll taxes	15,945	15,114
Construction	3,686	4,568
Accrued interest	3,155	3,624
Other	20,190	17,471
	$ 86,275	$ 84,032

8. Amounts Payable to University of Louisville Foundation, Inc.

In January 1999, the Association obtained an $8.5 million unsecured, noninterest bearing loan from the Foundation for the construction of Cardinal Park. The Association is obligated to repay the loan upon collection of contributions receivable. Certain contributions receivable are held by the University and collections are transferred to the Association for the repayment of the loan. No payments were made during the years June 30, 2016 and 2015. The outstanding balance was approximately $1.0 million for each of the years ended June 30, 2016 and 2015.

In July 2001, the Association obtained a $347,000 unsecured, noninterest bearing loan with no specific repayment terms from the Foundation for the refurbishing of the Cardinal Basketball offices. The outstanding loan balance is approximately $316,000 for each of the years ended June 30, 2016 and 2015.

9. Bonds, Notes and Capital Leases

Long-term debt, net of discount, of the University consisted of the following at June 30, 2016 and 2015 (in thousands):

	Interest Rate	Fiscal Year of Maturity	2016	2015
Consolidated Educational Building Revenue Bonds:				
Series M of 2003	1.5%	2016	$ -	$ 1,955
Series P of 2005	3.7% to 4.0%	2025	-	2,605
General Receipts Bonds:				
Series A of 2007	4.0%	2018	3,840	30,205
Series A of 2008	4.0%	2019	11,700	67,330
Series A of 2010	4.0% to 4.5%	2028	-	3,412
Series B of 2010	5.5%	2028	20,942	20,942
Series A of 2011	4.0% to 5.0%	2032	29,200	30,410
Series A of 2012	5.0%	2023	9,940	11,105
Series A of 2016	2.0% to 5.0%	2036	14,050	-
Series B of 2016	2.0% to 5.0%	2028	23,725	-
Series C of 2016	2.0% to 4.0%	2029	51,650	-
Metro Government Revenue Bonds:				
Series 2008 A	4.0% to 5.0%	2018	10,540	15,485
Series 2008 B	4.0% to 4.8%	2028	29,460	31,325
Notes payable	2.3% to 4.8%	2020	14,171	16,549
Energy leases	2.6% to 4.8%	2033	18,791	20,212
Capital lease obligations	2.7% to 10.7%	2020	326	357
Total long-term debt			238,335	251,892
Net unamortized premium			13,669	4,026
Long-term debt, net			$ 252,004	$ 255,918

The change in bonds, notes and capital leases is summarized as follows (in thousands):

2016	Beginning Balance	Additions	Retire-ments	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	$ 214,774	$ 89,425	$ (99,152)	$ 205,047	$ 17,420	$ 187,627
Notes payable	16,549	-	(2,378)	14,171	2,188	11,983
Energy leases	20,212	-	(1,421)	18,791	1,748	17,043
Capital leases	357	33	(64)	326	159	167
Total	251,892	89,458	(103,015)	238,335	21,515	216,820
Less unamortized net (discount)/premium	4,026	10,111	(468)	13,669	1,668	12,001
Net bonds payable	$ 255,918	$ 99,569	$ (103,483)	$ 252,004	$ 23,183	$ 228,821

2015	Beginning Balance	Additions	Retire-ments	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	$ 231,462	$ -	$ (16,688)	$ 214,774	$ 18,187	$ 196,587
Note payable	18,053	1,252	(2,756)	16,549	2,378	14,171
Energy lease	15,855	5,713	(1,356)	20,212	1,421	18,791
Capital leases	1,142	525	(1,310)	357	146	211
Total	266,512	7,490	(22,110)	251,892	22,132	229,760
Less unamortized net discount	4,665	-	(639)	4,026	582	3,444
Net bonds payable	$ 271,177	$ 7,490	$ (22,749)	$ 255,918	$ 22,714	$ 233,204

Principal maturities and interest on bonds, notes and capital leases for the next five years and in subsequent five-year periods are as follows (in thousands):

For the year ended June 30	Principal	Interest	Total
2017	$ 21,515	$ 9,433	$ 30,948
2018	31,094	8,880	39,974
2019	15,244	7,837	23,081
2020	15,213	7,303	22,516
2021	16,062	6,758	22,820
2022 - 2026	76,159	24,600	100,759
2027 - 2031	56,719	6,630	63,349
2032 - 2036	6,329	377	6,706
Total	$ 238,335	$ 71,818	$ 310,153

The University has capitalized leased equipment with a net book value of $0.8 million and $2.0 million as of June 30, 2016 and 2015, respectively.

The General Receipts Bonds are collateralized by mortgages on certain University properties. Association revenue is pledged for the payment of the Metro Government Stadium Expansion Bonds, excluding approximately $2.0 million annually, which is to be available for amounts owed by the Association under the Arena lease agreement. The remaining operating and nonoperating income of the University, excluding income which as a condition of receipt is not available for payment of debt service charges, are pledged for the General Receipts Bonds. Total principal and interest remaining on the debt is $284.9 million, with annual requirements ranging from $0.6 million in 2036 to $36.8

million in 2018. For the current year, principal and interest paid by the University and the total pledged revenue recognized were $29.9 million and $505.9 million, respectively

As of June 30, 2016 and 2015, investments at fair value totaling approximately $11.0 million and $11.8 million, respectively, for retirement of indebtedness funds have been deposited with the bond trustees and escrow agents as required under the various bond indentures and capital lease agreements.

CEBRB Series M of 2003

On February 1, 2003, the University issued approximately $88.8 million in bonds with a net interest cost of 3.1% to advance refund approximately $22.3 million of Series H revenue bonds with a remaining weighted average interest rate of 5.8%, $36.6 million of Series I refunding bonds with a remaining weighted average interest rate of 5.4% and $22.3 million of Series J refunding bonds (Series H, I and J hereafter referred to as the prior bonds) with a weighted average interest rate of 5.2%. The net proceeds of approximately $84.9 million, after discount, issuance costs and a deposit to fund a debt reserve requirement totaling $3.9 million, were deposited into an irrevocable trust with an escrow agent to ultimately redeem all prior bonds on May 1, 2003. As a result, the prior bonds maturing on or after that date have been removed from the University's statement of net position.

The University advance refunded the prior bonds on March 13, 2003 to reduce its total debt service payments over the next 13 years by approximately $5.6 million and to obtain an economic gain (difference between the present values of the debt service payments, discounted at the effective interest rate, on the refunded and refunding debt) of approximately $4.7 million.

The bond was repaid during fiscal year 2016.

CEBRB Series P of 2005

In June 2005, the University issued approximately $4.2 million in revenue bonds, the proceeds of which funded the acquisition of the Home of the Innocents property to be subsequently renovated for use by the School of Public Health and Information Sciences. Delivery of the Series P Bonds took place on June 15, 2005. The bonds mature incrementally on May 1 of each year beginning May 1, 2007 until May 1, 2025. The interest on the bonds is paid semiannually, on May 1 and November 1, commencing November 1, 2005. The interest rate on the bonds ranges from 3.7% to 4.0%. The CEBRB Series P Bonds were currently refunded by the issuance of General Receipts Bonds 2016 Series A and as a result the liability for the prior bonds has been removed from the University's statement of net position.

University of Louisville General Receipts Bond, 2007 Series A

In April 2007, the University issued the $41.0 million General Receipts Bond 2007 Series A to provide permanent fixed rate financing for the renovation of the Home of the Innocents property, to provide office space to be used by the University's School of Public Health and Information Sciences; land acquisition for and construction of Patterson Baseball Stadium; construction of Trager Field House for use by intercollegiate teams; construction of the YUM Practice Facility, to be used by the basketball and volleyball teams; and construction of the Center for Predictive Medicine, a Level 3 Regional Bio-safety Laboratory. Security for the bonds includes a pledge of the general receipts of the University and includes the imposition of a state intercept. These bonds were partially refunded by the issuance of General Receipts Bonds 2016 Series B. The final maturity due to the refunding is September 1, 2017. The balance remaining of the General Receipts Bonds 2007 Series A is $3.8 million as of June 30, 2016.

University of Louisville General Receipts Bonds, 2008 Series A

In July 2008, the University issued \$86.1 million of University of Louisville, General Receipts Bonds, 2008 Series A at a net interest cost of 4.4%. The bond proceeds were used for the construction of a second Health Sciences Center parking garage, to fully fund the construction of a Clinical and Translational Research Building, and for renovation of the School of Dentistry. Security for the bonds includes a pledge of the general receipts of the University and the imposition of a state intercept. These bonds were partially refunded by the issuance of General Receipts Bonds 2016 Series C. The final maturity due to the refunding is September 1, 2018. The balance remaining of the General Receipts Bonds 2008 Series A is \$11.7 million as of June 30, 2016.

University of Louisville General Receipts Bonds, 2010 Series A and Series B

In December 2010, the University issued \$4.1 million of University of Louisville, General Receipts Bonds, 2010 Series A at a total interest cost of 3.3% and \$20.9 million of University of Louisville, General Receipts Bonds, 2010 Series B at a total interest cost of 1.8%, both net of the subsidy from the *Build America Bonds Act* (BAB). The project financed consists of multiple energy conservation measures within 17 educational and general buildings on the Health Sciences, Shelby and Belknap campuses. The project is expected to produce annual utility cost savings of over \$2.0 million and is being conducted under contract to the University by an energy management company that has guaranteed the annual savings to the University under the detailed terms of the contract. Security for the bonds includes a pledge of the general receipts of the University and the imposition of a state intercept. Final maturity of the bonds is September 1, 2027.

The General Receipts Bonds, 2010 Series A were issued as bonds designated as BABs under the provisions of the *American Recovery and Reinvestment Act of 2009*. The University expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the General Receipts Bonds, 2010 Series A. The subsidy payment is contingent on federal regulations and may be subject to change. On March 1, 2013, the President signed an Executive Order reducing the budgetary authority in accounts subject to sequestration. As a result, the BABs subsidy is expected to be reduced to approximately 32%.

The General Receipts Bonds, 2010 Series B were issued as bonds designated as QECBs under the provisions of the *American Recovery and Reinvestment Act of 2009*. The University expects to receive a cash subsidy payment from the United States Treasury equal to approximately 71.8% of the interest payable on the General Receipts Bonds, 2010 Series B. The subsidy payment is contingent on federal regulations and may be subject to change. On March 1, 2013, the President signed an Executive Order reducing the budgetary authority in accounts subject to sequestration. As a result, the BABs subsidy is expected to be reduced to approximately 66.6%.

The General Receipts Bonds, 2010 Series A were currently refunded by the issuance of General Receipts Bonds, 2016 Series A. As a result, the liability for these bonds has been removed from the University's statement of net position.

University of Louisville General Receipts Bonds, 2011 Series A

In August 2011, the University issued \$33.8 million of University of Louisville, General Receipts Bonds, 2011 Series A at a total interest cost of 3.6%. The project financed consists of a 128,700 square foot student recreation center. Features include six basketball courts, an indoor running track, a synthetic surface multi-activity court, three aerobics studios, a fitness lab, four racquetball courts, multipurpose activity space, and nearly 20,000 square feet of weight and cardiovascular equipment. Final maturity of the bonds is September 1, 2031.

University of Louisville General Receipts Bonds, 2012 Series A

In June 2012, the University issued $14.6 million of University of Louisville, General Receipts Bonds, 2012 Series A at a total interest cost of 2.1%. The bonds were issued to advance refund $13.5 million of Consolidated Educational Buildings Revenue Bonds Series N (Series N) with a weighted average interest rate of 3.9% and $5.3 million of Consolidated Educational Buildings Revenue Bonds Series O (Series O) with a weighted average interest rate of 4.1% (combined, the prior bonds). The bond proceeds together with an issuance premium of $2.5 million and funds from the debt service reserve fund for the prior bonds of $2.8 million have been deposited in escrow and will be used to pay the interest and principal requirements of the prior bonds maturing through and including May 1, 2013, and redeem and retire the prior bonds on May 1, 2013. Final maturity on the 2012 Bonds is March 1, 2023. There were no debt service requirements on the prior bonds as of June 30, 2016 and 2015.

University of Louisville General Receipts Bonds, 2016 Series A

In April 2016, the University issued $14.1 million of University of Louisville, General Receipts Bonds, 2016 Series A at a total interest cost of 2.76%. The bonds were issued to fund the University's share of the cost of the renovation and expansion of the University of Louisville Student Activity Center and to currently refund $3.2 million of University of Louisville General Receipts Bonds, Taxable Build America Bonds, 2010 Series A with a weighted average interest rate of 3.7% and $2.6 million of Consolidated Educational Buildings Revenue Bonds Series P with a weighted average interest rate of 3.9% (combined, the prior bonds). The bond proceeds were combined with an issuance premium of $1.4 million and funds from the debt service reserve fund for the Series P bond of $0.3 million to complete the current refunding of the prior bonds. As a result the liability for the prior bonds has been removed from the University's statement of net position. Final maturity on the 2016 Series A Bonds is March 1, 2036. The University will reduce its total debt service payments over the next 12 years by $0.8 million and realize net present value savings of approximately $0.4 million as a result of the refinancing.

University of Louisville General Receipts Bonds, 2016 Series B

In April 2016, the University issued $23.7 million of University of Louisville, General Receipts Bonds, 2016 Series B at a total interest cost of 2.16%. The bonds were issued to advance refund $24.6 million of University of Louisville General Receipts Bonds, 2007 Series A with a weighted average interest rate of 4.0%. The bond proceeds together with an issuance premium of $2.4 million have been deposited in escrow and will be used to pay the interest requirements of the 2007 Series A bonds maturing on and after September 1, 2018 through and including September 1, 2017, and redeem and retire the General Receipts Bonds 2007 Series A on September 1, 2017. The balance remaining of the General Receipts Bonds 2007 Series A is $3.8 million as of June 30, 2016. Final maturity on the 2016 Series B Bonds is September 1, 2027. The University will reduce its total debt service payments over the next 12 years by $2.0 million and realize net present value savings of approximately $1.8 million as a result of the refinancing.

University of Louisville General Receipts Bonds, 2016 Series C

In April 2016, the University issued $51.7 million of University of Louisville, General Receipts Bonds, 2016 Series C at a total interest cost of 2.48%. The bonds were issued to advance refund $52.0 million of University of Louisville General Receipts Bonds, 2008 Series A with a weighted average interest rate of 4.5%. The bond proceeds together with an issuance premium of $6.4 million have been deposited in escrow and will be used to pay the interest of the General Receipts Bonds 2008 Series A maturing on or after September 1, 2019 through and including September 1, 2018, and redeem and retire the prior bonds on September 1, 2018. The balance remaining of the General

Receipts Bonds 2008 Series A is $11.7 million as of June 30, 2016. Final maturity on the 2016 Series C Bonds is September 1, 2028. The University will reduce its total debt service payments over the next 13 years by $3.3 million and realize net present value savings of approximately $3.1 million as a result of the refinancing.

Louisville/Jefferson County Metro Government Revenue Refunding and Improvement Bonds Series 2008 A and B

In August 2008, the Louisville Metro Government issued $39.8 million of Mortgage Revenue Refunding Bonds Series 2008 A at a net interest cost of 3.67% with a maturity date of March 1, 2018 and $43.5 million of Mortgage Revenue Bonds Series 2008 B at a net interest cost of 4.5% with a maturity date of March 1, 2028. The bond proceeds were used to retire on September 1, 2008 the outstanding County of Jefferson Kentucky Governmental Lease Revenue Bonds, Series 1997, the proceeds of which financed the acquisition, construction, installation and equipping of the sports stadium known as University of Louisville Papa John's Cardinal Stadium (the Prior Project). The refunding resulted in a net present value benefit of $0.5 million and a loss on defeasance of approximately $0.1 million. Additional funds were used to finance a portion of the costs of acquisition, construction, installation and equipping of an expansion to the Prior Project.

Note Payable

In June 2013, the Association entered into a $15.0 million Term Loan with a national banking association. The proceeds will be used to partially finance the renovation of the baseball and softball stadiums and the construction of a soccer stadium (Project). The loan is secured by collateral, including funds and revenues of the Association from the Project and third-party pledges to the Association for the Project. The variable interest rate on the Term Loan is the Daily One Month LIBOR rate plus 1.1%, reset on the last day of each month. The balance of the term loan was $12.4 million and $13.4 million as of June 30, 2016 and June 30, 2015, respectively.

Energy Leases

In September 2009, the University entered into a $20.4 million master lease with a financial institution. The proceeds will be used to finance investments in certain equipment designed to reduce energy usage. The lessor receives an exclusive security interest in any and all equipment acquired. The master lease has a 4.8% fixed interest rate and a term ending 2023.

In May 2015, the University entered into a $5.7 million master lease to finance investments in energy saving technology with a financial institution. The lessor receives an exclusive security interest in any and all equipment acquired. The master lease has a 2.6% fixed interest rate and a term ending 2033.

10. Derivative Financial Instruments

a. Summary

At June 30, 2016, the Association has the derivative instruments outstanding on the following page (in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Term Loan	$ 15,000	06/28/13	06/30/22	Pay 2.9%; receive LIBOR + 1.14%	$ (434)
Forward delivery agreement	Earn a higher rate of return than investments with shorter life	$ 1,510	08/05/08	03/01/18	Receive 6.4% on balance of scheduled reserve amount	$ 175

The Forward Delivery Agreement requires the counterparty to deposit securities into the Association's debt service reserve trust account and provides the Association with a guaranteed rate of return. The securities that are deposited into the debt service reserve trust accounts are required to mature prior to the scheduled debt service payment dates on the bond that is secured by the debt service reserve funds.

Eligible securities include cash and direct, full faith and credit, non-callable obligations of the United States of America. The Forward Delivery Agreement allows the Association to earn a guaranteed fixed rate of return over the life of the investment. This agreement is utilized by the Association to earn a rate of return in excess of a rate that would otherwise be feasible by investing in securities with a shorter term.

The fair value of the Forward Delivery Agreement is based on the value of the future discounted cash flows expected to be received over the life of the agreement and is included in other long-term assets on the statements of net position. As the Forward Delivery Agreement is an effective hedging instrument, the offsetting balance is reflected as deferred inflows of resources on the statements of net position. For the year ended June 30, 2016, the change in fair value of the Forward Delivery Agreement was a decrease of approximately $63,000. The Association receives settlement semi-annually and the settlement is included in interest expense.

The fair value of the Interest Rate Swap was determined using the market's current forward rate assumptions in order to predict future cash flows on the floating side and is included in other long-term liabilities on the statements of net position. As the Interest Rate Swap is an effective hedging instrument, the offsetting balance is reflected as deferred outflows of resources on the Association's statements of net position. For the year ended June 30, 2016, the decrease in fair value of the Interest Rate Swap was approximately $339,000. No initial cash receipt or payment was made in relation to the Interest Rate Swap. The Association receives or pays a net amount monthly and includes the monthly settlement amount in interest expense.

b. Credit Risk

Credit risk is the risk that the counterparty will not fulfill its obligations. Under the terms of the Forward Delivery Agreement, the Association is either holding cash or an approved security within the debt service reserve funds. None of the principal amount of an investment under the Forward Delivery Agreement is at risk to the credit of the counterparty. Should the counterparty default, the Association's maximum exposure is the positive termination value, if any, related to this agreement.

The Interest Rate Swap's fair value represented the Association's credit exposure to the counterparty as of June 30, 2016. Should the counterparty to this transaction fail to perform according to the terms of the swap agreement, the Association has a maximum possible loss equivalent to the Interest Rate Swap's fair value at that date. At June 30, 2016, the counterparty to the Interest Rate Swap had a credit rating of A3 from Moody's Investors Services.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Association's financial instruments or cash flows. The fair market values of the derivative instruments are expected to fluctuate over the life of the agreement in response to changes in interest rates. The Association does not have a formally adopted policy related to interest rate risk related to derivative instruments.

d. Termination Risk

The Association or the counterparty may terminate the Forward Delivery Agreement if the other party fails to perform under the terms of the contract. In addition, the Association has an unrestricted option to terminate the Forward Delivery Agreement. If the Forward Delivery Agreement has a negative fair value at the time of termination, the Association would be liable to the counterparty for a payment equivalent to the fair market value of the instrument at the time of termination.

The Association or the counterparty may terminate the Interest Rate Swap if the other party fails to perform under the terms of the contract. The contract also provides for other termination events, including if the Term Loan matures, expires, is terminated or cancelled or changes lenders. If the Interest Rate Swap terminates early and the Association is the defaulting party, the Association would be liable for the losses, if any, of the counterparty.

11. Other Liabilities

Other liabilities of the University consisted of the following and on the following page at June 30, 2016 and 2015 (in thousands):

	2016					
	Beginning Balance	Additions	Retire-ments	Ending Balance	Current Portion	Noncurrent Portion
Due to University of Louisville Foundation, Inc.	$ 316	$ -	$ -	$ 316	$ -	$ 316
Note payable to University of Louisville Foundation, Inc.	1,000	-	-	1,000	-	1,000
Unearned compensation and wages payable	8,121	2,588	(1,128)	9,581	1,686	7,895
Deposits	902	76	(60)	918	-	918
Advances	102,585	75,693	(69,725)	108,553	75,962	32,591
Amounts due federal government for student loan program	16,149	50	-	16,199	-	16,199
Other postemployment benefits	36,999	6,180	(2,437)	40,742	4,452	36,290
Other long-term liabilities	7,365	339	(3,279)	4,425	2,433	1,992
Total	$ 173,437	$ 84,926	$ (76,629)	$181,734	$ 84,533	$ 97,201

	2015					
	Beginning Balance	Additions	Retire-ments	Ending Balance	Current Portion	Noncurrent Portion
Due to University of Louisville Foundation, Inc.	$ 316	$ -	$ -	$ 316	$ -	$ 316
Note payable to University of Louisville Foundation, Inc.	1,000	-	-	1,000	-	1,000
Unearned compensation and wages payable	6,943	1,718	(540)	8,121	522	7,599
Deposits	919	85	(102)	902	-	902
Advances	79,717	81,288	(58,420)	102,585	67,334	35,251
Amounts due federal government for student loan program	16,355	-	(206)	16,149	-	16,149
Other postemployment benefits	31,069	9,065	(3,135)	36,999	4,682	32,317
Other long-term liabilities	17,904	95	(10,634)	7,365	3,686	3,679
Total	$ 154,223	$ 92,251	$ (73,037)	$173,437	$ 76,224	$ 97,213

Other long-term liabilities as of June 30, 2016 and 2015 include the accrual of the fee associated with the withdrawal from the American Athletic Conference, the voluntary separation incentive liability and other contractual payments. The current portion of other postemployment benefits and other long-term liabilities is included in accounts payable and accrued liabilities in the statements of net position as of June 30, 2016 and 2015.

12. Risk Management

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

The Fund covers losses to property from fire, wind, earthquake, flood and other named perils between $500 and $1,000,000 per occurrence. Losses in excess of $1,000,000 are insured by commercial carriers up to $1.2 billion per occurrence on an actual cash value basis. As a state agency, the University is vested with Sovereign Immunity and is subject to the provisions of the Board of Claims Act, under which the University's liability for certain negligence claims is limited to $200,000 for any one person and $350,000 for multiple claims resulting from a single act of negligence. Claims against educators' errors and omissions and wrongful acts are insured through a risk retention group. There have been no significant reductions in insurance coverage from 2015 to 2016. Settlements have not exceeded insurance coverage during the past three years.

University medical and dental students, residents, and most School of Medicine faculty are insured against medical malpractice by a captive liability insurer. Other faculty, agents, and certain non-physician employees are insured against medical malpractice by commercial insurance. The University also has the benefit of an excess coverage fund established by the Commonwealth of Kentucky.

The University is self-insured for the medical benefits provided to employees. The cost of such self-insured benefits provided during the years ended June 30, 2016 and 2015, respectively, was approximately $60.0 million and $60.3 million, including $4.2 million and $5.8 million accrued for estimated claims incurred but not reported, included in accounts payable and accrued liabilities in the statements of net position.

The following table reconciles the claims liability for the fiscal years ended June 30, 2016, June 30, 2015 and June 30, 2014.

Fiscal year ended June 30,	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2016	5,825	53,331	(54,987)	4,169
2015	4,976	55,516	(54,667)	5,825
2014	4,511	55,211	(54,746)	4,976

13. Natural Classification

The University's operating expenses by natural classification were as follows for the years ended June 30, 2016 and 2015 (in thousands):

	2016	2015
Salaries and wages	$ 551,228	$ 510,291
Employee benefits	131,172	129,544
Utilities	20,119	21,037
Scholarships and fellowships	32,875	33,300
Depreciation	51,295	53,339
Supplies and other services	223,976	216,852
	$ 1,010,665	$ 964,363

14. Retirement Plans

a. Defined Contribution Plan

Permanent, full-time University employees become eligible to participate in a defined contribution plan administered by the University upon completion of one year's service and attainment of age 21. The University of Louisville 403(b) Retirement Plan (Plan) was established by the University and approved by the Board of Trustees. Eligible employees not contributing to the plan are entitled to a 7.5% of base salary contribution on their behalf by the University. The University also matches up to an additional 2.5% of employee contributions. The plan requires three years of continuous service for employees to vest in employer contributions.

Other information relating to this plan for the years ended June 30, 2016 and 2015 is presented as follows (in thousands):

	2016	2015
Total University payroll	$ 553,806	$ 520,436
Total payroll covered by the plan	534,099	511,505
Employee contributions	29,615	28,198
University contributions	39,104	36,543

As of June 30, 2016 and 2015, the University had no forfeitures or outstanding liability related to the Retirement Plan.

b. Prior Service Defined Benefit Program

Effective July 1, 1977, the University entered into an agreement with Teachers Insurance Annuity Association (TIAA) to fund, over approximately 30 years, the prior service defined benefit program for both currently retired and eligible actively employed participants. This is a single-employer plan. There were no annual required contributions for the years ended June 30, 2016 and June 30, 2015. Subsequent annual contributions under this agreement are subject to periodic actuarial re-evaluations to reflect changes in the consumer price index, interest rates and group experience performance.

The most recent comparison of the accumulated plan benefits and plan net assets, as determined by TIAA, as of June 30, 2016 and 2015 are as follows (in thousands):

	2016	2015
Actuarial present value of non-vested accumulated plan benefits	$ 1,256	$ 1,378
Net assets available for benefits	$ 1,621	$ 1,764
Net pension surplus	$ (365)	$ (386)
Funded ratio	129%	128%

The actuarial present value of plan benefits is non-vested because the plan and benefits provided there under are at all times at the discretion of the University. The net pension surplus represents the amount of net assets available for benefits in excess of the actuarial liability. The assumed rate of return used to determine the present value of accumulated non-vested benefits was 6.0% for each of the years ended June 30, 2016 and 2015, for preretirement and postretirement periods.

15. Postemployment Healthcare Benefits

a. Plan Description

Association and University personnel are eligible for postemployment healthcare benefits as described in The University of Louisville Group Health Plan (Plan), administered by the University. To be eligible for the Plan, a retired employee must be the earlier of the attainment of age 60 with seven years of service in eligible faculty or staff status, or the date that the sum of the employee's age and years of regular service of not less than 80% full-time equivalent at the University equals or exceeds 75. The Plan is a single-employer plan and the University's Board of Trustees determines the eligibility requirements related to the Plan. The Plan does not issue stand-alone financial reports and is not included in the report of any entity.

Effective July 1, 2012, the life insurance benefit was restructured to be priced as a fully insured supplemental benefit for which the retirees pay 100% of the cost, so no obligation is assumed after the fiscal year ended June 30, 2012.

b. Funding Policy

The Plan is funded on a pay-as-you-go basis. The contribution requirements of the contributing members are determined by the University's management on an annual basis. During the years ended June 30, 2016 and 2015, the University contributed approximately $1.9 million and $1.7 million, approximately 66% and 65% of total premiums, respectively. Retired Plan members under age 65 receiving benefits contributed approximately $1.0 million and $0.9 million, approximately 39% and 35% of total premiums for the years ended June 30, 2016 and 2015, respectively, through their required monthly contributions according to the schedules below:

2016	PPO	Cardinal Care Plan	EPO	PCA High	PCA Low
Employee	$ 335	$ 447	$ 353	$ 281	$ 248
Employee and Spouse	$ 811	$ 871	$ 851	$ 692	$ 555

2015	PPO	Cardinal Care Plan	EPO	PCA High	PCA Low
Employee	$ 335	$ 407	$ 353	$ 281	$ 248
Employee and Spouse	$ 811	$ 831	$ 851	$ 692	$ 555

Medicare-eligible retirees receive a monthly benefit of $108 per individual covered. For the years ended June 30, 2016 and 2015, the University contributed $1.6 million and $1.5 million for Medicare-eligible retirees, respectively.

c. Annual Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB Statement No. 45). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years.

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation (in thousands):

	2016	2015
Normal cost	$ 5,061	$ 4,536
AAL amortization	5,252	5,095
Annual required contribution (ARC)	10,313	9,631
Interest on above	1,258	1,171
Adjustment to ARC	(1,825)	(1,669)
OPEB liability gain	(3,566)	(8)
Annual OPEB cost (AOC)	6,180	9,125
Contributions made	(2,437)	(3,195)
Increase in net OPEB obligation	3,743	5,930
Net OPEB obligation - beginning of year	36,999	31,069
Net OPEB obligation - end of year	$ 40,742	$ 36,999

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation were as follows (in thousands):

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 6,180	39%	$ 40,742
2015	9,125	35%	36,999
2014	6,817	45%	31,069
2013	5,746	41%	27,300

d. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $89.7 million and $89.1 million and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of $89.7 million and $89.1 million as of June 30, 2016 and 2015, respectively. The covered payroll (annual payroll of active employees covered by the plan) was $478.2 million and $459.6 million, and the ratio of the UAAL to the covered payroll was 19%, for the years ended June 30, 2016 and 2015, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

e. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the unit credit method actuarial cost method was used. The actuarial assumptions included a 3 percent investment rate of return (net of administrative expenses), which is based on the estimated return on the University's general assets, and an annual healthcare cost trend rate of 7.8 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 11 years. The gains on the benefit obligation recognized during the fiscal years ended June 30, 2016 and 2015 were due to updates made on expected future health claims and changes made to the retiree life insurance benefit. Expected claims have decreased based on a review of actual claims over the last three years as well as current COBRA rates. The UAAL is being amortized on a straight line basis over 30 years. The remaining amortization period at June 30, 2016 was 21 years.

16. Health Science Center Affiliations and Agreements

a. KentuckyOne Healthcare, Inc. Affiliation, Lease and Operating Agreement

In November 2012, the University, Commonwealth, UMC, and KentuckyOne Health, Inc. (KentuckyOne) amended and restated the UMC land lease and executed a new academic affiliation agreement, superseding the one dated July 1, 2007. The initial term is twenty years, beginning on the Integration Date, which was March 1, 2013.

The academic affiliation agreement calls for a strategic programmatic investment fund and plan. KentuckyOne will invest $114.5 million in key University clinical service lines and departments and $20.5 million in academic and programmatic investment in clinical services lines at Jewish Hospital and St. Mary's Healthcare, Inc. (Jewish Hospital) facilities. An additional $3.0 million per annum for twenty years will be made available for research. As of June 30, 2016, the University received $23.0 million and $33.8 million related to the strategic programmatic investments and research initiatives, respectively. To date the University has received $78.5 million related to strategic investment and research infrastructure. As the University has not yet expended the funds in accordance with the proposals, $21.2 million is included in current advances and $28.4 million is included in noncurrent advances in the statement of net position as of June 30, 2016. $12.0 million in current advances and $30.8 million in noncurrent advances are represented in the statement of net position as of June 30, 2015.The agreement calls for the payment annually of discretionary funding of $15.0 million over three years with payment contingent on the achievement of certain performance metrics. During the years ended June 30, 2016 and 2015, the University did not receive the funding for discretionary purposes to support key statewide areas of focus.

The academic affiliation agreement also calls for KentuckyOne to provide an aggregate $75.0 million per annum in academic support for the initial term of five years subject to annual adjustments to the Medicare base rate. During years six through twenty the academic support will not exceed $95.0 million or be less than $55.0 million. The academic support payment includes funding for certain full-time equivalent resident positions over the term of the affiliation agreement. Funding for the years ended June 30, 2016 and 2015 were $60.7 million and $61.4 million, respectively, and are included in clinical services and practice plan revenues in the statement of revenues, expenses and changes in net position.

Concurrently with the academic affiliation agreement, KentuckyOne entered into a joint operating agreement with UMC, the Hospital's operator prior to March 1, 2013. KentuckyOne agreed to be the sole and exclusive agent acting for and on behalf of UMC to provide the day-to-day management of the University Hospital, with the exception of the Maintained Procedures, as defined in the agreement. The agreement calls for KentuckyOne to make annual payments of not less than $7.5 million and not more than $17.5 million based on the ratio of net operating income to budget for KentuckyOne. The accompanying statements of revenues, expenses, and changes in net position include approximately $7.5 million for each of the years ended June 30, 2016 and 2015 in clinical services and practice plan revenues related to the joint operating agreement.

Concurrently with the academic affiliation agreement and joint operating agreements, the Commonwealth and the University as lessor amended and restated the lease agreement with UMC to lease the Hospital. The annual lease payment is $6.5 million through December 31, 2016. At that time, the annual rent escalates by $500,000 and will continue to escalate every five years thereafter up to $8.0 million. Included in the joint operating agreement is a provision that $5.0 million of the annual rent payment will flow to the Quality and Charity Care Trust. The lease provides for additional rent each year to be adjusted annually commensurate with the increase or decrease in the utilities and other operating expenses of the leased property. The University is required to pay KentuckyOne any amounts related to the utilities and other operating expenses collected from third parties. Lease revenue, net of the amounts sent to the Quality and Charity Care Trust, was $6.8 million and $7.5 million for the years ended June 30, 2016 and 2015, and is included in clinical services and practice plan revenues in the statements of revenues, expenses, and changes in net position. Lease expense for the years ended June 30, 2016 and 2015 was $0.9 million and $1.4 million, respectively and is included in public service expense in the statements of revenues, expenses, and changes in net position.

The accompanying statements of net position include approximately $4.9 million and $4.3 million in accounts receivable for the years ended June 30, 2016 and 2015, respectively, representing amounts due from UMC pursuant to the lease agreement.

The above agreements address the patient care needs of the Hospital's inpatients. The University's School of Medicine operates various clinics, which generate patient care revenues from the treatment of outpatients as well as laboratories that serve both inpatients and outpatients.

b. Quality and Charity Care Trust Transfers for Hospital Operations

In November 2014, the University entered into The Revised Quality and Charity Care Trust agreement (Revised Trust Agreement) with the Commonwealth, Jefferson County, the Louisville Metro Government, and UMC for the purpose of providing medically necessary hospital care, both inpatient and outpatient, to indigent patients in the Louisville area. The Quality and Charity Care Trust, Inc. (Trust) receives government funds and disburses them for Trust operations in accordance with the terms of the agreement.

The Trust, funded by the Commonwealth and the local governments, is charged with the obligation to provide for the health care needs of economically disadvantaged persons who have historically been ministered to by the University as a public service in the course of its teaching programs.

The University and the Commonwealth selected UMC, a Kentucky non-profit corporation, as the provider of the healthcare services through the Hospital. Under the November 2012 joint operating agreement, KentuckyOne agreed to manage the Hospital in a manner consistent with the Revised Trust Agreement. Funding of $4.9 million and $4.5 million for the years ended June 30, 2016 and 2015, respectively, provided by the Commonwealth, Louisville Metro Government, and the University is held for the Trust by the University and paid to UMC as specified in the Trust agreement. This funding is not included in the statements of revenues, expenses and changes in net position as it is a pass-through to UMC.

The funds available to the Trust from the government sources are set forth in the Revised Trust Agreement for the term. The government funding is paid to the Trust within thirty days of receipt and approval of the reports by the Commonwealth as required by the Revised Trust Agreement.

At June 30, 2015, the University's statement of net position includes $0.9 million in accounts payable and accrued liabilities related to their portion of the final government funding for the fiscal year ended June 30, 2016.

c. Norton Healthcare

In December 17, 2015, Norton Healthcare, Inc., (Norton), the University and Commonwealth agreed to a Settlement Agreement, a First Amendment to Lease and a First Amendment to Master Affiliation Agreement, amending the original Lease and Master Affiliation Agreement. These agreements provide for $30.0 million annual support payments from Norton to the University and its affiliates through Individual Agreements for research, academic support, residences and fellowships and related costs. In addition, the agreement stipulates that Norton provide additional financial support to the University of Louisville Pediatrics Department of $24.0 million over eight years and expend at least $35.0 million in facility improvements and other capital expenditures at Kosair Children's Hospital. Payments received by the University and its affiliates are included in clinical services and practice plan revenues in the statements of revenues, expenses, and changes in net position. Funding for the agreement for the years ended June 30, 2016 and 2015 was $35.0 million and $31.7 million, respectively. The Settlement Agreement also included a payment of $8.0 million to the Research Foundation for expenses incurred.

d. Cardiovascular Innovation Institute

In October 2003, the University of Louisville and Jewish Hospital Cardiovascular Innovation Institute (the Institute) was incorporated with the purpose including, but not limited to, the development and operation of a world-class institute to test, clinically evaluate, and develop heart assist devices, biosensors, and related technologies to improve the care for patients with heart disease.

The University entered into a Master Facility Agreement with Jewish Hospital to set forth the principles regarding the facility to support the Institute. The Master Facility Agreement called for a research building to be jointly built by the University and Jewish Hospital on land owned by the University. Jewish Hospital has transferred the use of a portion of the building, through a lease, to the Institute or to the University, for exclusive use by the Institute. The building was completed in December 2006.

17. Leases

The University has entered into operating leases related to academic, research and facilities. The University has three operating lease agreements related to use of athletic facilities. Under these lease agreements, the University's rights have been assigned to the Association.

a. Kentucky State Fair Board

The University has entered into a lease agreement with the Kentucky State Fair Board (KSFB) for use of an athletic building. The University's rights under this agreement have been assigned to the Association. The lease has an initial term of 26 years, ending June 30, 2023. Annual lease payments range from $25,000 to $66,550. Total lease expense for each of the years ended June 30, 2016 and 2015 amounted to approximately $61,000.

b. Central Station, LLC

The Association has entered into a lease agreement with AAF-Louisville, LLC (d/b/a Central Station, LLC), a related party, for use of the Central Station Office Building. The lease has an initial term of 21 years, ending September 30, 2026. Annual lease payments started at approximately $47,000, and are subject to increases based on increases in the CPI. Total lease expenses during the years ended June 30, 2016 and 2015 amounted to approximately $180,000 and $84,000, respectively.

c. Louisville Arena Authority, Inc.

In July 2008, the Association entered into a lease agreement with the Arena Authority. The lease has an initial term of 36 years. Annual lease payments are equal to the greater of 10% of gross ticket sales or a minimum lease amount of $10,000 per game for men's basketball games; the greater of 5% of gross ticket sales or a minimum of $5,000 for any other Association sponsored event; and, as payment for private suites, 12% of net private suite revenue. Total lease expense during the years ended June 30, 2016 and 2015 amounted to approximately $3.8 million and $3.7 million, respectively. Additionally, the lease agreement provides for the Association to purchase parking spaces from the Arena Authority. Total parking expense during each of the years ended June 30, 2016 and 2015 amounted to approximately $0.5 million each year.

Under the terms of the lease, the Association will receive payments from the Arena Authority as follows: (a) 50% of all payments received from third-party concessionaire and catering sales at all University-sponsored events or 25% of the gross proceeds of any Arena Authority owned concessions or catering sales; (b) 50% of all rental/commission payments received in connection with the gift shop and its operations, and 50% of any additional merchandise revenue received from any source other than the gift shop; (c) 50% of all revenue received from the sale of inventory of the permanent signage inside and outside the Arena structure, excluding any signage that is part of the 10% of permanent signage reserved for the Association; (d) 33.3% of all revenue from the sale of inventory on all video boards outside the Arena structure, excluding any video board inventory that is part of the Association's signage. Total lease revenue during the years ended June 30, 2016 and 2015 amounted to approximately $2.5 million and $2.4 million, respectively.

d. Future Minimum Lease Payments

The University's annual minimum lease payments are due as follows (in thousands):

For the year ending June 30,	Lease Payment Due
2017	$ 2,918
2018	2,239
2019	451
2020	451
2021	451
2022-2026	2,055
2027-2031	1,513
2032-2036	1,491
2037-2041	1,491
2042-2046	921
2047-2051	66
2052-2056	66
2057-2061	66
2062-2066	66
2067-2071	40
Future minimum lease payments	$ 14,285

18. Commitments and Contingencies

a. Commitments

At June 30, 2016, the University had approximately $12.3 million in encumbrances outstanding for future expenditures. As part of the entrance into the Atlantic Coast Conference, the Association committed to an unspecified amount of revenue to be withheld.

b. Litigation

The University has been named as defendant in several lawsuits, including several actions initiated by patients involving alleged malpractice. It is the opinion of management and its legal counsel, based in part on the doctrine of sovereign immunity, commercial insurance coverage and other statutory provisions, that the ultimate outcome of litigation will not have a material effect on the future operations or financial position of the University beyond the amounts already provided.

During 1989, the Kentucky Supreme Court ruled that the Board of Claims statute cannot bar lawsuits against employees of the Commonwealth who can be held personally liable for their own negligent acts. Certain of the University's employees have lawsuits pending against them for negligence claims. Any judgments on such claims are not the liability of the University, although the University may settle or pay judgments from the statutory fund established per KRS 156.895 and 164.890 - 164.895, or per liability insurance purchased for its employees and agents.

c. 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.

19. Recent Accounting Pronouncements

As of June 30, 2016, the following GASB statement was implemented which had a financial or disclosure impact on the financial statements.

GASB Statement No. 72, *Fair Value Measurement and Application*. This statement requires state and local governments to measure certain assets and liabilities held as investments at fair value. The statement enhances financial statements by providing consistent definition and accepted valuation techniques for fair value measurement. The implementation of this Statement had no financial impact and additional disclosure requirements.

As of June 30, 2016, the following GASB statements were implemented which did not have a financial or disclosure impact on the financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles in the United States of America.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement.

As of June 30, 2016, the GASB has issued the following statements that could be applicable to the University.

a. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

b. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

c. GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements

20. Subsequent Event

Subsequent to June 30, 2016 the University executed a contract for food management services and a contract for bookstore management. Both contracts contain financial commitments to be provided by the service provider throughout the term of the contract.

21. Component Units

a. Blended Component Units – Combined Condensed Statements

The combining schedules of the University, the Research Foundation and the Association as of June 30, 2016 and 2015, are as follows and on the following pages (in thousands):

Condensed Statements of Net Position

	2016			
	University	Research Foundation	Athletic Association	Total
Current assets	$ 129,783	$ 49,750	$ 52,709	$ 232,242
Capital assets	637,025	65,989	165,384	868,398
Other noncurrent assets	62,464	719	62,005	125,188
Total assets	829,272	116,458	280,098	1,225,828
Deferred outflows of resources	6,526	-	441	6,967
Current liabilities	86,443	41,822	58,841	187,106
Due to University	(23,288)	-	23,288	-
Other noncurrent liabilities	255,077	12,684	58,262	326,023
Total liabilities	318,232	54,506	140,391	513,129
Deferred inflows of resources	-	-	175	175
Net investment in capital assets	453,708	65,990	113,091	632,789
Restricted-nonexpendable	-	-	1,633	1,633
Restricted-expendable	45,855	21,791	24,362	92,008
Unrestricted	18,003	(25,829)	887	(6,939)
Total net position	$ 517,566	$ 61,952	$ 139,973	$ 719,491

	2015			
	University	Research Foundation	Athletic Association	Total
Current assets	$ 147,473	$ 41,899	$ 50,327	$ 239,699
Capital assets	641,540	70,132	153,014	864,686
Other noncurrent assets	49,076	735	60,223	110,034
Total assets	838,089	112,766	263,564	1,214,419
Deferred outflows of resources	741	-	110	851
Current liabilities	95,392	28,926	50,284	174,602
Due to University	(9,173)	-	9,173	-
Other noncurrent liabilities	253,127	11,120	66,170	330,417
Total liabilities	339,346	40,046	125,627	505,019
Deferred inflows of resources	3,433	-	238	3,671
Net investment in capital assets	450,197	70,133	92,034	612,364
Restricted-nonexpendable	-	-	1,791	1,791
Restricted-expendable	36,380	7,489	36,230	80,099
Unrestricted	9,474	(4,902)	7,754	12,326
Total net position	$ 496,051	$ 72,720	$ 137,809	$ 706,580

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

	2016			
	University	Research Foundation	Athletic Association	Total
Student tuition and fees, net	$ 209,503	$ -	$ -	$ 209,503
Clinical services and practice plan	35,439	233,866	-	269,305
Grants and contracts	296	103,120	-	103,416
Facilities and administrative cost recoveries	-	24,611	-	24,611
Other operating revenue	27,415	3,984	71,335	102,734
Total operating revenues	272,653	365,581	71,335	709,569
Depreciation	38,206	7,914	5,175	51,295
Other operating expenses	462,932	401,646	94,792	959,370
Total operating expenses	501,138	409,560	99,967	1,010,665
Operating loss	(228,485)	(43,979)	(28,632)	(301,096)
State appropriations	142,213	-	-	142,213
Gifts	132	1,491	28,928	30,551
Interest on capital asset-related debt	(7,625)	-	(2,336)	(9,961)
Other nonoperating revenues	2,339	43,641	(4,574)	41,406
Capital appropriations	9,741	-	-	9,741
Capital gifts	(57)	-	9,680	9,623
Transfers	103,257	(11,921)	(902)	90,434
Total nonoperating revenues	250,000	33,211	30,796	314,007
Change in net position	21,515	(10,768)	2,164	12,911
Net position - beginning of year	496,051	72,720	137,809	706,580
Net position - end of year	$ 517,566	$ 61,952	$ 139,973	$ 719,491

	2015			
	University	Research Foundation	Athletic Association	Total
Student tuition and fees, net	$ 209,834	$ -	$ -	$ 209,834
Clinical services and practice plan	30,001	222,445	-	252,446
Grants and contracts	211	89,924	-	90,135
Facilities and administrative cost recoveries	-	22,596	-	22,596
Other operating revenues	25,088	2,169	66,072	93,329
Total operating revenues	265,134	337,134	66,072	668,340
Depreciation	39,883	8,470	4,986	53,339
Other operating expenses	434,372	388,148	88,504	911,024
Total operating expenses	474,255	396,618	93,490	964,363
Operating loss	(209,121)	(59,484)	(27,418)	(296,023)
State appropriations	140,744	-	-	140,744
Gifts	42	9,652	28,567	38,261
Interest on capital asset-related debt	(8,579)	-	(2,557)	(11,136)
Other nonoperating revenues	2,880	52,988	(2,001)	53,867
Capital appropriations	13,973	-	-	13,973
Capital gifts	396	-	7,935	8,331
Voluntary separation plan expense	-	-	-	-
Transfers	71,967	(8,219)	1,008	64,756
Total nonoperating revenues	221,423	54,421	32,952	308,796
Change in net position	12,302	(5,063)	5,534	12,773
Net position - beginning of year	483,749	77,783	132,275	693,807
Net position - end of year	$ 496,051	$ 72,720	$ 137,809	$ 706,580

Condensed Statements of Cash Flows

	2016			
	University	Research Foundation	Athletic Association	Total
Cash (used)/provided by:				
Operating activities	$ (179,723)	$ (49,994)	$ (23,054)	$ (252,771)
Noncapital financing activities	211,998	33,155	30,468	275,621
Capital and related financing activities	(30,371)	(3,809)	(2,386)	(36,566)
Investing activities	18,752	53	(2,282)	16,523
Net (decrease)/increase in cash and cash equivalents	20,656	(20,595)	2,746	2,807
Cash and cash equivalents, beginning of year	109,690	(5,938)	45,290	149,042
Cash and cash equivalents, end of year	$ 130,346	$ (26,533)	$ 48,036	$ 151,849

	2015			
	University	Research Foundation	Athletic Association	Total
Cash (used)/provided by:				
Operating activities	$ (135,016)	$ (47,088)	$ (20,300)	$ (202,404)
Noncapital financing activities	210,041	53,612	29,957	293,610
Capital and related financing activities	(39,112)	(4,247)	(9,030)	(52,389)
Investing activities	12,389	808	1,348	14,545
Net increase/(decrease) in cash and cash equivalents	48,302	3,085	1,975	53,362
Cash and cash equivalents, beginning of year	61,388	(9,023)	43,315	95,680
Cash and cash equivalents, end of year	$ 109,690	$ (5,938)	$ 45,290	$ 149,042

b. University of Louisville Foundation, Inc. and Affiliates

The University of Louisville Foundation, Inc. (ULF) and Affiliates (collectively, "Foundation") is a legally separate, tax-exempt component unit of the University, under the provisions of GASB Statement No. 39. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The fifteen-member board of the Foundation is self-perpetuating. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Total expenditures by the Foundation on behalf of the University for the years ended June 30, 2016 and 2015 were $0 and $24.7 million, respectively. Complete financial statements for the Foundation can be obtained from Foundation Administration at University of Louisville, 215 Central Avenue, Suite 304, Louisville, KY 40292.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB ASC Topic 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 Foundation's financial information in the University's financial statements for these differences.

1. Endowment

The Foundation's endowment consists of approximately 1,600 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's board of directors has interpreted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), adopted in Kentucky in July 2010 and located at KRS 273.1 to 273.10 as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets, until donor stipulations are fulfilled.

The composition of net assets by type of endowment fund at June 30, 2016 and 2015, was (in thousands):

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (18,003)	$ 250,711	$ 449,518	$ 682,226
Board-designated endowment funds	56,756	-	-	56,756
	$ 38,753	$ 250,711	$ 449,518	$ 738,982

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (4,219)	$ 270,226	$ 436,515	$ 702,522
Board-designated endowment funds	89,821	-	-	89,821
	$ 85,602	$ 270,226	$ 436,515	$ 792,343

Changes in endowment net assets for the years ended June 30, 2016 and 2015 were (in thousands):

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 85,602	$ 270,226	$ 436,515	$ 792,343
Investment return:				
Investment and endowment income	3,240	8,696	-	11,936
Net appreciation (depreciation)	(22,922)	4,802		(18,120)
Net depreciation funds held in trust by others	-	-	(1,240)	(1,240)
Total investment return	(19,682)	13,498	(1,240)	(7,424)
Contributions	243	1,394	14,483	16,120
Appropriation of endowment assets for expenditures	(27,410)	(34,407)	-	(61,817)
Other changes	-	-	(240)	(240)
Endowment net assets, end of year	$ 38,753	$ 250,711	$ 449,518	$ 738,982

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year, as restated	$ 119,629	$ 279,029	$ 425,687	$ 824,345
Investment return:				
Investment and endowment income	2,394	6,026	1,080	9,500
Net appreciation (depreciation)	(6,673)	3,172	-	(3,501)
Net depreciation funds held in trust by others	-	-	(535)	(535)
Total investment return	(4,279)	9,198	545	5,464
Contributions	4,065	5,366	10,392	19,823
Appropriation of endowment assets for expenditures	(33,813)	(23,367)	-	(57,180)
Other changes	-	-	(109)	(109)
Endowment net assets, end of year	$ 85,602	$ 270,226	$ 436,515	$ 792,343

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2016 and 2015, consisted of (in thousands):

	2016	2015
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulations or UPMIFA	$ 449,518	$ 436,515
Termporarily restricted net assets - term endowment funds	$ 5,896	$ 8,372

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the fair value level that the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets and aggregated to approximately $18 million and $4.2 million at June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of permanently restricted contributions.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds that the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds.

Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that achieves a minimum net total return which is equal to the Foundation's spending rate plus inflation without the assumption of excessive investment risk. To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within acceptable risk constraints.

The Foundation has a standing policy (the spending policy) of appropriating for expenditure each year 5.5% of its endowment fund's average market value over the prior three years through the calendar year-end preceding the year in which expenditure is planned. In establishing this policy, the Foundation balances the long-term expected return on its endowment against the level of expenditures required to support the University's goals and objectives. Recognizing that markets are volatile, the Foundation will adjust the spending policy for a given year to mitigate adverse market performance on the level of support provided to the University. For the fiscal year ended June 30, 2015, the Foundation board of directors approved the standard spending policy and approved the mandatory re-investment of unspent carryover. This modification was designed to dampen the reduction in allocated spending funds for the fiscal year, without damaging the long-term performance of the endowment.

The Foundation has adopted an investment objective whereby the average annual return over the long term should equal the rate of inflation (measured by the three-year moving average of the Gross Domestic Product (GDP) Deflator) plus the average level of spending from

the Combined Endowment Fund. The annual return for the Combined Endowment Fund was -5.5% and -0.5% in 2016 and 2015, respectively.
This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Included within the endowment are $85.2 million and $69.3 million at June 30, 2016 and 2015, of loans to affiliates of the University.

2. Investments and Investment Income

Investments as of June 30, 2016 and 2015, are as follows (in thousands):

	2016	2015
Investment in partnerships and funds of funds	$419,937	$454,051
Mutual funds	68,677	77,305
Marketable alternatives	100,173	138,648
Preferred and common stock	39,843	38,837
Corporate bonds	-	2,859
U.S. government securities	-	205
Equity method investments	3,679	6,496
Certificate of deposit	8,169	8,149
Land and buildings	-	1,178
Total investments	$640,478	$727,728

Restricted investments are restricted by bond indenture for payment of debt service and repairs and replacement. Restricted investments as of June 30, 2016 and 2015, are as follows (in thousands):

	2016	2015
Money market mutual funds	$ 2,930	$ 3,310
U.S. agency obligations	1,689	2,589
	$ 4,619	$ 5,899

Total investment return for the years ended June 30, 2016 and 2015, is reflected in the consolidated statements of activities as follows (in thousands):

	2016	2015
Interest income	$ 1,313	$ 1,181
Endowment income	4,223	8,995
Net realized and unrealized gain (loss) on investments	(10,631)	(4,686)
	$ (5,095)	$ 5,490

The Foundation invests in various securities, which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the investment amounts reported in the consolidated statements of financial position.

The Foundation's investments do not have a significant concentration of credit risk within any industry or specific institution.

The market risk inherent in certain of the Foundation's investments is primarily the potential loss arising from adverse changes in quoted market prices on equity securities and in interest rates on fixed income securities. In an effort to mitigate this market risk, the Foundation has adopted a policy of maintaining a diverse investment pool through the use of target asset allocation guidelines. These guidelines require that the Foundation's investment pool be made up of a mix of publicly traded fixed income and equity securities, private equities and other nonmarketable securities, and real estate investments.

The major portion of long-term investments is pooled in the Combined Endowment Fund, which is the general endowment pool for the Foundation. The Combined Endowment Fund is pooled using a market value basis, with each individual fund subscribing to, or disposing of, units on the basis of the market value per unit at the end of the prior calendar month during which the transaction takes place. The investment objectives of the Foundation are to preserve the principal of the endowment funds in both absolute and real terms while maximizing, over the long-term, the total rate of return (yield and appreciation) within reasonable risk parameters.

a. Alternative Investments

The fair value of alternative investments has been estimated using the NAV per share of the investments. Alternative investments held at June 30, 2016 and 2015, consisted of the following (in thousands):

	2016			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed income funds (A)	$ 12,933	$ -	Once Monthly	Various from 10 to 30 days
U.S. equity funds (B)	76,545	-	Various from semi-monthly to quarterly	Various from 5 to 60 days
International equities funds (C)	174,041	-	Various from any valuation day to quarterly	Various from 10 to 60 days
Equity long/short hedge funds (D)	47,755	-	Various from quarterly to illiquid	Various from 30 to 60 days, if allowable
Multi-strategy hedge funds (E)	47,821	-	Various from monthly to illiquid	Various from 45 to 90 days
Natural resources funds (F)	37,158	14,413	Various from any valuation day to illiquid	Various from 10 to 90 days, if allowable
Opportunistic hedge funds (G)	23,384	2,771	Various from quarterly to illiquid	Various from 45 to 90 days, if allowable
Private equity funds (H)	100,473	62,141	Illiquid	N/A

	2015			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed income funds (A)	$ 15,470	$ -	Various from once monthly to illiquid	Various from 10 to 30 days
U.S. equity funds (B)	95,732	-	Various from semi-monthly to quarterly	Various from 5 to 60 days
International equities funds (C)	201,274	-	Various from any valuation day to quarterly	Various from 10 to 60 days
Equity long/short hedge funds (D)	60,296	-	Various from quarterly to illiquid	Various from 30 to 60 days, if allowable
Multi-strategy hedge funds (E)	73,061	-	Various from quarterly to illiquid	Various from 15 to 90 days
Natural resources funds (F)	31,696	4,109	Various from any valuation day to illiquid	Various from 10 to 90 days, if allowable
Opportunistic hedge funds (G)	26,708	5,832	Various from quarterly to illiquid	Various from 45 to 90 days, if allowable
Private equity funds (H)	88,462	57,630	Illiquid	N/A

A. This category includes investments in attractive credit opportunities in investment grade corporate bonds, high yield bonds, bank loans, securitized bonds, strategic global fixed income opportunities in countries, currencies, sectors and securities as well as global credit arbitrage opportunities. As of June 30, 2016, approximately $12.9 million of the amounts can be redeemed on a monthly basis with advanced notifications ranging from 10 to 30 days.

B. This category includes two investments in U.S. equities, with one focused on publicly traded MLPs and the other on large cap stocks. All securities are traded on U.S. exchanges. The large cap investment, valued at $66.5 million on June 30, 2016, is redeemable at calendar quarter-end with 60 days prior notice. The MLP investment is redeemable monthly with 30 days prior notice.

C. This category includes investments in international equities in emerging and developed markets across all capitalization classes. Approximately 43% of the funds invested can be redeemed on a daily basis with 10 to 30 days prior notice. Another 50% of the funds invested can be redeemed monthly with 10 to 60 days prior notice. The remaining investment is redeemable at calendar year quarter ends with 60 days prior notice.

D. This category includes investments in hedge funds that take both long and short positions in global equities and other securities. Most funds in this category use margin and other forms of leverage as well as various derivatives, including swaps, options, futures and forward contracts when deemed appropriate by the respective manager. Investments representing 70% of the value of the investments in this category have quarterly lockup periods as of June 30, 2016. Another investment, totaling $.3 million is illiquid.

E. This category includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in U.S. common stocks, global real estate projects and arbitrage investments. Approximately 18% of investments in this category can be redeemed at calendar year quarter ends with prior notification of 45 days. Approximately 63% of the investments in this category can be redeemed every 12 months with prior notification of 45 to 90 days. Approximately 18% of investments in this category can be redeemed every 24 months with 90 days notification. Approximately 1% of investments is illiquid.

F. This category includes private oil and gas funds and a natural resources equity fund. Investments include both publicly traded securities as well as private equity and debt positions. In aggregate, these funds invest in all natural resources categories, including but not limited to, all forms of energy, precious and base metals and agricultural commodities. The funds typically invest in both the infrastructure and production facilities as well as in the actual metal, commodity or resource. Approximately 38% of the investments are private lock up funds with projected partnership maturities ranging from 2018 to 2028. The other investment can be redeemed monthly with 30-day prior notification. The remaining investment is illiquid.

G. This category includes investments in distressed-securities, -real estate and -credit. As a class, these investments strive to find U.S. and non-U.S. financial assets, real estate, debt obligations and securities that are inefficiently priced as a result of business, financial, market or legal uncertainties. Investments will include publicly traded securities and private investments. Four of these funds, with a combined value of $6.5 million, can never be redeemed prior to partnership termination as specified in the limited partnership agreements. These funds have expected partnership maturities ranging from 2012 to 2022. Distributions from each fund are made as the underlying investments of the funds are liquidated. One other fund, with a value of $4.6 million is available at calendar quarters with advance notice of 45 days. All remaining investments in this class can be redeemed on their respective annual anniversaries of investment with 90 days prior notice.

H. This category includes several funds that invest in private equity of U.S. companies, international companies and U.S. real estate. Also included are several funds focusing on U.S. venture capital opportunities. One fund specializes in mezzanine debt for mid-cap U.S. companies. Approximately $15.6 million is equally invested among 11 funds of funds. The remaining investments in this category are direct investments in private equity, venture capital and mezzanine debt funds. All investments are in lockup funds with partnership maturities ranging from 2016 to 2030. Distributions from each fund will be made as the underlying investments of the funds are liquidated. All funds are commitment based investments with managers calling down commitments as investment opportunities arise. The June 30, 2016, fair value represents the market value of contributions made through that date. Unfunded commitments as of June 30, 2016, are $62.1 million, which is expected to be drawn over the next six years.

3. Disclosures About Fair Value of Assets and Liabilities

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the Topic 820 fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015 (in thousands):

	2016			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Preferred and common stock	$ 39,843	$ 38,287	$ -	$ 1,556
Mutual funds	68,677	67,572	1,105	-
Investment in partnerships and funds of funds	419,938	-	286,732	133,206
Marketable alternatives	100,173	-	47,408	52,765
Funds held in trust by others	50,798	-	50,798	-
Restricted investments				
Money market mutual funds	2,930	2,930	-	-
U.S. agency obligations	1,689	-	1,689	-

	2015			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Preferred and common stock	$ 38,635	$ 35,561	$ -	$ 3,074
Corporate bonds	2,859	-	2,859	-
Mutual funds	77,205	77,205	-	-
Investment in partnerships and funds of funds	453,563	-	261,168	192,784
U.S. government securities	205	-	205	-
Marketable alternatives	138,648	-	59,846	78,802
Funds held in trust by others	51,945	-	51,945	-
Restricted investments				
Money market mutual funds	3,310	3,310	-	-
U.S. agency obligations	2,589	-	2,589	-

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. For assets classified as Level 3 of the fair value hierarchy, the process used to develop the reported fair value is disclosed below.

There have been no significant changes in the valuation techniques during the year ended June 30, 2016.

a. Money Market Mutual Funds

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market mutual funds.

b. Investments

Level 1 securities include preferred and common stock and mutual funds. If quoted market prices are not available, then fair values are estimated by a third-party pricing service using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

For investments other than marketable alternatives and investments in partnerships, the inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. For marketable alternatives and investments in partnerships that have sufficient activity or liquidity within the fund, fair value is determined using the NAV (or its equivalent) provided by the fund and are classified within Level 2 of the valuation hierarchy. Level 2 securities include corporate bonds, U.S. government securities, certain investments in partnerships and certain marketable alternative investments.

For marketable alternatives, investments in partnerships, and investments in the common and preferred stock of certain business ventures, that do not have sufficient activity or liquidity within the fund, the NAV (or its equivalent) provided by the fund is utilized, as a practical expedient, to determine fair value and are classified within Level 3 of the valuation hierarchy.

Fair value determinations for Level 3 measurements of securities are the responsibility of Foundation Financial Affairs (FFA). FFA contracts with a pricing specialist to generate fair value estimates on a monthly basis. The FFA's office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

c. Funds Held in Trust By Others

Fair value is determined at the market value of the securities held in the beneficial trusts at June 30, 2016 and 2015. The value is determined based on the proportional beneficial interest held in the trust, with the Foundation as the sole beneficiary of the majority of the trusts. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

d. Restricted Investments

Level 1 securities include money market accounts, which are based on quoted market prices in an active market and Level 2 securities include U.S. Treasury bond and agency obligations. The Level 2 securities are based on quoted market prices and are based on a pricing service and use inputs as described above.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs (in thousands):

	Investment in Partnerships and Funds of Funds	Marketable Alternatives	Preferred and Common Stock
Balance, July 1, 2015	$ 192,395	$ 78,802	$ 3,074
Total realized and unrealized gains and losses	7,302	(6,349)	(2,243)
Purchases	25,057	-	(2,298)
Sales	(19,771)	(29,413)	1,839
Transfers	(71,777)	9,725	1,184
Balance, June 30, 2016	$ 133,206	$ 52,765	$ 1,556
Total gains/(losses) for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets still held at the reporting date	$ 1,054	$ (10,577)	$ (4)

	Investment in Partnerships and Funds of Funds	Marketable alternatives	Preferred and common stock
Balance, July 1, 2014	$ 192,784	$ 101,025	$ 2,638
Total realized and unrealized gains and losses	3,863	(4,244)	436
Purchases	26,380	-	-
Sales	(39,266)	(17,979)	-
Transfers	8,634	-	-
Balance, June 30, 2015	$ 192,395	$ 78,802	$ 3,074
Total gains/(losses) for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets still held at the reporting date	$ 816	$ (4,244)	$ 436

Transfers in and out of Level 3 are attributable to changes in the underlying inputs from which the investment category is valued.

Realized and unrealized gains and losses included in change in net assets for the years ended June 30, 2016 and 2015, are reported in the consolidated statements of activities as follows (in thousands):

	2016	2015
Total gains and losses	$ (1,289)	$ 55
Change in unrealized gains or losses relating to assets still held at the consolidated statement of financial position date	$ (9,527)	$ (2,992)

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2016 and 2015 (in thousands).

	Fair Value at 6/30/16	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Investment in partnerships and funds of funds	133,206	Net asset value or equivalent	NAV	N/A
Marketable alternatives	52,765	Net asset value or equivalent	NAV	N/A
Preferred and common stock	1,556	Net asset value or equivalent	NAV	N/A

	Fair Value at 6/30/15	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Investment in partnerships and funds of funds	192,395	Net asset value or equivalent	NAV	N/A
Marketable alternatives	78,802	Net asset value or equivalent	NAV	N/A
Preferred and common stock	3,074	Net asset value or equivalent	NAV	N/A

4. Guarantees

a. Bonds Payable

ULF is the guarantor of the ULH bonds payable. Amounts payable under the guaranty are limited as follows (in thousands):

	2016	
Residence Hall	Aggregate limit	Annual limit
Bettie Johnson Hall	$ 17,195	$ 2,877
Kurz Hall	11,330	938

b. Notes Payable

ULF was the guarantor of the KYT notes payable. As of June 30, 2016, the outstanding principal has been paid in full and the Foundation was released of this guaranty.

In May 2013, ULF guaranteed $7.5 million of the University of Louisville Physicians, Inc. (ULP), a discretely presented component unit of the University, $15 million line of credit maturing on June 30, 2014. In May 2014, ULF agreed to an extension and first amendment extending the guarantee to November 28, 2014. In November 2014, ULF agreed to an extension and second amendment extending the guarantee to December 19, 2014. In December 2014, ULF agreed to an extension and third amendment extending the guarantee to December 12, 2015. In April 2016, ULF agreed to an extension and fourth amendment extending the guarantee to December 2016, and included in the amendment was an increase to the line of credit of $18 million. As of June 30, 2016, the principal amount outstanding was approximately $16.4 million.

In September 2013, ULF guaranteed $19.9 million of the TNRP notes payable. As of June 30, 2016 and 2015, the outstanding principal related to the notes payable was $19.9 million.

c. Loans

As of June 30, 2016, ULF guaranteed four loans related to certain University student organizations including fraternities and sororities. If the student organization does not meet its scheduled payments, ULF could be called upon to make the payments, as well as collection of expenses and costs. The total amount approved for loans was approximately $1.6 million, with $1.1 million and $1.2 million outstanding, as of June 30, 2016 and 2015, respectively.

In December 2010, ULF guaranteed 51% of the outstanding loan of Campus One, LLC. As of June 30, 2016 and 2015, the amount under guarantee was $8.1 million and $8.4 million, respectively.

In July 2013, ULF guaranteed 51% of the outstanding loan of Campus Two, LLC. As of June 30, 2015, the amount under guarantee was $6.6 million. ULDC's membership interest in Campus Two, LLC was assigned to ULREF in March 2016.

In May 2014, ULF guaranteed a portion of Pharmacognetics Diagnostic Laboratory, LLC (PGxL) loan. PGxL is owned by University faculty members. ULF's guarantee is a maximum of $3 million and calculated monthly on PGxL's accounts receivable borrowing base certificate. In February 2015, PGxL entered into a replacement line of credit agreement with a different institution. ULF's guarantee on the February 2015 is a maximum of $3.5 million plus accrued interest, fees and other related charges. PGxL's line of credit was extended through September 5, 2016. On September 14, 2016, the financial institution sent PGxL a default notice agreeing to forbear all remedies until September 30, 2016.
As of June 30, 2016 and 2015, the amount under guarantee was $3 million and $2.8 million, respectively. PGxL's line of credit expired May 2016. For the years ended June 30, 2016 and 2015, ULF recorded a loss related to this guarantee of $1.9 million and $0 million, respectively, and is included in other expenses in the consolidated statements of financial position.

d. Association Mortgage Revenue Bonds

In July 2008, the Louisville Metro Government issued $39.8 million of Mortgage Revenue Bonds 2008 Series A and $43.5 million of Mortgage Revenue Bonds 2008 Series B (Mortgage Revenue Bonds) at a combined net interest cost of 4.2%, the proceeds of which were loaned to the Association. The bond proceeds were used on September 1, 2008, to retire the Association's outstanding County of Jefferson Kentucky Government Lease Revenue Bonds, Series 1997, the proceeds of which financed the acquisition, construction, installation and equipping of the sports stadium known as University of Louisville Papa John's Cardinal Stadium (Stadium). Excess funds were used to finance a portion of the costs of acquisition, construction, installation and equipping of an expansion to the Stadium.

The Foundation is the guarantor of the Mortgage Revenue Bonds, and as such has agreed to maintain a balance of available cash sufficient enough to cover the next debt service payment. In exchange for the Foundation's willingness to serve as guarantor, the Association has agreed to pay the Foundation a credit enhancement fee and to exonerate and indemnify the Foundation from all liability in connection with the Mortgage Revenue Bonds, the obligations of the Association under the Loan Agreement and Mortgage, and any and all payments made by the Foundation as guarantor.

As of June 30, 2016 and 2015, the total amount outstanding on the Mortgage Revenue Bonds was $40 million and $46.8 million, respectively.

e. Lease Guarantee

In December 2006, the Foundation became the guarantor of payments due to University Faculty Office Building, LLC (UFOB) under the Master Lease agreement between the Medical School Practice Association, Inc. (MSPA) and UFOB. The Foundation has guaranteed the full and prompt payment of all amounts due to UFOB including any damages for default and payments to reimburse UFOB for any costs and expenses incurred by UFOB to cure any default by MSPA. The initial lease term is 15 years, which began in July 2008. The annual lease payments due from MSPA to UFOB are approximately $3.5 million, with an annual inflation of 3%.

5. Funds Held in Trust by Others

The Foundation has been designated by the University as the income beneficiary of various trusts and financial entities which are held and controlled by others. One of these is a perpetual and irrevocable trust known as the University of Louisville Trust (Trust). It was created in 1983 to receive, administer and invest assets which result from gifts to the Trust. The market value of the Trust was approximately $21.6 million as of June 30, 2016 and 2015. The Foundation's portion of the market value of the remaining trusts was approximately $29.2 million and $30.3 million as of June 30, 2016 and 2015, respectively. These funds are invested in various equities and income producing assets. For each of the years ended June 30, 2016 and 2015, the Foundation recorded a loss of $1.2 million and recorded income of approximately $.5 million, respectively, from these trusts.

6. Funds Held in Trust for Others

The Foundation is the custodian of funds owned by the Association. The Association is a separate corporation organized for the purpose of promoting the intercollegiate athletic activities of the University. The Foundation serves in an agency capacity and invests funds on behalf of the Association based on a formal trust agreement. As of June 30, 2016 and 2015, the Foundation held approximately $25.9 million and $30.6 million for the Association's investment purposes, respectively.

During the year ended June 30, 2005, the Foundation entered into an agreement with Jewish Hospital & St. Mary's Healthcare, Inc. (Jewish Hospital) whereby the Foundation serves in an agency capacity to invest funds on behalf of Jewish Hospital. Jewish Hospital is a separate corporation organized for the purpose of providing health care services. As of June 30, 2016 and 2015, the Foundation held approximately $8.0 million and $9.8 million, respectively, for Jewish Hospital's investment purposes.

During the year ended June 30, 2011, the Foundation was the recipient of endowed funds, the income of which shall be used in support of the Louisville Orchestra. As of June 30, 2016 and 2015, the Foundation held approximately $0.2 million for the benefit of the Louisville Orchestra.

The Foundation, acting in an agent capacity, does not reflect earnings on investments held in trust for others in the consolidated statements of activities as these earnings are distributed to the owners of the funds.

7. Transactions with ULREF

During 2016, ULF assigned its membership interests in AAF, LMCDC, Nucleus, KYT and PPL to ULREF. No consideration was exchanged or will be transferred for the assignments of membership interests. These assignments resulted in a loss (gain) on deconsolidation in the consolidated statements of activities as shown below.

During 2016, ULF's affiliate, University of Louisville Development Corporation, LLC, also assigned its membership interest in a joint venture, Campus Two, to ULREF, for no consideration. Contribution of this investment resulted in an inherent contribution expense of approximately $5,756,000, which represents the fair value of the investment. This amount has been included in contribution expenses in the consolidated statement of activities.

In addition, ULF contributed capital assets to ULREF through deed transfers for no consideration in 2016. These contributions of capital assets resulted in inherent contribution expenses recognized at fair value in the consolidated statement of activities.

ULREF incurred approximately $364,000 of third-party acquisition-related costs in connection with these transactions during the year ended June 30, 2016. These costs are included in professional services in the consolidated statements of activities. As a result of the assignments and transfers, ULREF will further its mission to acquire, maintain, improve, leverage, manage, lease and convey real and personal property for the benefit of the University. Contributions to ULREF for the years ended June 30, 2016 and 2015, consisted of the following (in thousands):

	2016			2015
	Contribution Expense	Loss (Gain) on Disposal of Capital Assets	Loss (Gain) on Deconsolidation	Contributions Expense
Second Street/small lots capital assets	$ 690	$ 1,439	$ -	$ -
Chevron capital assets	1,570	3,124	-	-
Doyle capital assets	550	(106)	-	-
Dulworth capital assets	3,100	124	-	-
Equipment depot capital assets	2,100	1,446	-	-
Humana Gym capital assets and associated lease	700	598	-	-
Icebreakers capital assets and associated lease	1,170	41	-	-
KDP capital assets and associated lease	2,400	(1,237)	-	-
Lee Street capital assets and associated lease	452	113	-	-
Martco/Byrne capital assets	500	861	-	-
Old World Pasta capital assets	2,650	(455)	-	-
Presidents Home capital assets and associated lease	1,789	(981)	-	-
Ray Avenue Carriage House capital assets	877	376	-	-
Solae capital assets	3,600	1,057	-	-
Third Street Properties capital assets	36	81	-	-
Southern Kitchens capital assets	1,700	(321)	-	-
Campus Two	5,756	(3,376)	-	-
Cardinal Station	-	-	8,527	-
KYT	-	-	(19,553)	-
LMCDC	-	-	2,539	-
Nucleus	-	-	7,966	-
PPL	-	-	620	-
Contribution of land from the Foundation for Preston	-	-	-	(3,171)
Contribution of cash from the Foundation for Preston	-	-	-	(925)
Contribution of cash from LMCDC for Preston	-	-	-	(2,950)
Contribution expense for satisfaction of pledge	7,000	-	-	-
	$ 36,640	$ 2,784	$ 99	$ (7,046)

There were approximately $188,000 of contributions directly to ULREF that did not relate to property transfers or the assignment of membership interests. Additionally, there were contributions of approximately $409,000 to Pediatrics Medical Office Building, Inc., of which ULREF is a member. These have been excluded from the table above.

As discussed in Note 13, in connection with the assignment of membership interests of KYT and Nucleus, the Foundation entered into a memorandum of agreement with ULREF, KYT and Nucleus whereas ULREF promises and agrees to pay to the Foundation approximately $28.9 million.

On January 27, 2015, 220 South Preston, LLC (Preston, whose sole member is ULREF, entered into a Master Parking Lease Agreement with the Foundation whereby the Foundation will lease certain parking spaces in the garage from ULREF, and in exchange will pay an amount to the ULREF an amount that would cause the annual debt service coverage ratio to be not less than 1.25 to 1.00 per month. The term of this agreement began on January 27, 2015, and will continue for a period of not earlier than the maturity date, December 2017, or earlier retirement of the garage construction loan. As of June 30, 2016 and 2015, the Foundation has not made any payments to Preston.

c. <u>University of Louisville Real Estate Foundation.</u>

The University of Louisville Real Estate Foundation, Inc. and affiliates (collectively, "ULREF") is a legally separate, tax exempt component unit of the University, under the provisions of GASB Statement No. 39. ULREF is a Kentucky not-for-profit corporation formed on November 19, 2014. ULREF's mission is to acquire, maintain, improve, leverage, manage, lease, and convey real and personal property for the benefit of the University. The University of Louisville

Foundation, Inc. ("Foundation") has contributed membership interest and capital assets to ULREF for the purpose of furthering the mission of ULREF.

As directed by its Board of Directors, ULREF transfers a portion of its unrestricted resources to support a variety of the University's activities. Although the University does not control the timing or amount of receipts from ULREF, the majority of resources, or income thereon, which the Foundation holds, manages and invests is for the benefit of the University. Because these resources held by ULREF can only be used by, or for the benefit of, the University, ULREF is considered a component unit of the University and is discretely presented in the University's financial statements.

ULREF is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB ASC Topic 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 ULREF's financial information in the University's financial statements for these differences.

Complete financial statements for ULREF can be obtained from Foundation Administration at University of Louisville, 215 Central Avenue, Suite 304, Louisville, KY 40292.

1. Capital Assets

	2016	2015
Land and land improvements	$ 53,653	$ 3,171
Buildings	28,763	-
Building improvements	624	-
Tenant finish	2,510	-
Furniture, fixtures and equipment	1,365	-
Construction in progress	15,281	4,837
Accumulated depreciation	(1,691)	-
	$ 100,505	$ 8,008

2. Acquired Lease Intangible Assets and Liabilities

The approximate carrying basis and accumulated amortization of recognized intangible assets and liabilities at June 30, 2016 and 2015, were (in thousands):

	2016		2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets and liabilities				
In-place leases	$ 1,268	$ (244)	$ -	$ -
Above market leases	$ 2,986	$ (110)	$ -	$ -
Tax incremental financing	$ 116,600	$ (3,602)	$ -	$ -
Below market leases	$ (1,420)	$ 173	$ -	$ -

Amortization expense for the year ended June 30, 2016, and for the period from inception (November 14, 2014), through June 30, 2015, was approximately $3,783,000 and $0, respectively.

Tax incremental financing (TIF) intangibles were recorded in connection with the transfer of membership interest from the Foundation. The value of the intangible was derived by discounting projected future increment payments over the remaining life of the Louisville Life and Health Sciences and University of Louisville Research Park Project TIF agreements. No intangible value was assigned to the Shelbyhurst Research and Technology Park Project.

Of acquired intangibles, there was approximately $154,000 which was written off in connection with modified terms of a certain amended and restated license agreement.

Intangible assets with finite lives related to in-place leases and above or below market leases are being amortized on the straight-line basis over periods ranging from one to seven years. Intangible assets related to TIF are being amortized on the straight-line basis over periods ranging from 26 to 30 years. Such assets are periodically evaluated as to the recoverability of their carrying values.

The amortization for acquired TIF intangibles, in-place leases and above and below market leases, net during the next five years and thereafter, assuming no early lease terminations, is as follows:

For the year ending June 30,	In-Place Leases	Above Market Leases	Tax Incremental Financing	Below Market Leases
2017	$ 290	$ 179	$ 4,364	$ 285
2018	238	172	4,364	257
2019	166	127	4,364	120
2020	93	125	4,364	57
2021	24	125	4,364	14
Thereafter	213	2,148	91,178	514
Total	$ 1,024	$ 2,876	$ 112,998	$ 1,247

3. Notes Payable

Note payable consists of the following at June 30, 2016 and 2015 (in thousands):

	Description	Fiscal Year of Maturity	2016	2015
Construction Loan Agreement - 220 Preston, LLC	Variable rate based on LIBOR plus 1.5% (1.97% at June 30, 2016), with monthly interest only payments commencing February 2015 and principal payment at maturity	2018	$ 8,272	$ 2,753
Note Payable - KYT, LLC	Variable rate based on LIBOR plus 1.95% (2.42% at June 30, 2016), with interest only payments commencing August 2016 and principal payment at maturity	2022	19,500	-
Line of Credit - ULREF	Variable rate based on LIBOR plus 1.95% (2.42% at June 30, 2016), with interest only payments commencing August 2016 through maturity	2019	32	-
			$ 27,804	$ 2,753

Preston has a construction loan agreement with a bank that has a maximum draw available amount of $10.1 million, which is secured by Preston's real estate and assignment of lease. The terms of the agreement require Preston to maintain a debt service coverage ratio of 1.00

to 1.00, which is measured annually on December 31, commencing on December 31, 2016. The principal is due in full on December 31, 2017.

In June 2016, KYT entered into a note payable with a financial institution to refinance $19.5 million borrowed in relation to the purchase of property adjacent to the University in 2008. The principal is due in full on July 2021. The note is collateralized by mortgages on properties and a guarantee from AAF and ULREF. ULREF is subject to certain financial covenants under the terms of the note beginning with fiscal year ending June 30, 2017.

In June 2016, ULREF entered into a $7.0 million line of credit agreement with a financial institution, which matures on July 1, 2018. The line is collateralized by mortgages and a guarantee from AAF. ULREF is subject to certain financial covenants under the terms of the note beginning with fiscal year ending June 30, 2017. Subsequent to year-end, ULREF borrowed approximately $6,967,000 on the line of credit.

Principal payments on the above obligations due in the next five years and thereafter are as follows (in thousands):

For the year ending June 30,	Principal Due
2017	$ -
2018	8,272
2019	32
2020	-
2021	-
Thereafter	19,500
	$ 27,804

4. Leasing Activities

The Real Estate Foundation leases space to tenants under noncancellable operating leases. As of June 30, 2016, the Real Estate Foundation had various leases expiring in one to 11 years, through 2027. These leases generally require the Real Estate Foundation to pay all executory costs (property, taxes, maintenance and insurance).

Rental revenue at June 30, 2016 and 2015, was as follows (in thousands):

For the year ending June 30,	2016	2015
Base minimum rents	$ 2,905	$ -
Common area maintenance	23	-
	$ 2,928	$ -

Future leasing rent payments due to ULREF during the next five years and thereafter were as follows (in thousands):

For the year ending June 30,	2016 Leasing Payments Due	2015 Leasing Payments Due
2016	$ 1,490	$ -
2017	1,235	-
2018	1,022	-
2019	645	-
2020	550	-
Thereafter	1,189	-
Total	$ 6,131	$ -

5. Acquisitions

During the year ended 2016, ULREF acquired the net assets of AAF, LMCDC, Nucleus, KYT and PPL (collectively Acquirees). The acquisitions were accomplished by ULREF becoming the sole member of the Acquirees by assignment of their membership rights from the Foundation, and its affiliate, to ULREF, and no consideration was exchanged or will be transferred for the acquisitions. As a result of the acquisitions, ULREF will further its mission related to real property for the benefit of the University.

The acquisitions of membership interests resulted in inherent contributions received of approximately $138,541,000, which represents the net recognized amount of the identifiable assets acquired over the liabilities assumed in accordance with ASC 958-805. This amount has been included in contributions in the consolidated statements of activities.

ULREF acquired an investment in the Campus Two joint venture by assignment of membership interest from the Foundation's affiliate, University of Louisville Development Corporation, LLC, to ULREF, for no consideration. Contribution of this investment resulted in an inherent contribution received of approximately $5,755,000, which represents the fair value of the investment. This amount has been included in contributions in the consolidated statement of activities.

In addition, ULREF acquired capital assets from the Foundation through deed transfers for no consideration. Certain of these capital assets are accounted for as acquisitions under ASC 958-805, whereby identifiable assets, liabilities and intangibles assets and liabilities are recognized at fair value. The remaining properties are contributions of capital assets and are recognized at their estimated fair values at the date of contribution. Significant capital assets received include Solae property capital assets, Dulworth property capital assets, Old World Pasta capital assets, Kidney Dialysis Property capital assets and associated leases and President's Home and Carriage House property capital assets and associated leases. Additionally, the Bed, Bath & Beyond property was contributed from the Foundation and an unrelated donor.

The acquisitions and contributions of capital assets resulted in inherent contributions received of approximately $31,232,000, which represents the net recognized amount of the identifiable assets acquired over the liabilities assumed. This amount has been included in contributions in the consolidated statements of activities.

ULREF incurred approximately $364,000 of third-party acquisition-related costs in connection with these acquisitions during the year ended June 30, 2016. These costs are included in professional services in the consolidated statements of activities.

For the year ended June 30, 2016, ULREF acquisitions and contributions of capital assets included the following recognized amounts of identifiable assets acquired and liabilities assumed (in thousands):

	Date of Acquisition	Cash and Other Assets	Investments in Joint Ventures	Capital Assets	Goodwill and Intangible Assets (Liabilities)	(Other Liabilities)	(Notes Payable)	Net Contribution Revenue
Contributions of membership interests from the Foundation and affiliate								
AAF	9/29/2015	$ 44	$ -	$ 11,301	$ (208)	$ (440)	$ -	$ 10,697
LMCDC	8/31/2015	3,612	353	-	116,600	(1,426)	-	119,139
PPL	9/29/2015	-	-	5,190	(410)	(4,475)	-	305
Nucleus	9/29/2015	2,339	-	13,050	3,186	(10,175)	-	8,400
KYT	6/23/2016	141	-	15,900	24,201	(20,742)	(19,500)	-
Contributions of investment in joint venture from the Foundation								
Campus Two	3/9/2016	-	5,755	-	-	-	-	5,755
Contributions of capital assets from the Foundation								
Second Street/ Small Lots	9/29/2015	-	-	690	-	-	-	690
Bed Bath & Beyond	12/29/2015	-	-	7,000	46	-	-	7,046
Chevron	12/22/2015	-	-	1,570	-	-	-	1,570
Doyle	9/29/2015	-	-	550	-	-	-	550
Dulworth	12/7/2015	-	-	3,100	-	-	-	3,100
Equipment Depot	12/22/2015	-	-	2,100	-	-	-	2,100
Humana Gym	9/29/2015	-	-	700	37	-	-	737
Icebreakers	9/29/2015	5	-	1,170	160	-	-	1,335
KDP	9/29/2015	34	-	2,444	(44)	-	-	2,434
Lee Street	9/29/2015	-	-	452	66	-	-	518
Marteo/Byrne	9/29/2015	-	-	500	-	-	-	500
Old World Pasta	9/29/2015	-	-	2,650	-	-	-	2,650
Presidents Home	12/7/2015	-	-	1,789	-	-	-	1,789
Ray Ave	12/7/2015	-	-	877	-	-	-	877
Solae	12/22/2015	-	-	3,600	-	-	-	3,600
Third Street Properties	9/29/2015	-	-	36	-	-	-	36
Southern Kitchens	9/29/2015	-	-	1,700	-	-	-	1,700
		$ 6,175	$ 6,108	$ 76,369	$ 143,634	$ (37,258)	$ (19,500)	$ 175,528

Other liabilities include amounts due to the Foundation under a memo of understanding totaling approximately $28,879,000 at the acquisition dates above.

Goodwill of $24,201,000 was recognized in connection with the acquisition of KYT as further described in Note 4. Intangible assets and liabilities include in-place leases, above market leases and below market lease as further described in Note 5, and have a weighted average useful life of 14.4 years.

d. University of Louisville Physicians, Inc.

ULP was established in August 2011 and is organized as a private, nonprofit corporation that functions as the corporate structure for the clinical practices of the faculty of the University of Louisville School of Medicine (the School). ULP is organized and operates exclusively for educational, charitable and scientific purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code (IRC), by: [1] providing professional medical services in a variety of medical specialties and disciplines in accordance with ULP charitable mission: [2] strengthening and broadening the range of skills and patient populations available for physicians who are the School's faculty to carry on patient care, teaching and research; and [3] aiding and supporting the School and its clinical departments in the furtherance of their charitable, educational and scientific mission and activities. The physicians providing clinical services through ULP are organized into clinical departments which are identical to the clinical departments of the School. ULP provides medical care primarily to residents of Louisville and Jefferson County, Kentucky and surrounding areas. Although the University does not control ULP or the timing of receipts from ULP, because the University and ULP share certain common management and staff, creating a degree of financial integration, ULP is considered a component unit of the University and is discretely presented in the University's financial statements.

Operations began on January 1, 2012, when the first two physician groups transitioned their practices into ULP. Through June 30, 2016, there were seventeen clinical departments integrated into ULP at various times.

Each clinical department was organized as one or more separate legal entities and each was integrated into ULP under a separate transition agreement. Typically, the agreements were structured as follows: ULP purchased certain significant fixed assets of the clinical departments in a manner similar to any other asset purchase and obtained various other employment agreements, licenses, permits, leases and contracts for no purchase price. The clinical departments retained various operating assets including cash, accounts receivable, benefit plan assets and other assets. ULP and each clinical department agreed on the preexisting debts of the clinical departments; some were transferred to ULP, some were retained by the clinical departments and others were paid-off or acquired by ULP and subsequently repaid by the clinical departments.

Complete financial statements for ULP can be obtained from the administrative offices at UofL Physicians, 300 E. Market Street, Louisville, KY 40202.

1. Charity Care

   ULP provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because ULP does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care charges totaled $1.0 million and $2.2 million for the years ended June 30, 2016 and 2015, respectively. Management as estimated its cost incurred to provide charity care to be approximately $0.5 million and $1.0 million for each of the years ended June 30, 2016 and 2015, respectively.

2. Investment in Kentuckiana Medical Reciprocal Risk Retention Group

   During the year ended June 30, 2014, and in accordance with the Assignment and Assumption Agreement, ULP was assigned the full interest in the investment of Kentuckiana Medical Reciprocal Risk Retention Group (KMRRRG) formerly held by UPA. The value of the investment at the time of assignment was $10.8 million consisting of a $0.3 million capital investment in a paid-in surplus account and $10.5 million in an accumulated subscriber savings account. KMRRRG is ULP's carrier for liability insurance coverage and is a reciprocal captive risk retention group. The limit of ULP's liability, pursuant to the subscribers' agreement, is the initial capital investment and the annual premiums it pays for coverage.

   ULP's capital investment represents 6.12% of KMRRRG's startup capital. The investment in KMRRRG is accounted on the equity method, which as of June 30, 2016 and 2015 was $16.5 million and $12.3 million, respectively. KMRRRG's income and losses are allocated to each participating subscriber based on each subscriber's pro rata share of annual premiums paid.

   Should ULP withdraw from KMRRRG, a portion of its investment in KMRRRG may, as determined by a Subscribers' Advisory Committee, be retained by KMRRRG to cover ULP's allocation of losses for up to five years. Any repayment of ULP's investment by KMRRRG must also be approved by the Kentucky Department of Insurance.

The investment in KMRRRG is accounted for on the equity method of accounting under which ULP's share of KMRRRG's net income (loss) is recognized in the statements of activities and added to (deducted from) the investment account. Dividends received from KMRRRG are treated as a reduction of the investment account. Management has concluded that the equity method of accounting for this investment is appropriate because it participates in the management of KMRRRG and has the ability to significantly influence the operating and financial policies of KMRRRG and because ULP's 6.12% membership is considered more than a nominal share of the KMRRRG.

3. Net Patient Service Fees Revenue

ULP has agreements with third-party payers that provide for payments at amounts different from its established rates. Contractual adjustments represent the difference between billing at established rates and amounts reimbursed by third-party payers.

A summary of gross and net professional clinical service fee revenue as of June 30, 2016 and 2015 is as follows (in thousands):

	2016	2015
Gross patient service revenue	$ 343,349	$ 296,730
Less provisions for:		
Contractual adjustments under third-party reimbursement programs	(194,926)	(147,077)
Provision for uncollectible accounts	(46,403)	(54,591)
	(241,329)	(201,668)
Net patient service revenue	$ 102,020	$ 95,062

e. OMHS/U of L Cancer Research Center, Inc.

In March 2007, the OMHS/U of L Cancer Research Center, Inc. (the Center) was incorporated for the purposes of including, but not limited to, promotion and implementation of cancer research and drug development projects through, among other things, ownership and operation of a cancer research and treatment center in Owensboro, Kentucky.

Although the joint venture is owned 50% by Owensboro Medical Health System, Inc. and 50% by the University, the University has control of the Board of Directors of the Center. The University has determined that if the financial activity of the Center was material, it should be a discretely presented component unit; however, as of June 30, 2016 and 2015 the Center does not have material operations to be presented.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress
For Other Postemployment Benefits
(in thousands)

Actuarial Value Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabaility (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
7/1/2015	$ -	89,683	89,683	0%	478,201	19%
7/1/2014	-	89,098	89,098	0%	459,588	19%
7/1/2013	-	85,282	85,282	0%	444,970	19%

UNIVERSITY OF LOUISVILLE

Vice President for Finance
Policy/Procedure

Subject: Short-Term Investments Guidelines	Author: Controller's Office/Treasury Department
Effective Date: March 7, 2013	Last Review Date: December 7, 2015
Last Revision: January 14, 2016	Revised By: David M. Woods
Contact Name: David M. Woods	Contact Email: TREASMGT@louisville.edu
Approved By: John R. Shipley	Page 1 of 3

In accordance with the approval from the Board of Trustees, the following guidelines will be adhered to in the investment actions and internal management of short-term funds:

UNIVERSITY OF LOUISVILLE

INVESTMENT GUIDELINES FOR INTERNALLY MANAGED SHORT-TERM FUNDS

Internally Managed Short-Term Funds ("Internal Funds") are those funds for which use and disbursement is anticipated to occur within one to seven years. The following guidelines shall be applied to the management of the Internal Funds.

A. Responsibility and Delegation of Authority

1. The Senior Vice President for Finance and Administration is responsible for the day-to-day management of the investment of short-term funds and may further delegate this investment authority as may be appropriate and necessary for the proper performance of the investment function.

2. The Senior Vice President for Finance and Administration will report to the Board on the status of invested short-term funds when requested.

B. Investment Objectives

The primary objective is to achieve and maintain a high degree of safety and liquidity. The secondary objective is to maximize investment income with due regard to the constraints imposed by the short-term nature of the funds and the primary objective. That being the case, the yield objective for short-term funds is to realize a return in excess of that produced by investments in 90 day United States Treasury Bills.

C. Permissible Investments; the following are types of permissible investments conforming to those maturities as governed by Kentucky Administrative Regulations 200 KAR 14:011, Qualified Investments and in accordance with Kentucky Revised Statutes KRS 42.500, State Investment Commission – Powers. Future changes to the Kentucky Administrative Regulations regarding permissible investments will be adopted as part of this policy without further approvals.

1. Repurchase agreements – providing that delivery of these obligations is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with source including, but not limited to, national or state banks chartered in Kentucky. Collateral for these obligations will be United States government securities having

a market value at least 102% of the amount disbursed. Such agreements must provide that the seller agrees to repurchase the securities, on any business day, at the original sale prices plus a negotiated amount of interest.

2. Money market funds, mutual funds and other commingled vehicles having all of the following characteristics:

   a) Organized and managed as an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
   b) The management company of the investment company shall have been in operation for at least five(5) years; and
   c) All of the securities in the mutual fund shall be eligible investments pursuant to this section.

3. United States Treasury bills, notes and bonds backed by the full faith and credit of the United States or a United States government agency or government sponsored entities, including, Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation not exceeding, at the time purchase.

4. Investment Pools Managed by the Commonwealth of Kentucky Office of Financial Management.

   Short-Term Proceeds Pool
   Intermediate-Term Proceeds Pool
   Long-Term Proceeds Pool

5. Certificates of deposit issued by or other interest-bearing accounts of any bank of savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4), Pledge of securities required of depositories.

6. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency.

7. Commercial paper.

8. Banker's acceptances.

9. Variable Rate Demand Notes backed by an unconditional letter of credit issued by a domestic bank.

10. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.

11. Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated A1 by Moody's or A+ by S&P rating agency.

D. Limitations

The investments listed in section C. above shall be subject to the following limitations:

1. Commercial Paper must be rated the highest (A-1/P-1) by at least one Nationally Recognized Statistical Rating Organization (NRSRO). Bakers Acceptance must be issued by a bank with a short-term rating of the underlying bank rated the highest (A-1/P-1). All Commercial Paper and Banker Acceptances must be issued by domestic entities.

SUMMARY OF CHANGES IN REVENUE AND EXPENDITURES

2013-14 Operating Budget

C. Other Expenditures:			
FY13 Permanent Budget Revisions Carried Forward		243,330	
Total Adjustments to Other Expenditures			243,300
D. Investment in Stategic Initiatives & Address Structural Budget Problems			
- Student Initiatives			
Student Financial Aid Escalator @ 3.0%	942,200		
SGA Program Enhancement	200,000		
Total Student Initiatives		1,142,200	
- Faculty and Staff Initiatives			
Salary Pool - 4% Salary Pool and Add'l Funds for $1200 Employees up to $30,000	9,509,155		
Faculty Promotions	525,000		
Staff Reclassifications and Promotions	250,000		
Climate Action Plan for the Provost Office	182,000		
Health Insurance @ 10% for Employees, Jan-June 2014	1,199,832		
Total Faculty and Staff Initiatives		11,665,987	
- Research Initiatives			
Speed School - Conn Center Infrastructure	500,000		
Total Research Initiatives		500,000	
- Structural Budget Problems	600,000		
Total Structural Problems		600,000	
Total Investment in Strategic Initiatives and Structural Budget Problems			13,908,187
- Balancing Strategies			
Voluntary Separation Incentive Program - Faculty, Staff Salary and Fringe	(2,750,000)		
Budget Over Realization of Administrative Overhead Fee	(1,200,000)		
Procurement Savings	(750,000)		
Capture University-wide Fringe Benefits on General Fund Vacant Positions	(500,000)		
Total Budget Savings and Reductions			(5,200,000)
E. Expenditure Changes Offset by Specific Revenue or Departmental Credits			
- Continuing Education		178,900	
- Online Education		1,180,200	
- Special Programs		1,926,300	
- Unit-Based Fees		748,000	

3.10.3 fn12

RESOLUTION BOARD
OF TRUSTEES
UNIVERSITY OF
LOUISVILLE

September 24, 2001

BE IT RESOLVED that the President, the Provost, the Vice President for Finance and Administration, the Associate Vice President for Administration, the Assistant Vice President for Administration, the Controller and Treasurer, and the Director of Purchasing be and hereby are the only officers or agents of the University of Louisville empowered to executive contracts on behalf of the University of Louisville pursuant to their respective duties as administrative officers of the University, including contracts with the United States of America and governmental agencies;

BE IT FURTHER RESOLVED that the President, the Provost, the Vice President for Finance and Administration, and Controller and Treasurer as officers of the University be and hereby are empowered to endorse for sale or subscription any securities or rights belonging to the University of Louisville;

BE IT FURTHER RESOLVED that the President, the Provost, and the Vice President for Health Affairs as officers of the University be and hereby are empowered to enter into and execute on behalf of the University affiliations, service agreements, and provider and reimbursement related contracts for clinical activities and professional health care services;

BE IT FURTHER RESOLVED that the President, the Vice President for Development and Alumni, and the Associate Vice President for Development and Alumni as officers of the University be and hereby are empowered to execute gift receipts and U.S. Internal Revenue Service forms pertaining to gift reports;

BE IT FURTHER RESOLVED that the Resolutions adopted by the Board of Trustees May 18, 1981, and January 23, 1995, regarding Presidential delegation of signature authority for sponsored projects, including contracts with the United States of America and its agencies, and intellectual property development respectively through the Vice President for Research are still in full force and effect;

BE IT FURTHER RESOLVED that the President, the Provost, the Vice President for University Relations and persons designated in writing by the President be and hereby are empowered as officers of the University to execute contracts and filings related to use of the name or marks of the University for commercialization and marketing on behalf of the University;

BE IT FURTHER RESOLVED that the Associate Provost for Programs, Planning and Budget, and the Dean of the Graduate School are authorized to sign educational affiliation agreements (except international affiliations) for University units outside the

Health Sciences Center which do not involve any significant financial outlay or liability for the University and can be terminated within two years;

BE IT FURTHER RESOLVED that the Associate University Provost is authorized to sign all international affiliation agreements for all University units which do not involve any significant financial outlay or liability for the University and can be terminated within two years; and

BE IT FURTHER RESOLVED that this resolution. shall and does supersede any and all previous resolutions authorizing such signatures for the University of Louisville.

Certificate

I certify that I am the duly qualified Assistant Secretary of the Board of Trustees of the University of Louisville, that the foregoing is a true copy of a resolution adopted at the regular meeting of such Board which was duly held on the 24th day of September, 2001, at which meeting a quorum was present, and a majority of members present voted in favor of the adoption of such resolution. I further certify that such resolution is still in full force and effect.

Dated this __24th__ day of _September___, 20_01_.

Katalin M. Smith

Assistant Secretary, Board of Trustees

3.10.3 fn14

UNIVERSITY OF LOUISVILLE BOARD OF TRUSTEES
UPDATED RESOLUTION ON SIGNATURE AUTHORITY
FOR UNIVERSITY OF LOUISVILLE

September 22, 2016

RECOMMENDATION:

The Acting President recommends that the Board of Trustees adopt the attached updated resolution regarding signature authority for the University of Louisville.

BACKGROUND:

The resolution is updated to reflect the appointments of the Acting President, Neville G. Pinto, and the Acting Executive Vice President and University Provost, Dale B. Billingsley.

BOARD ACTION:
Passed ____X________
Did Not Pass _________
Other _______________

Trisha Smith
Assistant Secretary

UNIVERSITY OF LOUISVILLE BOARD OF TRUSTEES
RESOLUTION ON SIGNATURE AUTHORITY

September 22, 2016

WHEREAS, the Acting President, or his designee (appropriately documented), Acting Executive Vice President/Provost, Sr. Vice President for Finance and Administration and CFO/COO, Senior Associate Vice President for Business Affairs, and Director of Purchasing are officers or agents of the University of Louisville and are empowered to execute contracts on behalf of the University of Louisville pursuant to their respective administrative duties, including contracts with federal and other governmental agencies; and

WHEREAS, the Acting President, or his designee (appropriately documented), Acting Executive Vice President/Provost, Sr. Vice President for Finance and Administration and CFO/COO, Controller & Treasurer, and Assistant Treasurer are officers or agents of the University of Louisville and are empowered to endorse for sale or subscription any securities or rights belonging to the University of Louisville; and

WHEREAS, the Acting President, or his designee (appropriately documented), Acting Executive Vice President/Provost, and Interim Executive Vice President/Health Affairs are officers or agents of the University of Louisville and are empowered to enter into and execute on behalf of the University and its affiliated entities all 1) service agreements and 2) provider and reimbursement related contracts for clinical activities and professional health care services; and

WHEREAS, the Acting President, or his designee (appropriately documented), Acting Executive Vice President/Provost, Vice President for University Advancement, and Associate Vice President for University Advancement are officers or agents of the University of Louisville and are empowered to execute gift receipts and U.S. Internal Revenue Service forms pertaining to gift reports; and

WHEREAS, the Acting President, or his designee (appropriately documented), Acting Executive Vice President/Provost, and Associate Vice President for Communications and Marketing are officers or agents of the University of Louisville and are empowered to execute contracts and filings related to use of the name or marks of the University of Louisville for commercialization and marketing on behalf of the University; and

WHEREAS, the Acting President, or his designee (appropriately documented), Acting Executive Vice President/Provost, Interim Executive Vice President for Health Affairs, Associate Provost for Programs, Planning, and Budget, and Dean of Interdisciplinary and Graduate Studies are officers or agents of the University of Louisville and are empowered to sign educational affiliation agreements, excluding international affiliations, that do not involve any significant financial commitment or liability for the University and can be dissolved within two years of decision to terminate relationship; and

WHEREAS, the Acting President, or his designee (appropriately documented), Acting Executive Vice President/Provost, Interim Executive Vice President for Health Affairs, and Associate Provost are officers or agents of the University of Louisville and are empowered to sign all international affiliation agreements for all university units which do not involve any significant financial commitment or liability for the University and can be dissolved within two years of decision to terminate relationship;

NOW, THEREFORE BE IT RESOLVED, that the actions of these authorized officers are hereby, in all respects, ratified, confirmed, and approved by the Board of Trustees of the University of Louisville; and

FURTHER RESOLVED, that this action on September 22, 2016 of the Board of Trustees supersedes any and all previous signature authority as described in this resolution.

CERTIFICATE

I certify that I am the duly qualified Assistant Secretary of the Board of Trustees of the University of Louisville, that the foregoing is a true copy of a resolution adopted at the regular meeting of the Board of Trustees which was duly held on the 22nd day of September 2016, at which meeting a quorum was present and a majority of members present voted in favor of the adoption of such resolution. I further certify that such resolution is in full force as of this date.

Trisha Smith

Assistant Secretary, University of Louisville Board of Trustees

RECOMMENDATION TO THE EXECUTIVE COMMITTEE OF THE UNIVERSITY OF LOUISVILLE BOARD OF TRUSTEES REGARDING AN UPDATED RESOLUTION ON SIGNATURE AUTHORITY FOR UNIVERSITY OF LOUISVILLE

February 16, 2017

RECOMMENDATION:

The Interim President recommends that the Board of Trustees adopt the attached updated resolution regarding signature authority for the University of Louisville.

BACKGROUND:

The resolution is updated to reflect the appointments of the Interim President, Interim CAO, Interim CFO, Interim COO, and Senior Associate Vice President for Communications and Marketing.

BOARD ACTION:
Passed ___X___
Did Not Pass ______
Other ______

Trisha Smith
Assistant Secretary

UNIVERSITY OF LOUISVILLE BOARD OF TRUSTEES
RESOLUTION ON SIGNATURE AUTHORITY

February 16, 2017

WHEREAS, the Interim President, or his designee (appropriately documented), Acting Executive Vice President/Provost, Interim Chief Administrative Officer, Interim Chief Financial Officer, Interim Chief Operating Officer, Interim Associate Vice President for Finance/Controller, and Director of Purchasing are officers or agents of the University of Louisville and are empowered to execute contracts on behalf of the University of Louisville pursuant to their respective administrative duties, including contracts with federal and other governmental agencies; and

WHEREAS, the Interim President, or his designee (appropriately documented), Acting Executive Vice President/Provost, Interim Chief Administrative Officer, Interim Chief Financial Officer, Interim Chief Operating Officer, Interim Associate Vice President for Finance/Controller, Controller & Treasurer, and Assistant Treasurer are officers or agents of the University of Louisville and are empowered to endorse for sale or subscription any securities or rights belonging to the University of Louisville; and

WHEREAS, the Interim President, or his designee (appropriately documented), Acting Executive Vice President/Provost, and Interim Executive Vice President/Health Affairs are officers or agents of the University of Louisville and are empowered to enter into and execute on behalf of the University and its affiliated entities all 1) service agreements and 2) provider and reimbursement related contracts for clinical activities and professional health care services; and

WHEREAS, the Interim President, or his designee (appropriately documented), Acting Executive Vice President/Provost, Vice President for University Advancement, and Associate Vice President for University Advancement are officers or agents of the University of Louisville and are empowered to execute gift receipts and U.S. Internal Revenue Service forms pertaining to gift reports; and

WHEREAS, the Interim President, or his designee (appropriately documented), Acting Executive Vice President/Provost, and Interim Senior Associate Vice President for Communications and Marketing are officers or agents of the University of Louisville and are empowered to execute contracts and filings related to use of the name or marks of the University of Louisville for commercialization and marketing on behalf of the University; and

WHEREAS, the Interim President, or his designee (appropriately documented), Acting Executive Vice President/Provost, Interim Executive Vice President for Health Affairs, Associate Provost for Programs, Planning, and Budget, and Dean of Interdisciplinary and Graduate Studies are officers or agents of the University of

Louisville and are empowered to sign educational affiliation agreements, excluding international affiliations, that do not involve any significant financial commitment or liability for the University and can be dissolved within two years of decision to terminate relationship; and

WHEREAS, the Interim President, or his designee (appropriately documented), Acting Executive Vice President/Provost, Interim Executive Vice President for Health Affairs, and Associate Provost are officers or agents of the University of Louisville and are empowered to sign all international affiliation agreements for all university units which do not involve any significant financial commitment or liability for the University and can be dissolved within two years of decision to terminate relationship;

NOW, THEREFORE BE IT RESOLVED, that the actions of these authorized officers are hereby, in all respects, ratified, confirmed, and approved by the Board of Trustees of the University of Louisville; and

FURTHER RESOLVED, that this action on February 16, 2017 of the Board of Trustees supersedes any and all previous signature authority as described in this resolution.

CERTIFICATE

I certify that I am the duly qualified Assistant Secretary of the Board of Trustees of the University of Louisville, that the foregoing is a true copy of a resolution adopted at the regular meeting of the Board of Trustees which was duly held on the 16th day of February 2017, at which meeting a quorum was present and a majority of members present voted in favor of the adoption of such resolution. I further certify that such resolution is in full force as of this date.

Trisha Smith

Assistant Secretary, University of Louisville Board of Trustees

Contributions receivable as of June 30, 2014 and 2013 are due to be received as follows (in thousands):

	2014	2013
Less than one year	$ 6,444	$ 5,084
One to three years	10,503	8,665
Greater than three years	13,744	12,504
Subtotal	30,691	26,253
Less discount	(706)	(963)
Less allowance	(2,290)	(2,110)
Net contributions receivable	$ 27,695	$ 23,180

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36 *Recipient Reporting for Certain Shared Nonexchange Revenues*, the University records operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are received.

4. Due From the Foundation

In accordance with the University's agency agreement with the Foundation, the University receives and disburses monies on behalf of the Foundation. The net amount of these receipts and disbursements is recorded as a due to or from the Foundation in the statements of net position. Generally, the receivable or payable is cleared within the subsequent month; however, no formal agreement governs the time period in which payments are to be made.

In June 2014, the University entered into a Memorandum of Agreement with the Foundation to loan the Foundation a total of $29.0 million. The unpaid balance on the receivable bears simple interest equal to 75 basis points greater than the University's cash sweep rate. The term of the loan is one year from the final transfer of funds to the Foundation. As of June 30, 2014 the outstanding balance was $5.8 million, with an interest rate of 1.0 percent. This is recorded within the current Due from the University of Louisville Foundation, Inc. on the statement of net position.

MEMORANDUM
OF AGREEMENT

University Receivable from the Foundation

This Receivable Agreement (Receivable) is made effective as of the 22 day of May, 2014 (Effective Date) by and between the UNIVERSITY OF LOUISVILLE (University) and the UNIVERSITY OF LOUISVILLE FOUNDATION, INC. (Foundation) as a source of funding for the Foundation activities detailed in <u>Exhibit 1</u> attached and agrees to repay the Receivable according to the terms outline within this document.

This Receivable shall be repaid in full or satisfied through other financial instruments within five (5) years of the Effective Date of this agreement. The Effective Date shall be defined as the date on which the University transfers $29,000,000 to the Foundation Real Estate Investment Trust (REIT) program number (X8080).

The unpaid balance on the Receivable shall bear simple interest equal to 75 basis points greater than the University's cash Sweep Rate (25 basis points as of the Effective Date of this agreement) per annum, compounded semi-annually, with interest only payments twice a year (December and June), with a balloon repayment of any unpaid receivable and interest at the end of the fifth year. The Foundation shall reserve the right to make additional payments at any time during the term of the Receivable thereby reducing annual payments. All additional payments will be first applied to unpaid interest and then to outstanding principal. <u>Payment Schedule Exhibit 2</u> represents the annual financial obligations of the Foundation in the event no Receivable pre-payments are made toward the outstanding balance.

<u>Payment Schedule Exhibit 2</u> will be revised should the Foundation additional payments towards the Receivable during the term outlined above.

The Foundation will use REIT income generated from the activities detailed in <u>Exhibit 1</u> as the sources of funds to make their required payments on the Receivable.

m ansferred to program number _____ on or

of

S n H rth
University of Louisville

5-22/14

Tomlinson Date
University of Louisville Foundation, Inc.

James R. Ramsey Date
University of Louisville and UofL Foundation, Inc.

Exhibit 1

Use of Funds:

1. $8,200,000 to pay off Republic Debt for Cardinal Station
2. $6,000,000 to purchase North Quad properties
3. $3,400,000 to purchase Dulworth Property
4. $4,000,000 to purchase assets of CCG - Louisville, LLC
5. $7,400,000 Health Science Campus Medical School Renovations

University Returns

1. Interest payments received on investment from the Foundation (1% return) are $1,377,500 greater than if the money remains invested at the current sweep rate (.25%).
2. Net return on $38,000,000 of University short term investments in fiscal year 2013 was only $34,000.
3. Total interest paid to the University is $1,450,000 over the life of the five year loan; assuming no change in bank sweep rates. University is beneficiary of all interest revenues over the life of the loan rather than payments to an unrelated financial institution as illustrated in the chart below.
4. Interest rate will be allowed to float with current bank sweep rates. The scenario assumes bank sweep rate (.25%) plus .75% margin (total 1% return). If sweep rates increase, the University will still return 75 basis points above sweep rate covering any interest rate risk associated with the loan.
5. Projects financed internally allow for significant cost savings. Interest payments savings are more than $3,700,000. Additionally, the University will avoid indirect financing charges such as bank fees, compliance fees, and other legal and professional fees.

The chart below illustrates the savings for the Foundation along with the interest revenue the University is expected to receive over the life of the loan compared to financing from an unrelated financial institution.

	Cardinal Station	North Quad	Dulworth	CCG	Medical School	Totals
If funded through University Loan						
Intercompany Loan Total	8,200,000	6,000,000	3,400,000	4,000,000	7,400,000	29,000,000
Interest Rate	1%	1%	1%	1%	1%	
Total Interest Paid to University	410,000	300,000	170,000	200,000	370,000	1,450,000
If funded through Financial Institution						
Bank Loan Total	8,200,000	6,000,000	3,400,000	4,000,000	7,400,000	29,000,000
Foundation's Average Borrowing Rate	3.61%	3.61%	3.61%	3.61%	3.61%	
Total Interest Paid to Bank	1,479,295	1,082,411	613,366	721,607	1,334,974	5,231,654
Interest Savings	1,069,295	782,411	443,366	521,607	964,974	3,781,654

Exhibit 1 (continued)

Foundation Returns

1. AAF won't have to make debt payments to Republic, interest savings of $156,000 annually. If LIBOR increases, Republic interest rate increases accordingly (annual interest payments can not be less than $156,000 annually).
2. Long term indebtedness covenant structural deficit is reduced by $8,200,000.
3. Foundation will save $3,700,000 in interest payments over the life of the loan (five years).
4. The endowment pool doesn't have to be liquidated to cover these projects. In FY13, Cambridge's return was 11%. Thus, the Foundation's investment return will be $3,190,000 greater than if funded through the endowment pool <u>and</u> spending policy is not reduced (resulting in fewer underwater endowments).

Payment Schedule Exhibit 2

Period	Principal	Interest	Total Pymt	Interest Pymt	Outstanding	Fiscal Yr.	FY Total Pymt
7/1/2014	-	1%	24,167	24,167	29,000,000		
8/1/2014	-	1%	24,167	24,167	29,000,000		
9/1/2014	-	1%	24,167	24,167	29,000,000		
10/1/2014	-	1%	24,167	24,167	29,000,000		
11/1/2014	-	1%	24,167	24,167	29,000,000		
12/1/2014	-	1%	24,167	24,167	29,000,000	FY14	145,000
1/1/2015	-	1%	24,167	24,167	29,000,000		
2/1/2015	-	1%	24,167	24,167	29,000,000		
3/1/2015	-	1%	24,167	24,167	29,000,000		
4/1/2015	-	1%	24,167	24,167	29,000,000		
5/1/2015	-	1%	24,167	24,167	29,000,000		
6/1/2015	-	1%	24,167	24,167	29,000,000		
7/1/2015	-	1%	24,167	24,167	29,000,000		
8/1/2015	-	1%	24,167	24,167	29,000,000		
9/1/2015	-	1%	24,167	24,167	29,000,000		
10/1/2015	-	1%	24,167	24,167	29,000,000		
11/1/2015	-	1%	24,167	24,167	29,000,000		
12/1/2015	-	1%	24,167	24,167	29,000,000	FY15	290,000
1/1/2016	-	1%	24,167	24,167	29,000,000		
2/1/2016	-	1%	24,167	24,167	29,000,000		
3/1/2016	-	1%	24,167	24,167	29,000,000		
4/1/2016	-	1%	24,167	24,167	29,000,000		
5/1/2016	-	1%	24,167	24,167	29,000,000		
6/1/2016	-	1%	24,167	24,167	29,000,000		
7/1/2016	-	1%	24,167	24,167	29,000,000		
8/1/2016	-	1%	24,167	24,167	29,000,000		
9/1/2016	-	1%	24,167	24,167	29,000,000		
10/1/2016	-	1%	24,167	24,167	29,000,000		
11/1/2016	-	1%	24,167	24,167	29,000,000		
12/1/2016	-	1%	24,167	24,167	29,000,000	FY16	290,000
1/1/2017	-	1%	24,167	24,167	29,000,000		
2/1/2017	-	1%	24,167	24,167	29,000,000		
3/1/2017	-	1%	24,167	24,167	29,000,000		
4/1/2017	-	1%	24,167	24,167	29,000,000		
5/1/2017	-	1%	24,167	24,167	29,000,000		
6/1/2017	-	1%	24,167	24,167	29,000,000		
7/1/2017	-	1%	24,167	24,167	29,000,000		
8/1/2017	-	1%	24,167	24,167	29,000,000		
9/1/2017	-	1%	24,167	24,167	29,000,000		
10/1/2017	-	1%	24,167	24,167	29,000,000		
11/1/2017	-	1%	24,167	24,167	29,000,000		

Payment Schedule Exhibit 2 (continued)

Period	Principal	Interest	Total Pymt	Interest Pymt	Outstanding	Fiscal Yr.	FY Total Pymt
12/1/2017	-	1%	24,167	24,167	29,000,000	FY17	290,000
1/1/2018	-	1%	24,167	24,167	29,000,000		
2/1/2018	-	1%	24,167	24,167	29,000,000		
3/1/2018	-	1%	24,167	24,167	29,000,000		
4/1/2018	-	1%	24,167	24,167	29,000,000		
5/1/2018	-	1%	24,167	24,167	29,000,000		
6/1/2018	-	1%	24,167	24,167	29,000,000		
7/1/2018	-	1%	24,167	24,167	29,000,000		
8/1/2018	-	1%	24,167	24,167	29,000,000		
9/1/2018	-	1%	24,167	24,167	29,000,000		
10/1/2018	-	1%	24,167	24,167	29,000,000		
11/1/2018	-	1%	24,167	24,167	29,000,000		
12/1/2018	-	1%	24,167	24,167	29,000,000	FY18	290,000
1/1/2019	-	1%	24,167	24,167	29,000,000		
2/1/2019	-	1%	24,167	24,167	29,000,000		
3/1/2019	-	1%	24,167	24,167	29,000,000		
4/1/2019	-	1%	24,167	24,167	29,000,000		
5/1/2019	-	1%	24,167	24,167	29,000,000		
6/1/2019	29,000,000	1%	29,024,167	24,167	-	FY19	29,145,000
	29,000,000		30,450,000	1,450,000			

3.10.3 fn18

TACTICAL GOALS FOR OFFICE OF PRESIDENT FOR 2014-15
The 2020 Plan: Making it Happen

Tactical Goals for the Office of the President for 2014-15						
No.	Goal	Baseline Performance	Good (1/3) Performance	Better (2/3) Performance	Best (3/3) Performance	Progress Achieved
President						
	Begin Construction of the Belknap Research Park and Lease 2 initial sites		Design interior roadways for site selection and plan infrastructure for underground utilities	Complete connector roadway and begin construction of interior roadway plan; negotiate with GE regarding lease for anchor tenant on Belknap Research Park	Secure final commitment from GE and commitment from at least one other company to lease sites in Park.	**Several models were discussed with community advisers and administrative team. Consultant designed options to bisect the Belknap Research Park or to encircle the park. The circular roadway along the perimeter was selected as the preferred option because it allowed maximum site development for companies located in the park. The planning for underground utilities is complete. There is funding to begin the interior roadway from existing funds, but will take a change order and will reduce funding for some of the aesthetic elements for branding the research park. UofL has submitted a proposal to the Kentucky Cabinet for Economic Development and the Governor for $7MM to implement the interior road plan. No decision has been made on the supplementary funding.** **As stated above, the plan is complete for the infrastructure of the interior arterial road. The connector roadway and bridges are complete and open for traffic. Negotiations with GE about site relocation have been complicated by the announcement of Electrolux**

						purchasing Appliance Park. Until the purchase is approved by GE, Electrolux, and the federal government, UofL cannot proceed any further. In the interim, UofL recruited Underwriters Laboratories (UL) to our emerging institute for product realization (IPR). At this site are GE's 1st Build, UL training institute, Local Motors, and IPR's Engineering Enhancement Garage (EEG)—all three companies are prospects for future development in the Belknap Research Park. **The commitment from GE is pending until a decision about Electrolux is approved by the federal government and the respective shareholders. Discussions with other companies focus on UL, USGS, and others that are in very early stages of interest.** **COMPLETED: Better**
	Implement Floyd Street Corridor Plan to promote commercialization of contiguous land		Initiate Design/ Engineering Services by August and develop construction plans for Floyd Funding; Roundabout and Engineering Pedestrian	Complete demolition of Solae property (silos etc), prepare land for temporary parking; identify highest and best use plan for the property; develop revenue strategy and timetable for building out the	Implement the Floyd Street improvements to Central Avenue; rebrand Warnock gateway as the main entrance to the University; and secure naming donation ($2-5MM) for Welcome/Information Center on the corner of Floyd and Warnock.	**The design/engineering services were identified and approved for a team led by QK4 (engineering)/Stengel-Hill (architectural). Funding was approved effective late FY14. A timeline for the roundabout, Warnock entrance, and plans for the pedestrian overpass is complete. The Cardinal/Brandeis roundabout will be implemented in summer 2016 to accommodate the bus schedules of Manual High School and Noe Middle. More than 80 buses discharge daily between 2:30 and 4:00 and any delayed bus departures significantly affect bus departures for multiple elementary schools later in the afternoon. The logistical preparation for the closure of the Cardinal/Brandeis/Floyd Street intersection will take**

			Overpass as initial projects	property		**nearly 12 months to assure detour implementation goes as smoothly as possible. Planning for the pedestrian overpass between Speed Engineering and the Belknap Research Park is complete and a funding proposal has been submitted to the Governor. Warnock Avenue (between I-65 and Brook Street) implementation will be completed during summer 2015 and open for traffic by late August 2015 prior to opening of Fall term.** **The accepted bid for razing the Solae site was $1.8MM with an option to reduce the cost by sharing in the salvage. ULDC agreed to revenue-share in the salvage, thus reducing the final cost of the demolition and site preparation for temporary parking use to approximately $160,000. There was significant stainless steel throughout the buildings and usable equipment on site that contributed to the salvage revenue. The revenue-share model was a very good outcome. With the help of a senior advisory committee representing the UofL Foundation, the highest and best use was determined to be commercial. Several hotels and corporations have reached out to the ULDC regarding possible land leases and potential buildings. Athletic Administration has expressed a strong intent to relocate to this site as a companion to the commercial development. All developers have stated the presence of Athletic Administration would be an enhancement to their plans. Most recently, representatives of Intercontinental Hotels have inspected the site and expressed preliminary interest. The revenue strategy would be similar to the**

						strategic implementation at ShelbyHurst—land leases to the UofL Foundation and joint venture with a selected (yet to be determined) developer. **The Lynn Soccer Stadium made significant improvement along Floyd Street between the Norfolk-Southern railroad and Central Avenue. ULDC has secured agreement with the Episcopalian Diocese regarding "reversionary rights" to seven acres roughly east of the Lynn Stadium for a practice soccer field between Byrne Street and I-65S. ULDC has made an offer to Metro Parks to assist with relocation of its maintenance facility (approximately two acres at the southern perimeter), which was built in the early 60s and has had very little improvements since then. The Diocese is ready to litigate its reversionary right against the Parks Department for violating the conditions of the use of the Church's land, but the Foundation would prefer to partner with Metro Parks to relocate rather than wait for a lengthy litigious battle. The Church has evidence the Parks Department over the past years has violated the restrictions on the land (to use as a park) by selling parking for Cardinal football games. The University secured $2MM (cash) in philanthropy in December 2014 so funding for the Welcome/Information Center will be immediately available for construction as soon as a practice soccer field is committed. In preparation for changing the name of Warnock Avenue between Crittenden Drive and Brook Street, the ULDC has secured the support of the businesses whose addresses are currently Warnock Avenue. All businesses were very**

						supportive of the name change. ULDC has begun working with Metro Council behind the scenes to proceed with the ordinance to change the designation on the street. Additionally, ULDC is working with General Welding (on the corner of Floyd and Byrne Streets) about trading out land. If this land swap proceeds, the corner across from the Lynn Stadium and the Papa John's Cardinal Stadium could be programmed as green space to improve the aesthetics of the Floyd corridor. COMPLETED: BEST
	Plan revenue strategies that include TIF income, fundraising, and better utilization of university assets to increase funding for centers of academic excellence		Identify targeted areas for fundraising, e.g., heart, A&S, cancer, and other pockets of potential excellence; map out strategies, and begin campaigns	Activate the Belknap Research Park TIF by 12/31/14; work with state and city to identify potential revenue and secure funding; expand northern boundary of Belknap TIF to Burnett & Meriwether and partner with Churchill Downs to extend southern	Work with ShelbyHurst to enhance revenue stream for 700N and 500N. Begin traffic study of Hurstbourne and Shelbyville Road as next phase to further develop park. Plan for total build out of research and office park.	After discussions with Churchill Downs, it appears the corporation has no immediate interest in developing a hotel on property south of Central Avenue between 4th and 3rd until expanded gaming is approved in some form by the Legislature. So, ULDC pursued hotel interest on Floyd Street at the Solae site mentioned earlier. This location has more than 180,000 vehicles pass by daily on the interstate and is likely to increase that number in the future when the Ohio bridges are complete. I-65 dissects the nation and the visibility of any hotel on the Cardinal footprint (former Solae site) is substantial. ULDC moved away from the potential of Churchill Downs as a partner and has begun considering other sites with hoteliers. The TIF for the Belknap Research Park was activated on 12/31/14. Construction data is being collected and shared with the City and State in preparation for a reimbursement in 2016. Working with Metro Council, the TIF was expanded north to Hill Street (made possible

				boundary to Fourth and Central Streets. This will encompass the potential for a jointly developed hotel to serve UofL's research park, UofL's sports facilities, and Churchill Downs.		**because the City decreased the size of the Arena TIF) and east to Meriwether and Brandeis. This expansion has allowed ULDC to target site acquisitions that are attractive to developers. Currently, there is strong interest for building multi-generational housing near UofL. Many other national universities are working with senior living corporations to build these types of residential communities. The northeast area of the Belknap TIF map is the most attractive to these developers.** **Planning for building commercial and office space on ShelbyHurst is complete. The traffic study is finished and drafted by QK4 (the firm that did the original study regarding the extension of Whittington Parkway). The identification of commercial sites along Shelbyville Road frontage and Hurstbourne Parkway frontage is complete and has been designed. The final piece is multi-family designation along Whipps Mill Road. With these three components, the ShelbyHurst Park is completely designed for maximum revenue generation. ULDC has begun, along with its NTS partner, zoning these parcels. Most of the park is already zoned OR-3 (office). The designation to C-2 along Shelbyville Road and Hurstbourne Parkway is underway. Neighborhood meetings have taken place and there has been substantial push-back on multi-family along Whipps Mill. This phase of the development could be postponed for several years if commercial zoning is approved. The ShelbyHurst TIF will need a big boost from new construction to reach its $200MM capital threshold**

						as 700N contributes only about $25MM and 500N will add approximately $27MM toward the capital goal. The leasing on 700N is 99% full and construction on 500N is going vertical. Already, leasing for a corporate headquarters at 500N is in early stages of discussion. Once 500N is complete, it will be necessary to implement recommendations from the traffic study to permit future development on ShelbyHurst. **COMPLETED: BEST**
	Implement plans for entering the Atlantic Coast Conference as of 7/1/2014		Work with Athletic Director Jurich to capitalize on opportunities in the ACC; plan for friend-raising trips to select new ACC schools	Develop budget and plan for new sport programs to meet the needs of ACC competition	Utilize the ACC to promote academic excellence in Athletics as well as throughout the University; associate the historic prominence of UofL with other members of the ACC (ie UVA, etc); and build media relations around the new "neighborhood" of members.	**Working with the Athletic Director, planning for away trips included football schools such as Notre Dame, Clemson, and others. Florida State was a home game and execution of a friend-raising trip to FSU will occur in Fall 2015. Planning for the Chick-fil-a game in Atlanta occurred throughout the spring and the Cardinals will match up with Auburn as the University's opener. The University offered friend-raising trips to Puerto Rico for the men's basketball tournament as well as other trips during the regular season. The major change in the University's ACC schedule has focused on football. Additionally, prior to entering the ACC, the Athletic Director and his staff critiqued each of the University's sports teams and we buttressed the team support where needed. Two specific areas identified were soccer and golf for men's and women's teams. Golf is a major sport in the ACC so the University invested, with the help of the UofL Foundation, in a golf course for the team sport. The golf course will provide the facility for home team and**

						individual matches. It is intended to be tournament quality. With a lead gift from Dr. Mark and Cindy Lynn, a new state-of-the art soccer stadium was built along with training facilities for both teams. The soccer stadium cost approximately $15MM and the golf course has had an investment of nearly $8MM (to date) to enhance the fairways and greens to competitive levels. The University, along with Athletics, hosted the ACC schools' offices of financial affairs and communications and marketing. The relationships forged from these joint meetings (held Derby Week) have great promise for elevating the operations of both units at UofL. The ACC schools praised the planning, the execution, and the substance of these joint conferences and reported they learned much about UofL's successes. The recommendation is to continue with these conferences in an away and home format. Cardinal Athletics purchased a programming trailer, as an ACC requirement, that facilitates the live broadcast on ESPN 93.9FM of any home sports event. Along with Athletics, we sponsored, effective 7/1/15 a radio presence on 93.9FM that includes 1800 (90 sec spot) infomercials/month about Cardinal academic excellence (faculty, staff, and students) throughout the University, and a weekly 30-min. radio show (to be ramped up to daily) with Mark Hebert who will interview and showcase extraordinary talent in our faculty, staff, and students. The programming has just begun and will follow routinely

						any broadcast of a Cardinal sports competition. The intent is to share with listeners the successes of UofL off the field as well as on the field. This a precursor for participation in an ACC cable channel when that is launched by the conference. **COMPLETED: BEST**

Contributions receivable as of June 30, 2015 and 2014 are due to be received as follows (in thousands):

	2015	2014
Less than one year	$ 7,472	$ 6,444
One to three years	10,676	10,503
Greater than three years	12,417	13,744
Subtotal	30,565	30,691
Less discount	(494)	(706)
Less allowance	(3,154)	(2,290)
Net contributions receivable	$ 26,917	$ 27,695

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36 *Recipient Reporting for Certain Shared Nonexchange Revenues*, the University records operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are received.

4. Due From the Foundation

In accordance with the University's agency agreement with the Foundation, the University receives and disburses monies on behalf of the Foundation. The net amount of these receipts and disbursements is recorded as a due to or from the Foundation in the statements of net position. Generally, the receivable or payable is cleared within the subsequent month; however, no formal agreement governs the time period in which payments are to be made.

In June 2014, the University entered into a Memorandum of Agreement with the Foundation to loan the Foundation a total of $29.0 million. The unpaid balance on the receivable bears simple interest equal to 75 basis points greater than the University's cash sweep rate of 25 basis points as of June 30, 2015 and June 30, 2014, respectively. The term of the loan is one year from the final transfer of funds to the Foundation. The June 30, 2014 balance of $5.8 million is recorded within the current Due from the University of Louisville Foundation, Inc. on the statement of net position. As of June 30, 2015 the loan has been completely repaid.

	2016	2015
Less than one year	$ 5,463	$ 7,472
One to three years	16,998	10,676
Greater than three years	10,944	12,417
Subtotal	33,405	30,565
Less discount	(810)	(494)
Less allowance	(2,071)	(3,154)
Net contributions receivable	$ 30,524	$ 26,917

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36 *Recipient Reporting for Certain Shared Nonexchange Revenues*, the University records operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are received.

5. Due From the Foundation

In accordance with the University's agency agreement with the Foundation, the University receives and disburses monies on behalf of the Foundation. The net amount of these receipts and disbursements is recorded as a due to or from the Foundation in the statements of net position. Generally, the receivable or payable is cleared within the subsequent month; however, no formal agreement governs the time period in which payments are to be made.

By memorandum of agreement dated July 1, 2015, the University agreed to loan a total of $38.0 million to the ULREF. The receivable shall be repaid in full or satisfied through other financial instruments within 3 years of the effective date of the agreement, with effective date defined as the date on which the University transfers funds to the ULREF. The unpaid balance on the receivable bears simple interest equal to 75 basis points greater than the University's cash sweep rate. The repayment schedule calls for interest only payments semi-annually and a balloon repayment of any unpaid receivable and interest at the end of the term. The transfer of funding was completed August 7, 2015. The ULREF repaid $28.2 million of the loan during fiscal 2016 leaving a balance of $9.8 million as of June 30, 2016 that is recorded as noncurrent Due from the University of Louisville Real Estate Foundation, Inc. on the statement of net position.

6. Capital Assets, Net

Capital assets as of June 30, 2016 and 2015 are as follows and on the following page (in thousands):

MEMORANDUM
OF AGREEMENT

University of Louisville Receivable from the UofL Real Estate Foundation, Inc.

This Receivable Agreement (Receivable) is dated the 1st day of July, 2015, by and between the UNIVERSITY OF LOUISVILLE (University) and the UNIVERSITY OF LOUISVILLE REAL ESTATE FOUNDATION, INC. (Foundation) as a source of funding for the Foundation activities detailed in <u>Exhibit 1</u>, attached. The Foundation agrees to repay the Receivable according to the terms outline within this document.

This Receivable shall be repaid in full or satisfied through other financial instruments within 3 year(s) ("Term") of the Effective Date of this agreement. The Effective Date shall be defined as the date on which the University transfers $38,000,000 to the Foundation.

The unpaid balance on the Receivable shall bear simple interest equal to 75 basis points greater than the University's cash Sweep Rate (25 basis points as of the Effective Date of this agreement) per annum, compounded semi-annually, with interest-only payments twice a year (December and June), with a balloon repayment of any unpaid receivable and interest at the end of the Term of the agreement. The Foundation shall reserve the right to make additional payments at any time during the Term of the Receivable thereby reducing future principal and interest payments. All additional payments will be first applied to unpaid interest and then to outstanding principal. <u>Exhibit 2</u>, Payment Schedule, represents the annual financial obligations of the Foundation in the event no Receivable pre-payments are made toward the outstanding balance.

<u>Payment Schedule Exhibit 2</u> will be revised should the Foundation make additional payments towards the Receivable during the Term outlined above.

The Foundation will use income generated from the activities detailed in <u>Exhibit 1</u>, among others, as the source of funds to make the required payments on the Receivable.

Payments from the Foundation to the University will be wired to the University on, or before, the payment dates described above.

University of Louisville	**University of Louisville Real Estate Foundation, Inc.**
BY: [signature]	BY: [signature]
NAME: James R. Ramsey	NAME: R. Jason Tomlinson
TITLE: President	TITLE: Assistant Treasurer

Exhibit 1

Use of Funds: $6,200,000 to cover matching funding of the Belknap Research & Technology Park Connector project
$4,500,000 in matching funds for the Floyd & Warnock Streetscapes project
$3,200,000 estimated purchase price for K&I Lumber
$500,000 to pay UofL Counseling's Cardinal Station lease fit-out expenditures
$1,400,000 estimated construction costs for the Speed/UL AMCC space
$22,000,000 ULREF line of credit principal payment to ULF

The chart below illustrates the savings ULREF will achieve along with interest revenue the University is expected to receive over the life of the loan compared to financing from an unrelated financial institution. .

	UHI Line of Credit Pymt	Belknap Connector	Floyd/ Warnock Streetscapes	K&I Lumber Purchase	Counseling Lease Fit-Out	AMCC Capital & Construction	Total
If funded though the University							
Intercompany Loan Total	22,000,000	6,200,000	4,500,000	3,200,000	500,000	1,600,000	38,000,000
Interest Rate*	1%	1%	1%	1%	1%	1%	1%
Annual Interest Paid to the University	220,000	62,000	45,000	32,000	5,000	16,000	380,000
If funded through a Financial Institution							
Bank Loan Total	22,000,000	6,200,000	4,500,000	3,200,000	500,000	1,600,000	38,000,000
ULREF's Estimated Borrowing rate**	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Annual Interest Paid to Financing Insitution	495,000	139,500	101,250	72,000	11,250	36,000	855,000
Annual Interest Savings	275,000	77,500	56,250	40,000	6,250	20,000	475,000

*Assumes no change in interest rates. However, if interest rates increase, ULREF payments to the University increase proportionately.
**Based on 220 Preston, LLC financing (only closed ULREF financing project to date). LIBOR plus 150 basis points

Intercompany Financing Benefits

1. Interest payments received annually from ULREF will be $285,000 greater than if the funds remain invested at the current sweep rate (.25%).
2. Annual interest payments, estimated at $380,000, will be made to the University rather than to an unrelated financial institution.
3. The stated interest rate in the agreement will float with current market rates. If interest rates increase, the University will still earn 75 basis points above their current bank sweep rate mitigating any interest rate risk associated with the funding.
4. Projects financed internally allow for significant cost savings. Interest payment savings achieved by ULREF will be approx. $2.4 million over the term (5 yrs.) of the proposed agreement.

Exhibit 2

Payment Schedule

Period	Funds Drawn/(Paid)	Interest	Principal Pymt	Period Interest	Pymt Totals	Total O/S
6/30/2015	38,000,000	1%	-	-	-	38,000,000
12/31/2015	-	1%	-	190,000	(190,000)	38,000,000
6/30/2016	-	1%	-	190,000	(190,000)	38,000,000
12/31/2016	-	1%	-	190,000	(190,000)	38,000,000
6/30/2017	-	1%	-	190,000	(190,000)	38,000,000
12/31/2017	-	1%	-	190,000	(190,000)	38,000,000
6/30/2018	-	1%	-	190,000	(190,000)	38,000,000
12/31/2018	-	1%	-	190,000	(190,000)	38,000,000
6/30/2019	-	1%	-	190,000	(190,000)	38,000,000
12/31/2019	-	1%	-	190,000	(190,000)	38,000,000
6/30/2020	(38,000,000)	1%	-	190,000	(190,000)	-
	-		-	1,900,000	(1,900,000)	

Benefits to University of Louisville of Loans Made to the University of Louisville Foundation (ULF) and the University of Louisville Real Estate Foundation (ULREF) (as outlined in the Memoranda of Agreement)

Date	Benefit to the University of Louisville
2014	1. Interest payments received on investment from the Foundation (1% return) are $1,377,500 greater than if money remains invested at the current sweep rate (.25%).
	2. Net return on $36,000,000 of University short term investments in fiscal year 2013 were only $34,000.
	3. Total interest paid to the University is $1,450,000 over the life of the five year loan, assuming no change in bank sweep rates. University is beneficiary of all interest revenues over the life of the loan rather than payments to an unrelated financial institution
	4. Interest rate will be allowed to float with current bank sweep rates. The scenario assumes bank sweep rate (.25%) plus .75% margin (total 1% return). If sweep rate increases, the University will still return 75 basis points above the sweep rate covering any interest rate risk associated with the loan.
	5. Projects financed internally allow for significant cost savings. Interest payment savings are more than $3,700,000. Additionally, the University will avoid indirect financing charges such as bank fees. Compliance fees, and other legal and professional fees.
2015	1. Interest payments received annually from ULREF will be $285,000 greater than if the funds remain invested at the current sweep rate (.25%).
	2. Annual interest payments, estimated at $380,000, will be made to the University rather than to an unrelated financial institution.
	3. The stated interest rate in the agreement will float with current market rates. If interest rates increase, the University will still earn 75 basis points above the current bank sweep rate mitigating any interest rate risk associated with the funding.
	4. Projects financed internally allow for significant cost savings. Interest payment savings achieved by ULREF will be approx. $2.4 million over the term of the proposed agreement.


UNIVERSITY OF
LOUISVILLE
Board of Trustees Orientation
Leslie Chambers Strohm,
Vice President for Strategy and General Counsel University of Lo
UNIVERSITY of LOUISVILLE
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Key Points

- The Fiduciary Duty of the Board of Trustees
- The Multifaceted Nature of the University and Shared Governance
- The Role of CPE – the Council on Postsecondary Education
- What it Means to Be "Public"
- Related Organizations

Charge from the Governor – E.O. 2016-338

The UofL Board of Trustees is charged with the responsibility of:

- Securing
- Governing
- Managing
- Overseeing
- Being Responsible For

all aspects of the University of Louisville in a fiduciary capacity.

Fiduciary Duty

- **Duty of Care**
  - Attend Meetings, Stay Informed
  - Make Decisions with Good Faith, Ordinary Care and Prudence
- **Duty of Loyalty – Act for Benefit of University**
  - Refrain from Usurping University Opportunities for Personal Gain
  - Avoid Engaging in Interested Transactions without Appropriate Approval
  - Maintain the University's Confidential Information
- **Duty of Disclosure**
  - Disclose Material Information Within Your Control Before Voting on an Action
  - Section 4.1 of the By-Laws

Fiduciary Duty and Reliance

- A trustee is entitled to rely on information, reports and opinions prepared or presented by:
  - Officers and employees whom the trustee reasonably believes to be reliable and competent in the matters presented; and
  - A committee of the board if the trustee reasonably believes the committee merits confidence.

UNIVERSITY OF LOUISVILLE.

Powers of the Board

Key Powers of the Board:

- Standard powers of "body corporate"
  - Acquire and Dispose of Property, Borrow Money, Enter into Agreements
- Appointment and removal of faculty and administrators
- Administration of revenues/approval of budget
- Issuance of revenue bonds
- Conferring of degrees
- Evaluation of university's progress in meeting its mission and goals

E.O. 2016-338 and KRS 164.830

The University Is Multifaceted

The University has Many Constituents:

- Students, Parents, Faculty, Staff, and Alumni
- Patients
- State and Local Government
- Business Partners
- Community Partners
- Citizens of the Commonwealth

The University Fulfills its Mission in Various Ways

- Education & Research
- Patient Care
- Public-Private Partnerships
- Community Engagement
- Community Service

UNIVERSITY OF LOUISVILLE.

The University Is a Small City

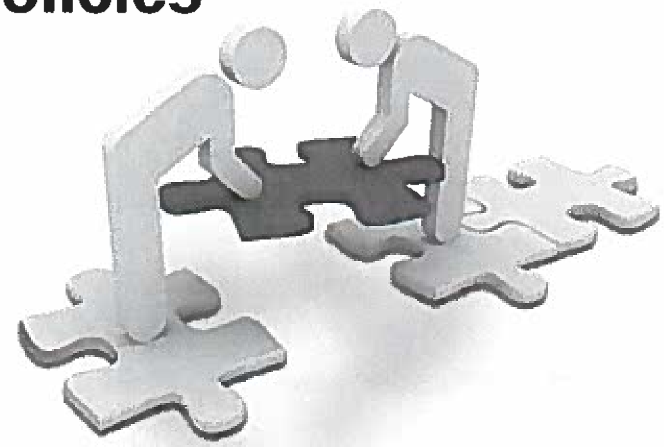
The University:

- Is home to thousands of residents
- Features restaurants, shops, art galleries, gymnasiums
- Offers a variety of performing arts and athletic events
- Has a planetarium
- Maintains roads and a power plant
- Is protected by its own law enforcement agency

LOUISVILLE.

The University Operates Through Shared Governance

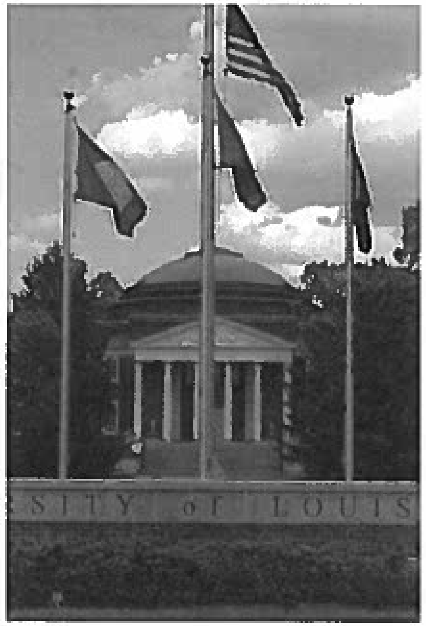
- Interdependence - Among the Board of Trustees, Administration, Faculty, Students, Staff and Others
- Effective Communication
- Campus-wide Involvement in Important Decisions
  - The selection of key administrators
  - The preparation of the budget
  - The determination of educational policies
- The Redbook



Kentucky Council on Postsecondary Education

Kentucky Council on
Postsecondary Education

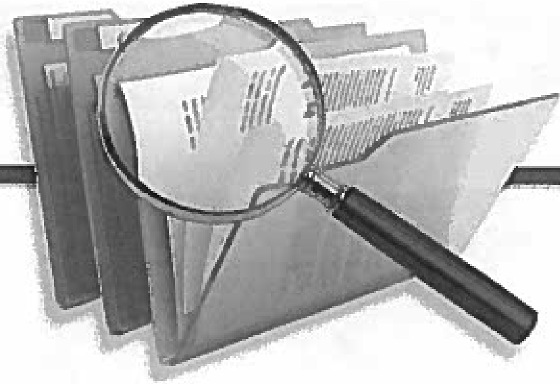
- 15 voting members + commissioner of education
- Develop a strategic agenda + implementation plan
- Develop a system of accountability
- Submit a biennial budget request
- Determine tuition rates
- Set minimum admissions req.
- Approve academic programs
- Approve mission
- Develop a comprehensive 6-hour orientation and education program for trustees



UofL is Public

- Accountability and transparency
  - Conflicts of interest
    - KRS 45A.340
    - By-Laws of Board of Trustees
    - Redbook
    - Institutional Conflict of Interest Policy
    - Annual Disclosure Form
  - Public Records
  - Open Meetings
- First Amendment

Public Records



- "Public records" include

  all documentation regardless of physical form . . . prepared, owned, used, in the possession of or retained by a public agency.

- "Public agency" includes UofL.
- Records shall be provided within 3 days, absent good reason for the delay.

Public Records Requests

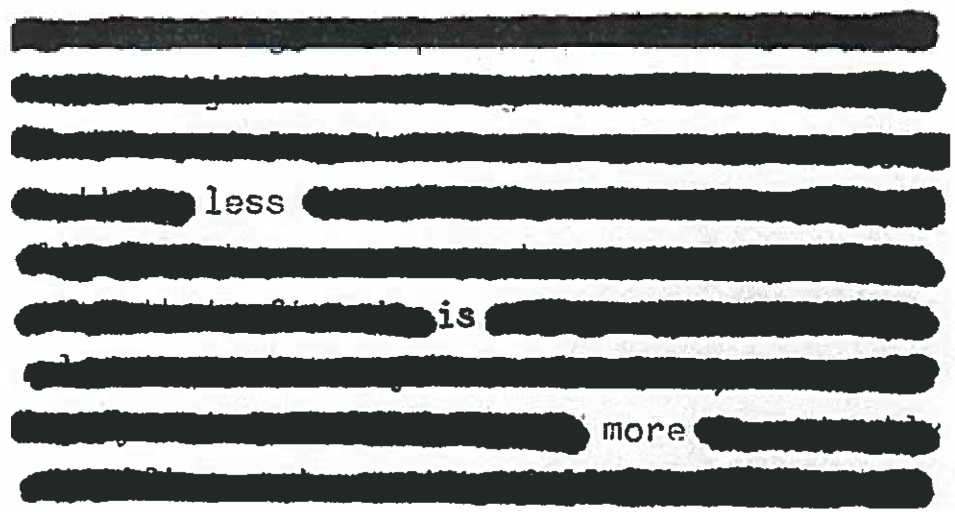
- **600 Requests Received in 2015**
- **On Similar Pace for 2016**
- **Examples:**
  - **All Records Related to UofL's Accreditation since 2007**
  - **Records indicating the Number of Concussions Received by our Athletes in All Sports in Each of Past 5 Years**
  - **All Trustee Conflict of Interest Disclosure Statements**

Confidential Records Exempt from Disclosure

1. Student education records -- FERPA
2. Confidential healthcare information
3. Test questions and scoring keys
4. Records of law enforcement agencies
5. Antiterrorism plans
6. Preliminary drafts
7. Records containing personal information which, if disclosed, would constitute an unwarranted invasion of privacy

Redaction

If public material and confidential material is commingled, the public agency must separate out the confidential information and make the rest available.



Open Meetings

- Applies to Meetings of a Quorum of the Board at which Public Business is Discussed or Action is Taken
- Applies to Committees
- Permits Public Attendance
- Requires Prior Notice to Public
- Requires Minutes be Kept

First Amendment

The First Amendment to the Constitution prohibits the government, including public universities, from encroaching on free speech.

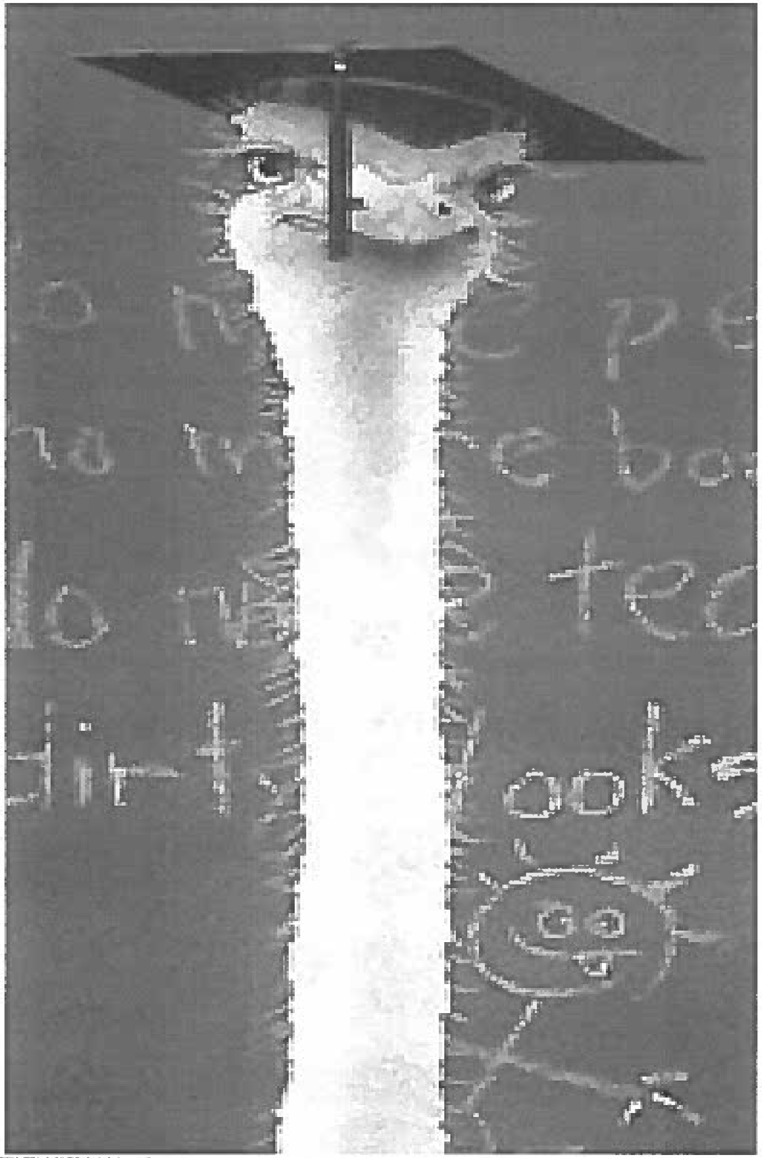
- Reasonable time, place, and manner restrictions may be imposed on speech

- Regulating speech based on its content, with certain exceptions like "fighting words" and "obscenity," is deemed to be a violation of the First Amendment.

Related Organizations

- University of Louisville Foundation, Inc.
- University of Louisville Research Foundation, Inc.
- University of Louisville Athletic Association, Inc.

Cerebral, Serene



UNIVERSITY OF
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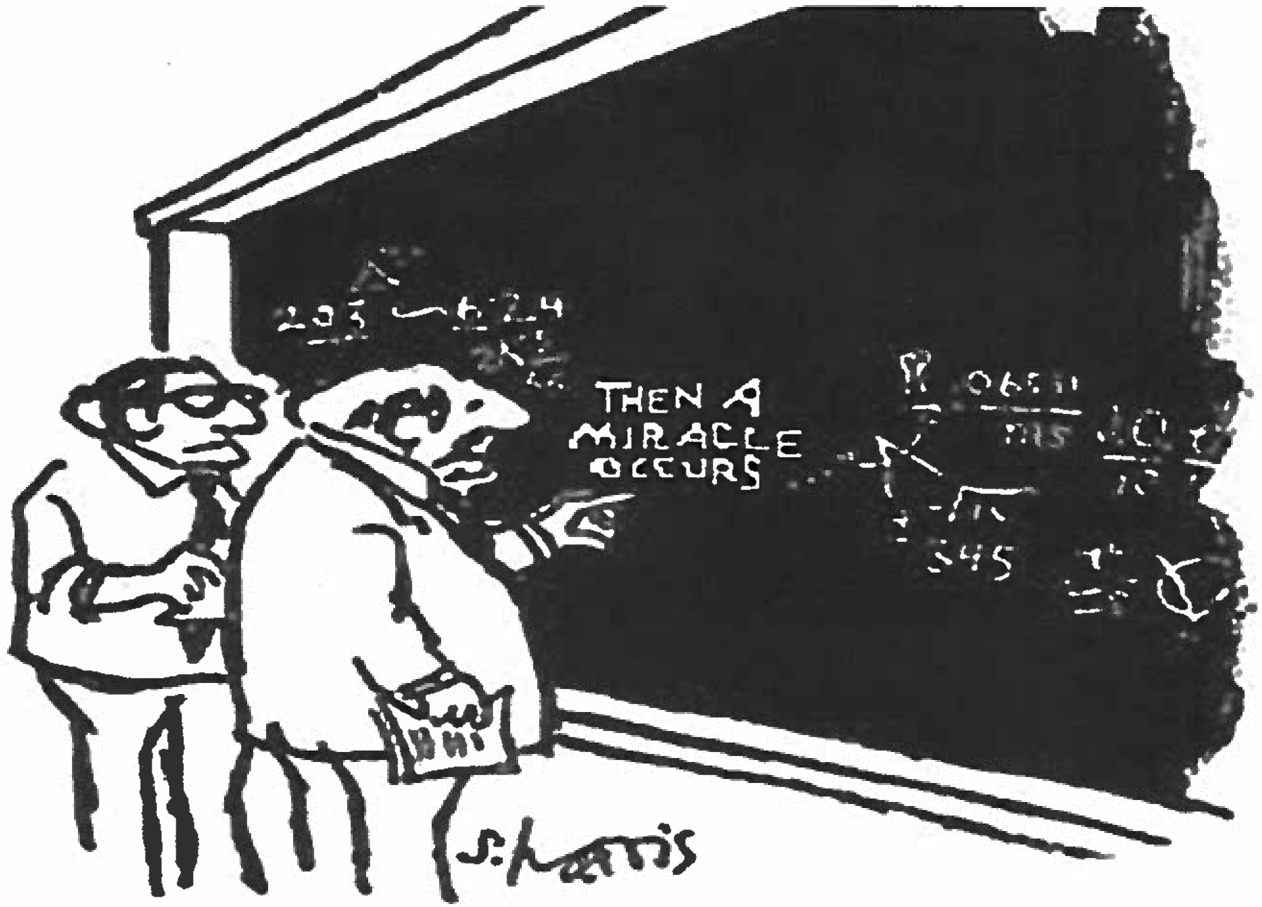
Our Job

- Triage officers
- Deal makers
- Negotiators
- Regulatory advisors
- Sounding boards
- Obstacle clearers
- Solution finders
- Jugglers
- Balancers

Finding Solutions



"I think you should be more explicit here in step two."

3.10.3 fn24

UNIVERSITY OF LOUISVILLE
FOUNDATION

Board of Directors Orientation

December 21, 2016

Topics Of Discussion

1. Conflict of Interest
2. Overview of By-laws
3. Open Meetings & Open Records Act

UNIVERSITY OF LOUISVILLE
FOUNDATION

Conflict of Interest

Conflict of Interest

Discussion

UNIVERSITY OF LOUISVILLE
FOUNDATION

Overview of By-laws

By-laws

Purpose

ULF is a not-for-profit organization whose work is exclusively for the charitable and educational purposes of the University of Louisville

By-laws

1. No income or property of ULF can inure to the private profit of any donor, member, trustee or individual.

Also, the Foundation cannot:

1. Directly or indirectly engage in propaganda.
2. Attempt to influence legislation.
3. Participate or interfere in any political campaign on behalf of any candidate for public office.
4. Engage in self-dealing or retain any excess holdings, make any investments, or taxable expenditures that subjects ULF to corporate tax.

By-laws

Board of Directors

Charge

Manage the property and affairs of ULF

Composition

15 Directors: Ex-Officio (1), Trustee Directors (4), and At-Large Directors (10)

By-laws

Ex-Officio Director

President of the University of Louisville

Serves as a voting member of the Board

The Ex-Officio Director shall at all times be the University of Louisville President

Vacancy

Shall not be filled until such time as a successor is named as the University President

By-laws

Trustee Directors

Four persons who are members of the University of Louisville Board of Trustees

The Chairman of the Board of Trustees shall appoint Trustee Directors

Vacancy

Shall be filled by the person serving as the Chairman of the Board of Trustees at the time the vacancy occurs

Newly appointed director shall serve the remaining term of the Director who resigned

By-laws

At-Large Directors

10 Persons

At-Large Directors must be interested in the mission and welfare of the University of Louisville

They must NOT be a Trustee, Officer or Employee of the University

OR

hold any elective or appointive office in the Commonwealth of Kentucky, or any agency, instrumentality or political subdivision of the Commonwealth

By-laws

At-Large Directors

At-Large Directors shall be elected by a majority vote of the incumbent Directors

At-large candidates are proffered by the members of the Nominating Committee

Vacancy

Shall be filled by a majority vote of the remaining Directors

Newly elected directors shall serve the remaining term of the Director who resigned

By-laws

ULF Committees

6 Standing Committees

1. Executive Committee
2. Finance Committee
3. Nominating Committee
4. Development Cabinet
5. Property Committee
6. Audit Committee

By-laws

Meetings

<u>3 Different Types of Meetings</u>

1. Annual Meeting (1) –September
   - At the annual meeting the Board elects officers and the Executive Committee to serve for 1 year terms
2. Regular Meetings (3) –March, June & December
3. Special Meetings (Called by Chair or President)
   - Or at the request of 3 or more Directors

By-laws

Quorums & Voting

Quorum = A majority of the Board where more than half are At-Large Directors

Committee Quorums

Quorum = A majority of the Committee where more than half are At-Large

Exception is: Nominating Committee where ALL members must be present to select and recommend At-Large Directors

By-laws

Article V- Sundry Provisions

Compensation of Officers and Employees

Compensation due from the Corporation to any person shall be fixed by resolution of the Board of Directors

Indemnification

Shall, to the full extent possible under Kentucky statute, indemnify each Director and officers of Corporation for legal fees, expenses, judgement, taxes, fines, settlement amounts, inured as the result of being a Director or Officer of ULF

By-laws

Article VI- Amendment of By-laws

The Board of Directors can amend, repeal or adopt new by-laws by a 2/3rd vote of the full Board of Directors

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Open Meetings

Open Meetings

When Must A Meeting Be Open

- Any gathering of a quorum of the Board or of any Committee
  - A meeting need not be in person
  - Can be regular, special, informational, or casual gathering held in anticipation of a regular or special meeting
- If public business is discussed or any action taken, the meeting must be "open" subject to certain limited exceptions

Open Meetings

Quorums

- Quorum: A majority of the Board or Committee where more than half attending are At-large Directors, except for the Nominating Committee where all members must be present to select and recommend At-Large Directors
- Can't arrange a series of meetings of less than a quorum where, if held together, would have constituted a quorum

But individual meetings can take place where the purpose is to educate individual members on a specific issue

Open Meetings

Requirements

- Time and place conducive to public viewing
- At least 24 hour advance notice to public and media that have requested such notices (media can record and/or broadcast)
- Notice includes: date, time, place and agenda
- Discussion and action at the meeting shall be limited to items listed on the agenda in the notice
- Minutes must be taken and available no later than immediately after next public meeting

  - *Right to attend is to view and listen; doesn't grant right to participate*

Open Meetings

13 Open Discussion Exceptions

(APPLICABLE):

- Property purchase or sale that, if discussed publicly, would likely affect the value of the property
- Proposed or pending litigation against or on behalf of agency
- Personnel matters that might lead to the appointment, discipline or termination of an employee
- Discussions between agency and another business regarding a specific proposal where, if discussed publicly, would jeopardize the siting, retention, expansion, or upgrading of the business

UNIVERSITY OF LOUISVILLE
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Open Records Act

Open Records Act

What Are The Requirements?

- "Public record" includes (among other records): paper records, recordings, software, emails, databases, electronically-created or stored information that is "prepared, owned, used, in the possession of or retained by a public agency."
- Must produce or make available for inspection
  - Inspection must be at reasonable time and place
  - If produced, can charge for copying

Do not need to compile information or create a document that doesn't exist

Open Records Act

Production Process

- Public must submit a written request, describing desired information with particularity
- Agency must respond within three business days, excluding holidays
  - Three days begins the day after request is received
- If request sent to wrong agency, or custodian, agency must notify requester and let them know who has it and provide contact information of correct custodian
- If record not available because it's in use or in storage, and can't be made available in three days, then must explain that and make it available as soon as possible
- If production would be unduly burdensome then must explain that "by clear and convincing evidence"

Open Records Act

14 Exceptions to Production

(APPLICABLE):

- Personal in nature and would create invasion of privacy (i.e. address)
- Confidential and compiled and maintained for scientific research
- If disclosure would create an unfair commercial advantage to competitors to entity that disclosed records to the Agency
- Pertain to prospective location of a business that hasn't already said it wants to be in, expand or relocate in KY

Open Records Act

14 Exceptions to Production Continued

- Public records or information the disclosure of which is prohibited or otherwise made confidential (i.e. records subject to attorney-client privilege)
- Real estate appraisals, engineering or feasibility estimates made in the course of acquiring property—until acquired.
- Preliminary documents including drafts, notes correspondence with private individuals, recommendations and preliminary memos in which opinions are expressed or policies formulated

Open Records Act

Since September 26, 2016 the Foundation has responded to 21 open record requests and has produced approximately 4,500 pages of records.

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Questions?

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Thank you!